



## AGENDA ITEM NO.

### Report Cover Sheet

<b>Name of Meeting:</b>	Executive
<b>Date of Meeting:</b>	10 <sup>th</sup> December 2007
<b>Report Title:</b>	Approval of Housing Revenue Account base estimates revised 2007/08 and original 2008/09
<b>Summary of report:</b>	This report sets out the latest projections for the Housing Revenue Account estimates in respect of 2007/08 and 2008/09
<b>For Further Information Please Contact (report author):</b>	Sandra Jones
<b>Would the recommended decision be contrary to the Policy Framework:</b>	No
<b>Would the recommended decision be contrary to the Budgetary framework:</b>	No
<b>Wards of the District directly affected by this decision:</b>	All
<b>Key Decision?</b>	Yes
<b>Included within the Forward Plan?</b>	Yes – Ref: 50
<b>Is the report Private &amp; Confidential</b>	No
<b>Background Papers:</b>	Executive 23 July 2007 – Budget Process and Prospects

### Consultation Undertaken

Below is a table of the Council's regular consultees. However not all have to be consulted on every matter and if there was no obligation to consult with a specific consultee they will be marked as n/a.

Consultees	Yes/ No	Who
Other Committees	n/a	
Ward Councillors	n/a	
Portfolio Holders	Yes	Councillor Michael Doody
Other Councillors	n/a	
Warwick District Council recognised Trades Unions	n/a	
Other Warwick District Council Service Areas	n/a	
Project partners	n/a	

Parish/Town Council		
Highways Authority	n/a	
Residents	n/a	
Citizens Panel	n/a	
Other consultees	n/a	
<b>Officer Approval</b> With regard to officer approval all reports must be approved by the report author's relevant director, Financial Services and Legal Services.		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Relevant Director(s)	13 Nov 2007	Mike Snow
Chief Executive	19 Nov 2007	Chris Elliott
CMT	19 Nov 2007	CMT
Section 151 Officer	19 Nov 2007	Mary Hawkins
Legal	19 Nov 2007	Simon Best
Finance	n/a	Finance Report
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision please set out below)</b>		

## **1. RECOMMENDATIONS**

### **1.1 To recommend to Council:**

- (a) the revised base budget revenue estimate for the Housing Revenue Account services in respect of 2007/08 as outlined in Appendix 'B'; and
- (b) the base budget revenue estimate for the Housing Revenue Account services in respect of 2008/09 as outlined in Appendix 'B'.

## **2. REASONS FOR RECOMMENDATIONS**

### **2.1 The Council is required to determine its budget requirements in order to set Council Housing Rents for 2008/09.**

### **2.2**

- Section 5 - Background
- Section 6 - Base Budgets
- Section 7 - 2008/09 Base Estimates
- Section 8 - Revised Estimates 2007/08
- Section 9 - Summary
- Appendix A - Analysis of Budget Movements from 2007/08 to 2008/09
- Appendix B - Revenue Estimates
- Appendix C - Variations from Original 2007/08 Estimates
- Appendix D - Inflation Factors 2008/09 Budget

## **3. ALTERNATIVE OPTIONS CONSIDERED**

### **3.1 The purpose of this report is to produce estimates as determined under the requirements of the Financial Strategy. Any alternative strategies will be the subject of separate reports.**

