

WEST DUNBARTONSHIRE COUNCIL

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

Housing, Environment and Economic Development Committee:
11 January 2012

Subject: Housing Revenue Account 2011/2012 Budgetary Control Statement to 30 November 2011 (Period 8)

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 30 November 2011. This report also provides members with information as to the probable outturn for the HRA against which future budgetary control reports will be reported. Budgetary control statements for the HRA are also presented to Council to allow Members to monitor performance.

2. Background

- 2.1** The HRA budget had budgeted expenditure of £34,095,890 and was matched by anticipated income of this amount.

3. Main Issues

- 3.1** 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.
- 3.2** 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 £936,311. The probable outturn for expenditure is £33,010,016. As the annual budget is £34,095,890 there is a projected favourable variance of £1,085,874 (3%). The probable outturn for income is £33,946,327. As the annual budget is £34,095,890 there is a small adverse variance of £149,563 (less than 1%). As the probable outturn has just been calculated there is no variance to report against probable at period 8. However, an explanation of the key projected variances between probable outturn and budget estimate is given below:

a) Employee Costs - £80,292 Favourable

A combination of variances are included here:

- (i) ongoing restructuring in the provision of housing services - £140,000.
- (ii) the centralisation of finance duties and current vacancies has produced savings to the HRA to the value of £100,000. Note this is offset by adverse variance described below in relation to Support Services costs.
- (iii) Offsetting the above favourable variances is the cost of a successful re-grading appeal by caretakers. As this appeal was concluded after the 2011/12 budget was set this will result in an overspend against wages in the current year budget. The full year cost of this re-grading including on-costs is estimated at £130,000.
- (iv) In addition it is anticipated that the one-off pension costs of early retirements will be about £30,000 greater than the sum budgeted (£70,000).

Therefore the total variance is £80,000 favourable. It should also be noted that this is offset by a reduced ability to recharge salaries to other accounts of the Council, per 3.2m) below.

b) Property Costs - £55,485 Favourable

As previously reported it is anticipated that the year end allocation of property costs to the HRA will be less than budgeted and in line with last year's outturn.

c) Transport Costs - £111,280 Favourable

The budget allowed for the HRA to bear the leasing costs - up to £113,000 - incurred by the Housing Maintenance Trading Account. This was part of the contract that was subject to tender. It is not anticipated that new vehicles will be leased as the HMTA has met its transport requirements through a combination of hires and internal fleet charges.

d) Support Services - £100,000 Adverse

With the centralisation of the Finance function certain salaries previously budgeted directly within HRA Salaries will now be charged to the HRA as part of greater central support costs. An estimate is now reflected here to show a more accurate position. This offsets the variance identified at 3.2a)ii) above.

e) Supplies & Services/Admin. Costs - £36,010 Favourable

It is anticipated that there will be lower expenditure on printing, stationery and postages as a result of recent organisational changes.

f) Other Expenditure - £34,000 Favourable

The budget set aside for Strategy expenditure (outwith stock transfer issues) has not been required to the extent initially anticipated. Expenditure on stock transfer was not budgeted within the revenue account as set by Council in February 2011. However, it has been agreed that this expenditure is to be financed from the earmarked HRA reserve created for this purpose. Such expenditure is therefore omitted from the attached revenue statement. However, to allow Committee to clearly identify the ongoing costs of this commitment the expenditure will be included in this report as a note. It should be noted that expenditure to date is almost £130,000 and this will be charged directly against the HRA reserve.

g) Repairs & Maintenance - £258,063 Favourable

Contingencies within both the Gas Maintenance (£235,000) and Ventilation contracts (£31,000) are unlikely to be required.

h) Bad Debt Provision - £150,000 Adverse

Given the level of outstanding HRA debtors it is felt prudent to reflect a likely greater top-up to the bad debt provision at the year end. The budgeted top-up is £350,000. However, the actual required top-up in the past two years has been £559,000 in 2010/11 and £461,000 in 2009/10. It has therefore been estimated that the top-up will be around £500,000 in the current year. This is £150,000 more than budgeted.

i) Council Tax on Void Houses - £46,020 Adverse

Void performance has been less than anticipated, as described in (j) below. If there is an improvement in overall void rates it would be expected that the liability for void council tax would fall. In 2010/11 the outturn on void council tax was £246,000. It is anticipated that expenditure in 2011/12 will be £240,000.

j) Lost Rents - £188,945 Adverse

The average number of voids per week, so far this financial year, has been 394 and is continuing to increase. The budget was based on an average of 329 per week. There are however a number of underlying issues which have impacted on the actual void figure. A significant number of properties in South Drumry are being held for major works and

in certain lettings areas, there are numbers of long term void properties. All of these issues are being addressed. The programme of structural repair work in South Drumry is due to restart in January 2012 and lettings plans are being put in place for all long term voids with a view to generating demand.

k) Loan Charges - £995,710 Favourable

Provisional probable outturn figures for loan charges are now available. It is anticipated that loan charges will be substantially less than budgeted. The principal determinants of loan charges are the average pool interest rate and the level of borrowing. The current year's budgeted loan charges were based on capital expenditure in the previous year being £20.6m. As HRA capital expenditure in 2010/11 outturned at £15.7m net borrowing was significantly lower, which has the effect of reducing loan charges in the current financial year.

l) Houses - rental income £128,340 Favourable

There is a small favourable variance (0.41%) against rental income for houses as the average housing stock is slightly greater than budgeted.

m) Reallocated Salaries - £240,223 Adverse

A consequence of the favourable variance within Salary costs is that there will tend to be a lower reallocation of salaries to accounts outwith the HRA, for example, HRA Capital and General Services. This partially offsets the favourable variance identified regarding Employee costs (above).

n) Miscellaneous Income £40,000 Adverse

As no staff undertaking non-HRA functions (e.g. Anti-Social Behaviour, Homeless Persons) now operate from Alexandria Area Office it is no longer possible to allocate a proportion of these property costs to accounts outwith the HRA.

4. People Implications

4.1 There are no implications.

5. Financial Implications

5.1 The overall projected net position on the Housing Revenue Account at 31 March 2012, measuring the actual net expenditure against budget, is a favourable variance of £936,311.

6. Risk Analysis

6.1 The present projected favourable variance should be viewed in the knowledge that there are a number of variable factors - for example, the impact of a severe winter - 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 issues were identified for potential equality impact of 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 While there is no reason at this stage to anticipate any major problems within the HRA, activity will continue to be monitored closely over the coming months.

9.2 Members are asked to note the report.

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Date: 20 December 2011

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Appendix: HRA Budgetary Control Report

Background Papers: None

Wards Affected: All