

Agenda Item	5.c
Report No	FHR/90/13

Housing and Property Service Revenue Budgets: Final Outturn 2012/13 and monitoring to 30 June 2013

Report by Depute Chief Executive / Director of Housing and Property

Summary

This report sets out the final outturns for 2012/2013 and current position to 30 June 2013 with regard to the:

- Housing Revenue Account
- Non-HRA Housing Account
- Property Revenue Maintenance Account and
- Building Maintenance Account.

1. Housing Revenue Account

1.1 Final Out-turn 2012/2013

1.1.1 **Appendix 1** shows the outturn against budget at the end of the financial year 2012/2013, which was a nil variance.

1.1.2 There were overspends in relation to:

- Sheltered Housing Wardens (£69k): due to higher than expected employee costs.
- Repairs and Maintenance (£128k): due to higher than expected revenue repairs costs.
- Rent loss due to void properties and bad debt provision (£420k). In relation to voids the overspend (of £217k) was due to higher than anticipated re-letting times, issues associated with vacant garages, and some properties held vacant due to refurbishment work. In relation to bad debt provision the overspend (of £203k) was due to higher than budgeted write-offs for historic former tenant arrears.
- Central Support Charges (£10k): due to a small increase in recharges for legal services in relation to HRA activity.

1.1.3 There were underspends in relation to:

- Supervision and Management (£287k): due to a delay in the upgrade of the Housing Information; management of staff vacancies and some savings from ground maintenance charges from TECS.
- Tenant Participation (£44k): due to staff costs and minor underspends on other budget headings.
- Homelessness (£151k): due to a reduction in the use of HRA properties and a lower turnover of properties than expected.

- Loan Charges (£1,023k): due to lower than expected borrowing costs in previous years. This is due to higher than budgeted capital from current revenue and lower loan charge payments associated with the timing and terms of borrowing for HRA activity.

1.1.4 HRA income was £773k higher than budgeted, mainly due to variations between projected and actual housing stock levels and increased invoicing for former tenant arrears and rechargeable repairs.

1.1.5 As a result of these variations the contribution to Capital from Current Revenue was £1.649m higher than budgeted in 2012/13, reducing the requirement for new borrowing in the year.

1.1.6 Taking all of the above factors into account the HRA was in balance at year end.

1.2 Financial Monitoring to 30 June 2013

1.2.1 **Appendix 2** shows the position to 30 June 2013. Some changes have been made to the presentation of information. Due to changes to guidance on presenting accounts void rent loss is now shown as a “debit” in the income section of the statement, where it can be viewed against the corresponding income line.

1.2.2 At this stage no variation is predicted on HRA expenditure; however there are indications that void rent loss will exceed budget based on trends in the year to date. Housing and Property Managers have agreed performance targets on voids and will aim to bring rent loss back into line with budget.

2. Other Housing and Property Revenue

2.1 Final outturn 2012/2013

2.1.1 **Appendix 3** shows the favourable outturn against budget at the end of the financial year 2012/2013.

2.1.2 There were variations between income and expenditure on a number of activities. The net position for activities with significant variations is summarised as follows:

- Expenditure on homelessness / private sector leasing was lower than budgeted, reflecting the continuing improvements being seen as a result of the Council’s preventative approach to homelessness. This was offset by lower than budgeted income, with the overall position being an underspend of £96k.
- There was an overspend of £143k on miscellaneous costs, due to higher than budgeted bad debt provision associated with former tenant debt on homelessness.
- There was an overspend of £81k on homelessness housing support services. This is due to an error in the value of budget transfer to the Housing and Property Service, which is now under discussion with NHS Highland.
- An overspend on Property costs was offset by greater than budgeted income, with the overall net position being a £723k underspend.