## **4. POLICY AND BUDGET FRAMEWORK**

### **4.1 The revenue estimates have been compiled in order to comply with the requirements of the Financial Strategy.**

## **5. BACKGROUND**

- 5.1 At its meeting on 23<sup>rd</sup> July 2007 the Executive considered a framework for a financial strategy and the Budget 2008/09 Prospects and Process.
- 5.2 The broad action plan adopted by the Council is as follows:
- The service plan process including the identification of possible service growth items, efficiency savings and possible service reduction proposals, is the integrated business planning process adopted by the authority.
  - Detailed preparation of fees and charges to be considered by Members in October 2007.
  - Use of the base budget process, which includes a detailed analysis of all items in the budget and forms the major part of this report.
  - Deliver the political process of considering options, consulting on options and making proposals.
- 5.3 This report presents the proposed Base Budget for the Housing Revenue Account for 2008/09. These figures reflect the costs of maintaining the current level of service, and any unavoidable changes in expenditure (for example, where the Council is contractually or statutorily committed to incur additional expenditure). The report also considers the current year's budget, and includes details of proposed revision to the 2007/08 Budget.
- 5.4 Alongside the preparation of the Estimates, the 2008/09 Service Area Plan is being developed. Possible service enhancements and service reductions are being identified for consideration and prioritization by the portfolio holder.
- 5.5 The effects of "Building on Excellence" have not been incorporated within this report. The result of any changes will be included in the February report referred to below.
- 5.6 In February all the following information should be available:
- 2008/09 Base Budget
  - 2008/09 Housing Subsidy Determinations.

The Council will be in a position to agree the 2008/09 housing Revenue Account Budget and to set Council Housing Rents.

## 6. BASE BUDGETS

- 6.1 The proposed Base Budgets for the 2008/09 Estimates and the 2007/08 Revised Estimates are shown below. Section 7 of this report considers the 2008/09 Base Estimates, with Section 8 looking at the 2007/08 Revised figures.

	ESTIMATE 2007/08 £'000	REVISED 2007/08 £'000	ESTIMATE 2008/09 £'000
Net Surplus on Housing Revenue Account	(961)	(1,834)	(1,953)
Net Cost of Supervision & Management Service Expenditure included in above	4,298	4,457	4,369

## 7. 2008/09 BASE ESTIMATES

- 7.1 In preparing the 2008/09 Base Estimate the over-riding principle is to budget for the continuation of the service at the existing level. The following adjustments need to be made to the 2007/08 Original Estimates.

- Removal of any one-off and temporary items
- Addition of inflation
- Addition of previously agreed Growth items
- Addition of unavoidable Growth items
- Inclusion of any identified savings

- 7.2 The tables below summarise how the 2008/09 base budget has been calculated. Appendix 'A' gives more details to support this.

	£	£
<b>ORIGINAL ESTIMATE HOUSING REVENUE ACCOUNT 2007/08</b>		<b>(960,500)</b>
Inflation		(521,100)
Committed Growth:		44,900
Savings		(489,700)
Income		(14,200)
Adjust for Capital Financing Charges		(22,800)
Adjust for changes in Support Service Recharges		73,500
Adjust for FRS 17 charges		(63,500)
<b>ORIGINAL ESTIMATE HOUSING REVENUE ACCOUNT 2008/09</b>		<b>(1,953,400)</b>
<b>ORIGINAL ESTIMATE SUPERVISION &amp; MANAGEMENT 2007/08</b>		<b>4,297,900</b>
Inflation		48,900
Committed Growth:		10,600
Staffing Changes		(29,900)
Savings		(29,800)
Adjust for changes in Support Service Recharges		8,100
Adjust for FRS 17 charges		63,500
<b>ORIGINAL ESTIMATE SUPERVISION &amp; MANAGEMENT 2008/09</b>		<b>4,369,300</b>

### 7.2.1 Inflation

A basic rate of inflation of 3% has been applied to most budgets. Further specific indices have been applied to appropriate budgets as shown within Appendix 'D'. Some items of expenditure are projected to increase well above 3%. These include notably fuel costs again.

### 7.2.2 Staffing

Costs have reduced due to various staff changes. The increase in the employer's superannuation rate for 2008/09 will add approximately £15,800 on the Housing Revenue Account as agreed by members in February 2005.

### 7.2.3 Growth

Only unavoidable and previously committed growth has been included in the Base Budget.

### 7.2.4 Savings

Various savings have been allowed for within the Budget. These include the one-off items included within the 2007/08 Budget, along with a range of other savings.

### 7.2.5 FRS17 Adjustments

Financial Reporting Standard 17 (FRS) requires an authority to recognise the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council rents is based on the cash payable in the year, so the real cost of retirement benefits is reversed out.

## 7.3 Appendix 'B'

7.3.1 A summary of the budgets showing net expenditure or net income for the Council's Housing Revenue Account is attached at Appendix 'B'.

