

WEST DUNBARTONSHIRE COUNCIL

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

Council: 26 October 2011

Subject: Housing Revenue Account 2011/2012 Budgetary Control Statement to 31 August 2011 (Period 5)

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 31 August 2011. Budgetary control statements for the HRA are also presented to the Housing, Environment and Economic Development Committee to allow the Committee to monitor performance.

2. Background

- 2.1** Attached, as Appendix 1, is the budgetary control statement for the Housing Revenue Account. This report compares actual expenditure to 31 August 2011 to the phased budget as at that date.

3. Main Issues

- 3.1** The overall net position on the Housing Revenue Account, measuring the actual against phased budget to 31 August 2011, is a favourable variance of £303,040. Actual expenditure to 31 August 2011 was £12,990,420. As the phased budget was £13,396,040 there is a favourable variance of £405,620 against phased expenditure (3.03%). Actual income to 31 August 2011 was £14,849,120. As the phased budget was £14,951,700 there is an adverse variance of £102,580 against phased income (0.69%). An explanation of the key variances is given below :

a) Employee Costs - £63,840 Favourable

A combination of ongoing restructuring in the provision of housing services and current vacancies has produced savings to the HRA. This is partially offset by an adverse variance detailed in relation to Reallocated Salaries below, as the lower employee costs result in a lower reallocation to General Services and HRA capital accounts. The favourable variance is less than reported previously as the costs of the successful re-grading appeal by caretakers is now being reflected. 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 is estimated at over £100,000.

b) Support Services - £41,670 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. This is now reflected here to show a more accurate position.

c) Other Expenditure - £68,500 Adverse

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. The expenditure is shown on the attached revenue statement to allow Committee to clearly identify the ongoing costs of this commitment. Expenditure to date is £85,000 and this, despite a favourable variance against Strategy expenditure, explains the adverse variance being reported.

d) Repairs & Maintenance - £197,170 Favourable

Contingencies within both the Gas Maintenance (£49,000) and Ventilation contracts (£13,000) have not been required to date. In addition, recoveries from insurance and rechargeable accounts (£44,000) are both greater than budgeted and jobbing repairs expenditure (£34,000) has been slightly less than budgeted at this stage.

e) Bad Debt Provision - £62,500 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 charge in the past two years has been £559,000 in 2010/11 and £461,000 in 2009/10. It has been assumed that the top-up will be around £500,000 in the current year.

f) Council Tax on Void Houses - £64,440 Adverse

This is consistent with void performance being less than anticipated, as described in g) below. In 2010/11 the outturn was £246,000.

g) Lost Rents - £51,620 Adverse

The average number of voids per week, so far this financial year, has been 383. The budget was based on an average of 329 per week. This number will be reduced by letting a number of long term void properties on a planned and phased basis. In addition proposals currently under development to establish supported and temporary accommodation are expected to have a positive impact on the lost rent figure.

h) Loan Charges - £414,880 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.

i) Reallocated Salaries - £81,570 Adverse

A consequence of the favourable variance against employee 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.

4. People Implications

4.1 There are no implications.

5. Financial Implications

5.1 The overall net position on the Housing Revenue Account, measuring the actual net expenditure against phased budget to 31 August 2011, is a favourable variance of £303,040.

6. Risk Analysis

6.1 The present variance should be viewed in the knowledge that it is still relatively early in the financial year and that there are a number of variable factors which could arise between now and 31 March 2012 which could impact on the year end position.

7. Equalities, Health and Human Rights 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.

Elaine Melrose
Executive Director of Housing, Environmental and Economic Development
Date: 4 October 2011

Person to Contact: Gillian McNeilly - Finance Manager, Garshake Road, Dumbarton, G82 3PU, telephone: 01389 737194, e-mail: gillian.mcneilly@west-dunbarton.gov.uk

Appendix: HRA Budgetary Control Report

Background Papers: None

Wards Affected: All