2.1.3 Overall there was a net underspend of £24k on Non-HRA revenue activity in 2012/13.

2.2 Other Housing and Property Revenue – Monitoring to 30 June 2013

2.2.1 **Appendix 4** shows the position to 30 June 2013. At this stage an overspend of £177k is anticipated on housing support services, based on current commitments with existing providers. As explained in paragraph 2.1.2 this is currently under discussion with NHS Highland. An update will be provided to the Committee in October.

3. Property Revenue Maintenance Budget (Public Buildings, Schools etc)

3.1 Final Outturn 2012/13

3.1.1 **Appendix 3** shows the outturn against budget at the end of the financial year 2012/2013.

3.1.2 Overall there was an overspend of £138k which is attributed to having to carry out essential property maintenance works under the following headings:

- (£55k) Water Safety Legislation Works
- (£47k) Fire Safety Works
- (£36k) Remedial works arising from Fixed Electrical Inspections.

3.2 Financial Monitoring to 30 June 2013

3.2.1 The Property Revenue Maintenance Budget for 2013/14 has been set at £4,904,605. The table in **Appendix 5** summarises the allocated budgets by work category and details programme performance, commitment and expenditure as at 30 June 2013.

3.3 Summary of Expenditure to Date

3.3.1 It will be noted from the table in **Appendix 5** that 29% of the budget has been spent or legally committed while 25% of the way through the year.

3.3.2 Current projections indicate that the budget will be able to be balanced at year end, but it is clear that carrying out additional essential statutory compliance works to public buildings is creating pressures. These activities accounted for the £138k overspend last financial year. While efforts will continue to be made to contain expenditure within overall budget allocations this is likely to prove increasingly difficult given the on-going general maintenance demands of the Council's building stock. Should this budget continue to come under pressure from undertaking statutory works a budget pressure bid may be made seeking approval of additional budget to enable the programme to be delivered.

3.3.3 The works causing pressures include:

- Improvement works to hot and cold water installations in public buildings in order to meet the requirements of HSE/Scottish Water Legislation. This was first raised with Members on 22nd August, 2012, when it was reported that cost information from undertaking initial works may be used to develop a budget pressure request.
- Enhanced Building Standards requirements have led to a number of new Fire Sprinkler installations being fitted in Care Homes and Schools to enhance safety, and these systems require regular maintenance.
- The implementation of a more comprehensive electrical inspection regime has highlighted the need for additional works to ensure that installations comply with the electrical regulations, revised British Standards and Council insurance requirements.
- The specialist environmental control equipment installed at the Highland Archive Centre, which is required to maintain valuable records in premium condition, is greater

than what is required in other buildings. A higher level of servicing at this facility is necessary to prevent potential archive losses.

- Problems have been found recently with corrosion of gas supply pipework and fittings to School Buildings. While this is not an immediate risk there is a requirement to undertake works to avoid unplanned property closures as a result of heating systems failures.

4. Building Maintenance

4.1 Final Outturn 2012/2013

4.1.1 **Appendix 6** shows the outturn against budget at the end of the financial year 2012/2013.

4.1.2 The target at the beginning of the financial year was a surplus of £0.321m. The final target for 2012/13 was reduced to a surplus of £0.099m. The reduction was to take account of increased superannuation costs and costs associated with implementing new mobile working practices.

4.1.3 The Building Maintenance income target was not achieved. Higher costs in relation to materials and contractors have contributed to the trading account falling short of its targeted surplus, however the increased costs were offset by underspends in labour and overhead costs.

4.1.4 The February monitoring statement showed a balanced budget at the year end. The final position now shows an adverse variance of £0.178m. The movement is attributable as follows:

- Income overall fell short of the estimate by £0.038m.
- £0.110m of the movement relates to direct costs, principally materials and contractors, and, to a lesser extent, transport and plant costs. Given the volume of materials and contractors it is hard to predict the spending patterns, however as referred at 4.2 below improvements are underway to help this position in 2013/14.
- Increased support costs at the end of the year reduced the estimated underspend by £0.030m.

