

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Housing, Environmental and Economic Development

Council: 28 March 2012

**Subject: Housing Revenue Account 2011/2012 Budgetary Control Statement
to 29 February 2012 (Period 11)**

1. Purpose

- 1.1** The purpose of this report is to provide Members with an update on the financial performance of the Housing Revenue Account (HRA) to the period ended 29 February 2012. This report provides information as to the probable outturn for the HRA against which actual spend is analysed.

2. Background

- 2.1** The HRA budget had budgeted expenditure of £34,095,890 and was matched by anticipated income of this amount.
- 2.2** The financial management code of practice states that from period 8 all budgetary control reports will be prepared on a probable outturn basis and that reported variances will be calculated by comparing actual spend to date against probable outturn to date.
- 2.3** The attached appendix shows the probable outturn for both expenditure and income. The overall projected net position on the Housing Revenue Account at the year end, measuring the probable outturn against budget, is a favourable variance of £936,300.
- 2.4** It should be noted that the probable outturn shown on the attached appendix was calculated before the impact of the severe weather in early January 2012. In addition expenditure and income shown on the attached appendix does not yet reflect fully the impact of this weather. The full impact of that incident should become more apparent in the year end financial statement (though the net effect on the HRA is expected to be minimised through coverage of damage through the Council's insurance policies).

3. Main Issues

- 3.1** The net position on the Housing Revenue Account, measuring the actual against phased probable to 29 February 2012, is a favourable variance of £469,030. An explanation of the key variances between probable outturn and actual at period 11 is given below:

a) Employee Costs - £37,770 Favourable

A combination of variances are included here but the main ones are identified below:

- i) a small favourable variance to date (£31,000) due to an overstatement in the probable outturn for salaries and wages. About £12,000 will be attributable to employee cost savings following the strike action in November.
- ii) it is anticipated that the one-off pension costs of early retirals will be about £93,000 in 2011/12, some £7,000 less than initially anticipated in the probable outturn. This produces a phased variance to date of over £6,000.

b) Repairs & Maintenance - £143,970 Adverse

There was an adverse variance of £225,580 against jobbing repairs. This adverse variance is attributable to costs being incurred related to the storms in early January. This should be covered ultimately by insurance (see 3.1 (d) below). Although most jobbing repairs are demand-led every effort will be made to ensure that the jobbing repairs budget does not overspend significantly. There are however offsetting net favourable variances (of around £99,000) elsewhere within the Repairs budget primarily as a result of contingencies under the Gas Maintenance (£70,000) and Ventilation Systems (£49,000) contracts not being required. Finally, there is an adverse variance of £17,000 against rechargeable repair recoveries. Appropriate action is being taken to maximise the issue of rechargeable invoices and so minimise this variance.

c) Reallocated Salaries - £99,680 Favourable

There has been an increase in the allocations from the HRA to other accounts (principally HRA Capital and the Housing Maintenance Trading Account) following the storm damage in January.

d) Storm Damage Insurance Recoveries - £442,750 Favourable

Full and final costs for the storm damage incurred in January 2012 will not be available for several months. A final cost of about £1m is expected. To date there has been storm-related repairs expenditure charged to the HRA of some £448,000. After deduction of our insurance excess a provision of £442,750 has been made in the period 11 accounts.

4. People Implications

4.1 There are no implications.

5. Financial Implications

- 5.1** The overall net position on the Housing Revenue Account at 29 February 2012, measuring the actual net expenditure against probable, is a favourable variance of £469,030. However, the period covered by this budgetary control statement will not capture fully the costs of the recent bad weather and this will have an effect on the forecast surplus for 2011/12 depending on the outcomes of insurance claims and any non-insurable costs - full and complete information on these is not available at present.

6. Risk Analysis

- 6.1** The present adverse variance should be viewed in the knowledge that there are a number of variable factors - in particular, the uncertainty surrounding the actual insurance settlement which results from the January storms - which could arise between now and 31 March 2012 and which could impact on the year end position.

7. Equalities Impact Assessment (EIA)

- 7.1** No equalities impact assessment was required in relation to this report.

8. Strategic Assessment

- 8.1** The report is for noting. As such it does not directly affect any of the strategic priorities. It does, however, identify resources available to the Council to deliver the Strategic Priorities, principally Social and Economic Regeneration.

9. Conclusions and Recommendations

- 9.1** The impact of the recent bad weather on the HRA has not yet been fully quantified although a cost of around £1m is expected. Most of this should be covered by insurance. However, the insurance claim has yet to be submitted. Notwithstanding this, there is no reason at this stage to anticipate any other major problems within the HRA. Activity will continue to be monitored closely over the coming month.
- 9.2** Members are asked to note the report.

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Date: 15 March 2012

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Appendix: HRA Budgetary Control Report

Background Papers: None

Wards Affected: All