
Report to Scrutiny Committee

Date of Meeting: 13 January 2011

Subject: Budget Monitoring October 2010 - HRA

Report by: Accountancy Manager

1.0 Purpose

- 1.1 This paper details spend on the Housing Revenue Account for the current financial year 2010/11 as at end of October 2010 together with a forecast spend for the year.
- 1.2 The paper is presented in a similar format to the revised reporting arrangements adopted in relation to the General Fund revenue services, and reflects recent improvements made to the reporting arrangements for preparing and presenting financial monitoring information to elected members and senior officers of the Council.
- 1.3 Appendix 1 to this paper sets out the annual budget for each main area of spend. Budgeted and actual spend for the seven months to 31st October are shown together with projected outturns for the full year which have been prepared following discussions with Service managers.

2.0 Recommendations

- 2.1. The Committee is asked to note the current position within each of the constituent areas of the Housing Revenue Accounts and related forecast for the year.
- 2.2. The Committee is asked to agree the management actions
- 2.3. The Committee is invited to comment on the changes to the reporting arrangements and level of analysis provided.

3.0 Considerations

- 3.1 Annex 1 to this paper sets out the estimate and projected outturn for each service area of HRA together with budgeted and actual expenditure for the seven months to 31st October. Supervision and Management is included as one line in the summary with further analysis provided separately. The HRA actual net income position to the end of October is recording a favourable

position of £948k compared to where we would expect to be at that stage in the year.

3.2 This position is in contrast to a projected net favourable position of £103K by the end of the year.

3.3 The following table provides an overview of the position within each service area.

Service	Actual to 31.10.10 (under)/over	Projected 31.03.11 (under)/over	Commentary
Repairs & Maintenance	(£368k)	£306k	<p>Internal invoicing of repairs work by our Statutory Trading Operation, Property Contracts and subsequent approval of works by Housing is running behind schedule at present. As a result, there is an underspend currently recorded at the end of October of £368k.</p> <p>Based on Housing's assessment of committed spend to date, and current pattern of general maintenance expenditure it is expected that the present underspend will be transformed into an overspend of £306k at the year-end. This overspend is almost entirely down to the cost of response repairs exceeding budget provision by this sum.</p>
Supervision & Management	(£406k)	(£255k)	<p>The saving to date can mostly be attributed to two areas:</p> <p>A large number of vacancies, combined with some administrative staff transferring to Support Services has resulted in an underspend of £220k.</p> <p>Internal staff recharges from other Services were budgeted to be allocated on a monthly basis. This has not occurred to date due to a review of appropriate levels of charge presently being looked at following staffing restructures in other areas of the Council. This has resulted in a reported underspend of £109k at present.</p> <p>The outturn for the year reflects an expectation that some of the costs of staff now working in Support Services will be re-allocated back to the HRA as they will now form part of the Finance & Corporate Services year-end support service allocation. The outturn also assumes that the budgeted levels of staff recharges referred to above will be allocated by the year-end. Hence the current underspend is expected to be reduced to £255k by the end of the year.</p>
Capital Financing Costs	N/A	(£149k)	<p>Capital Financing costs are captured and held centrally for monitoring purposes. Hence, the annual budget estimate of these costs for Housing are assumed to be charged at the year-end which means there are no budget or actual figures to date recorded.</p>

Service	Actual to 31.10.10 (under)/over	Projected 31.03.11 (under)/over	Commentary
			The current assessment of financing costs anticipates there will be a saving compared to budget of £149k in the year. This is due to new borrowings being secured at lower interest rates than estimated.
Other Expenses	(£63k)	(£63k)	A saving in insurance premium costs following the annual renewal of policies earlier in the year has resulted in an underspend compared to budget of £57k. This saving is secured for the year.
Income	(£109k)	£58k	Rental income is currently greater than budget by £102k due to timing of receipts compared to budget The rental income outturn is however expected to be £22k short of budget at year end based on the forecast number of housing stock at year-end being slightly less than budgeted for the year. Interest earned on revenue balances is allocated at the year-end in the same way as capital financing costs. The latest review of the likely allocation to Housing for the year indicates that income is expected to be £35k less than budget estimate. This is as a result of the prevalent low levels of interest being earned on surplus funds

4.0 Management actions

- 4.1 The following key management actions have been agreed to address some of the issues highlighted above:
- 4.2 **Repairs & Maintenance:** Head of Facilities Management to review response repairs expenditure and bring forward proposals to address overspend position. In particular the review will examine budget provision in future years to ensure Business Plan and budgeting reflects proper levels of spend in this area
- 4.3 **Capital Financing Charges:** The housing business plan incorporates contributions from revenue to fund the ongoing capital improvements. Housing and Accountancy to determine the level of contribution required for 2010/11 based on latest forecast capital spend prior to the year end.

