

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

<b>Departmental Division</b>	<b>Revised Budget</b>	<b>Forecast variance at year end at Quarter Four</b>	<b>Forecast variance at year end at Quarter Three</b>
	£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
<b>HRA Outturn</b>	<b>1,216</b>	<b>(1,068)</b>	<b>20</b>
Withdrawal from balance	(1,216)	1,068	(20)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Working Balance 2010/11**

	<b>B/Fwd</b>	<b>Transfers from balance sheet</b>	<b>Budgeted Drawdown</b>	<b>HRA Variance (Surplus) /Deficit</b>	<b>Balance C/F</b>
<b>WORKING BALANCE</b>	(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**

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

## 2010-11 CRM – CRM Outturn : Appendix Two

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

## 2010-11 CRM – CRM Outturn : Appendix Two

<p>decision to create an Enhanced Housing Management service charge which is lower than the sheltered charge previously applied;</p> <p><b>Service Charges</b> 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 <b>mortgage arrears</b>.</p> <p>The remaining £53k relates to a number of small under-receipts.</p>			
<p><b>Housing Options</b> – this mainly arises from (£96k) of additional <b>rents</b> due to the delay in the disposal of Stewart's Lodge Hostel.</p>	605	(106)	(50)
<p><b>Housing Strategy</b></p>	347	(6)	(9)
<p><b>Safer Communities</b></p>	849	(4)	(29)
<p><b>Support Services</b> – this relates mainly to an under spend on insurance charges.</p>	3,766	(46)	135
<p><b>Holding Codes</b> – this is due to the Council expecting to recover an excess of income over expenditure on <b>water rates</b>.</p>	153	(287)	(210)
<p><b>Housing Subsidy</b> – following a reassessment of lease terms, additional subsidy is due on a <b>20 year lease arrangement with Notting Hill Housing Trust</b> (£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 <b>capital financing requirement</b>.</p>	(13,250)	(1,002)	(575)
<p><b>Housing Capital</b> – a reassessment of the terms of the <b>Notting Hill Housing Trust 20 year lease</b> 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 &amp; Deficit agreement held with Notting Hill of £761k. These costs have been offset by a contribution from H&amp;F Homes of (£1,337k).</p> <p>During the year, the level of <b>premiums and discounts</b> payable increased by £317k. The amount of <b>interest</b></p>	36,015	760	438

## 2010-11 CRM – CRM Outturn : Appendix Two

<b>receivable</b> 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 <b>other variances</b> have increased the overspend by £29k.			
<b>Withdrawal from balance</b>	<b>(1,216)</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>(1,068)</b>	<b>20</b>

### 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 31<sup>st</sup> 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;

## 2010-11 CRM – CRM Outturn : Appendix Two

- £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%).

## **2010-11 CRM – CRM Outturn : Appendix Two**

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%).