## 7.4 Appendix 'C'

7.4.1 Appendix 'C' is a brief summary of the main changes affecting the Housing Revenue Account services detailed in Appendix 'B'.

7.4.2 Appendix 'C' is arranged to show, over two columns, the changes that have occurred between:

- (i) Original Estimate 2007/08 (the Base Budget)  
to  
Revised Estimate 2007/08 (Revised)  
(First column of figures)

and

- (ii) Original Estimate 2007/08 (the Base Budget)  
to  
Original Estimate 2008/09 (Estimate)  
(Second column of figures)

7.4.3 Members have previously expressed concern about the confusing nature of explanations in Appendix 'C' that relate to two areas:

- Capital Financing
- Movements in support service charges

7.4.4 In order to keep a complete picture of the movements on the budgets it is regarded as important still to include those lines in the explanations for each service. However, it is recognised that both of these areas are not directly controllable budgets for the service concerned. In order that these can be more easily identified, they are shown in italics for each area of explanation and moved to appear as the last lines for each service.

7.5 Appendix 'D' lists the various inflation factors used in the budget process.

## **8. REVISED ESTIMATES 2007/08**

8.1 A review of the 2007/08 budget has also been carried out in order to establish revised estimates for the current year. Appendix 'B' provides an analysis of net expenditure by service in Portfolio groupings.

8.2 The revised estimates for the Housing Revenue Account forecast a surplus of £1,834,000 which is an increase of £0.9m compared with the originally approved estimate for 2007/08 of £960,500.

8.3 The revised estimates for Supervision and Management service expenditure total £4,456,700 which is an increase of £0.2m compared with the originally approved estimate for 2007/08 of £4,297,900.

8.4 The main reasons responsible for these increases are identified in Appendix 'C', which can be summarised as follows:

	£	£
<b>ORIGINAL ESTIMATE HOUSING REVENUE ACCOUNT 2007/08</b>		<b>(960,500)</b>
Plus Committed Growth:		
- Increases in Expenditure	30,000	
- Reduced Income	<u>22,900</u>	52,900
Less Savings:		
- Increases in Income	(393,200)	
- Reductions in Expenditure	<u>(575,800)</u>	(969,000)
Adjust for indirect items:		
- Changes in Support Service Recharges	182,600	
- Changes in Capital Financing Charges	(82,400)	
- FRS17 Adjustments	<u>(57,600)</u>	42,600
<b>REVISED ESTIMATE HOUSING REVENUE ACCOUNT 2007/08</b>		<b><u>(1,834,000)</u></b>
 <b>ORIGINAL ESTIMATE SUPERVISION &amp; MANAGEMENT 2007/08</b>		 <b>4,297,900</b>
Plus Committed Growth:		
- Increases in Expenditure	<u>26,700</u>	26,700
Less Savings:		
- Reductions in Expenditure	<u>(103,600)</u>	(103,600)
Adjust for indirect items:		
- Changes in Support Service Recharges	178,100	
- FRS17 Adjustments	<u>57,600</u>	235,700
<b>REVISED ESTIMATE SUPERVISION &amp; MANAGEMENT 2007/08</b>		<b><u>4,456,700</u></b>

8.5 The comments made in paragraph 7.3 concerning the content of Appendix 'B' are equally applicable to the information provided in respect of the Revised Estimates.

8.6 The 2007/08 Revised position is broadly in line with the regular budget monitoring that continues to take place throughout the year.

## 9. SUMMARY

9.1 The proposed 2007/08 Housing Revenue Account Revised estimates will present a surplus over the Original Estimate of £873,500, after accounting for

the increase expenditure of £158,800 for Supervision and Management costs.

- 9.2 This report, in considering the 2007/08 Revised Estimates constitutes the third monitoring report for the year presented to Members.
- 9.3 The proposed 2008/09 Base Budget presents an overall reduction in the Council's expenditure in continuing to provide Housing services and meet it's commitments.
- 9.4 No service enhancements or reductions have been included in the Estimates. By the time of the Executive meeting on 11 December it is hoped that the draft Housing Subsidy Determination for 2008/09 will have been received. Members will be updated at the meeting on any variations to the overall position for 2008/09.