

HOUSING REVENUE ACCOUNT**BUDGET REVENUE MONITORING REPORT – Quarter Four****Table 1: Summary by Departmental Division**

Departmental Division	Revised Budget	Forecast variance at year end at Quarter Four	Forecast variance at year end at Quarter Three
	£000s	£000s	£000s
ALMO Management Fee	23,008	67	69
Managed Repairs	14,453	(956)	0
Managed Income	(64,730)	512	251
Housing Options	605	(106)	(50)
Housing Strategy	347	(6)	(9)
Safer Communities	849	(4)	(29)
Strategic Regeneration	0	0	0
Support Services	3,766	(46)	135
Area Holding Codes	153	(287)	(210)
Housing Subsidy	(13,250)	(1,002)	(575)
Housing Capital	36,015	760	438
HRA Outturn	1,216	(1,068)	20
Withdrawal from balance	(1,216)	1,068	(20)
Total	0	0	0

Working Balance 2010/11

	B/Fwd	Transfers from balance sheet	Budgeted Drawdown	HRA Variance (Surplus) /Deficit	Balance C/F
WORKING BALANCE	(3,241)	(25)	1,216	(1,068)	(3,118)

The £25k transfer from the balance sheet represents the write back to reserves of an old balance that was surplus to requirements.

Explanation of Overspends/ Underspends Over £100,000

Details of Variance	Revised Budget	Variance at Quarter Four	Variance at Quarter Three
	£000s	£000s	£000s
ALMO Management Fee	23,008	67	69
Managed Repairs – this variance comprises an over-accrual of (£1,839k) from 2009/10 offset by overspends of	14,453	(956)	0

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<p>£883k. (£1,581k) of the over-accrual relates to reactive repairs which was caused by an over-estimation of work principally by Willmott Dixon which was retained due to the volatile nature of reactive repairs, the remainder relating to (£132k) to fire safety works, (£70k) to health and safety works and (£56k) asbestos works. The main in-year overspends are: £542k reactive repairs arising from greater demand; £229k repairs to Ashcroft Square podium deck which was budgeted within support service at Q3; £424k BPM mainly relating to expenditure on legionella previously capitalised but now revenue in nature; £56k Voids due to increased demand; £157k provision for outstanding disrepair costs; These are offset by under-spends of: (£117k) on Asbestos resulting from a review of capitalisable spend; (£155k) on discretionary decorations after contractors reduced the programme; (£270k) insurance income anticipated for expenditure incurred within reactive repairs The remaining £17k overspend is spread across a number of smaller budgets.</p>			
<p>Managed Income – this variance relates to a variance on: Housing rents of £67k arising from higher voids than anticipated; Sheltered Transitional Relief payments declining as the client base reduces (£74k); Housing Rent write-offs are £151k over-budget, offset by a reduction in the Housing Rent bad debt provision of (£105k); A high void rate of 12% on Garage Rents has prompted an extensive review of the Council's garage portfolio to reduce the variance of £151k; Commercial Property Rents received are higher than budgeted (£126k); There is a shortfall in Sheltered Charge Income of £117k which relates to the</p>	(64,730)	512	251

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<p>decision to create an Enhanced Housing Management service charge which is lower than the sheltered charge previously applied;</p> <p>Service Charges show a variance of £160k which relates to adjustments to water and insurance charges;</p> <p>An overspend of £118k arose from the writing-off of long term mortgage arrears.</p> <p>The remaining £53k relates to a number of small under-receipts.</p>			
<p>Housing Options – this mainly arises from (£96k) of additional rents due to the delay in the disposal of Stewart's Lodge Hostel.</p>	605	(106)	(50)
<p>Housing Strategy</p>	347	(6)	(9)
<p>Safer Communities</p>	849	(4)	(29)
<p>Support Services – this relates mainly to an under spend on insurance charges.</p>	3,766	(46)	135
<p>Holding Codes – this is due to the Council expecting to recover an excess of income over expenditure on water rates.</p>	153	(287)	(210)
<p>Housing Subsidy – following a reassessment of lease terms, additional subsidy is due on a 20 year lease arrangement with Notting Hill Housing Trust (£657k).</p> <p>Additionally, following the audit of the 09/10 subsidy claim, the level of premiums and discounts eligible for subsidy has increased (£317k). A further (£28k) relates to subsidy receivable on interest payable following a revision to the capital financing requirement.</p>	(13,250)	(1,002)	(575)
<p>Housing Capital – a reassessment of the terms of the Notting Hill Housing Trust 20 year lease has resulted in payments for 09/10 and 10/11 of £562k and £533k respectively. Additionally, provision has been made to pay the costs payable under a Surpluses & Deficit agreement held with Notting Hill of £761k. These costs have been offset by a contribution from H&F Homes of (£1,337k).</p> <p>During the year, the level of premiums and discounts payable increased by £317k. The amount of interest</p>	36,015	760	438