5.0 Sustainability Implications

- 5.1 None

6.0 Resource Implications

- 6.1 *Financial Details*

6.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

6.3 Finance have been consulted and have agreed the financial implications as set out in the report. Yes

6.4 *Staffing*

7.0 Exempt Reports

7.1 Is this report exempt? Yes (please detail the reasons for exemption below) No

8.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities 2008 - 2011** (Please double click on the check box)

The area has a positive image and attracts people and businesses	<input type="checkbox"/>
Our communities are more cohesive and inclusive	<input type="checkbox"/>
People are better skilled, trained and ready for learning and employment	<input type="checkbox"/>
Our communities are safer	<input type="checkbox"/>
Vulnerable people and families are supported	<input type="checkbox"/>
Substance misuse and its effects are reduced	<input type="checkbox"/>
Health is improving and health inequalities are reducing	<input type="checkbox"/>
The environment is protected and enhanced for all	<input type="checkbox"/>
The Council is effective, efficient and recognised for excellence	<input checked="" type="checkbox"/>

(2) **Council Policies** (Please detail)

9.0 Equalities Impact

9.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?
Yes No

10.0 Legality

10.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

11.0 Appendices

11.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Council summary of expenditure

12.0 Background Papers

12.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes (please list the documents below) No

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Martin Dunsmore	Accounting & Budgeting Manager	2041

Approved by

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Director of Finance and Corporate Services	Signed: N Bridle
Angela Leitch	Chief Executive	Signed: A Leitch

HOUSING REVENUE ACCOUNT SUMMARY

	Annual Budget 2010/11	Budget To 31/10/10	Actual To 31/10/10	Projected Outturn to 31/03/11	Variance Outturn v Budget	Variance Actual to Date v Bud To Date
REPAIRS & MAINTENANCE						
Private Contractors & Land Services	392,040	228,677	165,310	390,028	(2,012)	(63,367)
Void Houses	999,780	583,172	501,277	1,006,060	6,280	(81,895)
General Maintenance	1,980,010	1,154,940	1,086,346	2,282,786	302,776	(68,594)
Cyclical Maintenance	758,080	442,188	293,474	730,000	(28,080)	(148,714)
Gas Contract	345,100	201,297	195,231	352,261	7,161	(6,066)
Minor SW Repairs	0	0	70	20,000	20,000	70
	4,475,010	2,610,273	2,241,707	4,781,135	306,125	(368,566)
SUPERVISION & MANAGEMENT						
	4,390,400	1,722,675	1,316,531	4,135,670	(254,730)	(406,144)
CAPITAL FINANCING COSTS						
Principal Repayments	1,505,410	0	0	1,551,776	46,366	0
Interest Payments	1,860,990	0	0	1,666,450	(194,540)	0
Loans Fund Expenses	21,840	0	0	21,002	(838)	0
	3,388,240	0	0	3,239,228	(149,012)	0
OTHER EXPENSES						
Insurance	250,000	250,000	192,819	192,819	(57,181)	(57,181)
Stair Lighting	10,000	5,833	4,594	10,059	59	(1,239)
Void Rent Loss	262,500	153,116	181,383	304,256	41,756	28,267
Grounds Maintenance	62,020	36,176	0	62,020	0	(36,176)
Garden Aid Scheme	102,020	59,508	77,595	102,020	0	18,087
Special Uplifts	127,590	74,423	61,551	127,590	0	(12,872)
Pest Control	12,690	7,402	6,863	12,690	0	(539)
Contributions to Bad Debts	225,000	0	0	180,000	(45,000)	0
Miscellaneous	3,050	1,779	5	5	(3,045)	(1,774)
Council Tax on Empty Properties	3,150	0	0	3,150	0	0
	1,058,020	588,238	524,810	994,609	(63,411)	(63,428)
TOTAL EXPENDITURE						
	13,311,670	4,921,187	4,083,049	13,150,642	(161,028)	(838,138)
INCOME						
Rents	(13,912,900)	(8,405,710)	(8,507,665)	(13,890,479)	22,421	(101,955)
Other Income (Garage Sites, Shops)	(44,280)	(25,829)	(32,995)	(43,726)	554	(7,166)
Interest on Revenue Balances	(69,740)	0	0	(34,781)	34,959	0
	(14,026,920)	(8,431,539)	(8,540,660)	(13,968,987)	57,933	(109,121)
NET EXPENDITURE						
	(715,250)	(3,510,352)	(4,457,611)	(818,345)	(103,095)	(947,259)
Accumulated reserve at 1st April 2010				(4,262,000)		
Projected reserve as at 31st March 2011				(5,080,345)		

SUPERVISION & MANAGEMENT SUMMARY

	Annual Budget 2010/11	Budget To 31/10/10	Actual To 31/10/10	Projected Outturn to 31/03/11	Variance Outturn v Budget	Variance Actual to Date v Bud To Date
Employee Related Expenditure	2,737,450	1,434,496	1,214,347	2,218,104	(519,346)	(220,149)
Premises Related	22,810	16,035	15,667	23,081	271	(367)
Transport Related Expenditure	62,110	37,370	15,157	50,225	(11,885)	(22,213)
Supplies and Services	210,120	127,255	66,064	232,756	22,636	(61,192)
Supplies & Services (Centralised IT)	150,740	87,927	44,755	145,854	(4,886)	(43,172)
Third Party Payments	219,950	128,297	19,251	221,360	1,410	(109,046)
Support Services	1,173,580	0	0	1,374,824	201,244	0
TOTAL GROSS EXPENDITURE	4,576,760	1,831,379	1,375,240	4,266,204	(310,556)	(456,139)
Income	(186,360)	(108,704)	(58,709)	(130,534)	55,826	49,995
NET EXPENDITURE	4,390,400	1,722,675	1,316,531	4,135,670	(254,730)	(406,144)