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receivable on HRA balances has increased by (£105k) following an increase in the interest rate earned on investments from 0.95% to 1.055%. A number of other variances have increased the overspend by £29k.			
Withdrawal from balance	(1,216)	0	0
Total	0	(1,068)	20

Commentary on Significant movements since Quarter Three

The HRA draft outturn position shows a variance against budget of (£1.068m). Given that the budgeted withdrawal from balances was (£1.216m); this is equivalent to a deficit for the year of £148k.

The outturn position in 2010/11 has been supported by a significant over-accrual for repairs costs in 2009/10. Excluding this adjustment, the true deficit for the year is £1,987k (or a variance against budget of £771k). Management action is being taken in 2011/12 to ensure that issues with repairs contracts, cost monitoring and accruals are resolved going forward.

It is also worth noting that the outturn position has been achieved whilst delivering £3.557m of efficiencies during the year.

The working balance is £3.118m as at 31st March 2011. Further initiatives to achieve the key strategic financial objective of a working balance equivalent to 5% of HRA turnover (between £4m and £5m) are currently being devised.

The outturn position shows an improvement in the variance of (£1,048k) compared with the projected position at quarter 3. The main reasons for the movements over the final quarter are:

Managed Repairs

The forecast at quarter 3 stated that spend would be managed within the available budgets. However, following quarter 3 it became apparent that 2009/10 costs had been significantly **over-accrued** resulting in an under spend of (£1,839k) though this was offset by emerging overspends of £883k.

(£1,581k) of the over-accrual relates to **reactive repairs** which was caused by an over-estimation of work by Willmott Dixon which was retained due to the volatile nature of reactive repairs,, of the balance (£132k) relates to **fire safety works**, (£70k) to **health and safety works** and (£56k) **asbestos** works.

The main in-year overspends are:

- **Reactive repairs** £542k arising from greater demand;
- £229k for **repairs to Ashcroft Square podium deck** which was budgeted within support service at Q3;
- £424k for **BPM** mainly relating to expenditure on legionella previously capitalised but now revenue in nature;
- £56k due to increased voids;

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- £157k provision for outstanding **disrepair** costs.

These are offset by under-spends of:

- (£117k) on **Asbestos** resulting from a review of capitalisable spend;
- (£155k) on **discretionary decorations** after contractors reduced the programme;
- (£270k) **insurance income** anticipated for expenditure incurred within reactive repairs.

The remaining £17k overspend is spread across a number of smaller budgets.

Managed Income

The movement of £261k derives is principally due to a charge of £118k to write off of long term mortgage arrears, a reduction in service charge income due to adjustments in utility and insurance costs of £118k, and various other minor movements of £25k.

Support Services

The movement relates to the transfer of £190k overspend on repairs to Ashcroft Sq to Managed Repairs.

Housing Subsidy

Additional subsidy receivable of (£220k) follows a correction to the calculation of premiums payable on debt redemption.

Following an increase in the Council's consolidated interest rate (5.51% to 5.54%), subsidy receivable on interest payable on borrowings has increased by (£134k).

A further (£71k) is due in respect of adjustments to the payments due to Notting Hill Housing Trust following a reassessment of the terms of the leases.

Housing Capital

Following agreement with Notting Hill Housing Trust to pay outstanding costs of £615k relating to Park Court, the Council secured a contribution from H&F Homes of (£1,337k). In addition, an adjustment was made to the payment for revised lease end dates on non-Park Court properties of £32k, and further provision was also made for the costs due under the Surpluses & Deficits agreement of £761k.

Charges relating to providing for mortgage debts have been recalculated and the variance transferred to Managed Income (£116k).

Additional charges of £220k follow a correction to the calculation of premiums payable on debt redemption (this is recoverable through Housing Subsidy).

Interest payable on borrowings increased by £115k due to the net effect of a decrease in the capital financing requirement offset by an increase in the Council's consolidated interest rate (5.51% to 5.54%).

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An additional (£30k) in interest receivable on HRA balances has derived from an increase in the interest rate on short term investments (from 0.95% to 1.055%).