4.1.5 Notes of Variances at Year End

- Actual income was £2.666m higher than budgeted, due to an additional £0.900m of revenue funded income and £2.138m of capital funded income offset by a shortfall in property repair related income of £0.372.
- Subcontractor costs were £2.900m overspent and materials were over by £0.200m. The majority of the increase is directly related to increased income. The overspend was also offset by labour costs under-spending by £0.122m.
- As part of the introduction of mobile working, efficiencies of £0.500m were to be derived, however due to a delay in the introduction and changes in work practices, only £0.372m was achieved. The target was subsequently lowered to the amount achieved, and lessened the effect on the bottom line position.

4.1.6 The targeted surplus for Building Maintenance from April 2013 is to make a modest surplus after ensuring sufficient income is generated to cover all costs and charges. As reported to the January Finance, Housing and Resources Committee the targeted surplus for 2013/14 onwards is reduced to take account of the additional costs as a result of job evaluation for Building Maintenance operatives. In previous years the

surplus has been credited to the Council's General Fund, however from 2013/14 onwards any surplus will be credited to the Housing Revenue Account (HRA). Given that approximately 95% of income is generated from Housing work it is more logical that any surplus is returned to the HRA.

4.1.7 The Council is required to maintain statutory trading accounts for "significant trading operations" in accordance with the Local Government (Scotland) Act 2003 (Section 10). The Council must demonstrate that each of its "significant trading operations" has achieved, at least, a cumulative breakeven position over a three year rolling period. Notwithstanding the loss in 2012/13 the service has met the statutory target. Over the next 2 years a surplus of £81,000 will be required to permit the service to meet these statutory obligations.

4.2 **Financial Monitoring to 30 June 2013**

4.2.1 **Appendix 7** shows the position to 30 June 2013. At this stage it is predicted that the budgeted break even position will be achieved.

4.2.2 Actions to address the issues identified in 2012/13 are underway and include:

- A review of the measurement activity with the aim of shortening the process and timescale of costing jobs.
- A review of the schedule of rates, and the possibility of introducing average costing for routine and low risk jobs is underway. (Risk in relation to variances).
- Restructuring to better align the control of measurement to the area managers is under discussion.
- A review of contractor activity and cost of invoices remains a constant area of scrutiny.
- The Service Level Agreements between Building Maintenance and the client services will be completed shortly. This will give assurances over income, particularly on the housing function.

5. **Recommendations**

Members are asked to note:

5.1 The final outturns for 2012/13 on the Housing Revenue Account, Other Housing and Property Revenue Account, the Property Revenue Maintenance Account and Building Maintenance at 31 March 2013.

5.2 The monitoring statements to 30 June 2013 for these accounts.

Designation: **Depute Chief Executive/Director of Housing and Property**

Authors/Reference: David Goldie (Head of Housing)
Finlay MacDonald (Property Manager)
Caroline Campbell (Maintenance and Service Support Manager)

Date: 19 August 2013

Housing Revenue Account - Revenue Expenditure Monitoring Report

1 April 2012 to 31st March 2013

Summary

	£000 Actual Year To Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
BY ACTIVITY				
Expenditure:-				
Supervision & Management	6,048	6,335	6,048	(287)
Tenant Participation	160	203	160	(44)
Sheltered Housing	705	636	705	69
Homelessness	373	523	373	(151)
Repairs & Maintenance	15,514	15,385	15,514	128
Arrears and Voids	1,665	1,244	1,665	420
Central Support	3,009	2,999	3,009	10
Loan Charges	13,797	14,820	13,797	(1,023)
CFCR	5,053	3,404	5,053	1,649
Gross Expenditure	46,323	45,550	46,323	773
Income:-				
House Rents	(44,178)	(44,031)	(44,178)	(147)
Other Rents	(1,386)	(1,325)	(1,386)	(61)
Other Income	(690)	(165)	(690)	(525)
Interest on Revenue Balances	(69)	(30)	(69)	(39)
Gross Income	(46,323)	(45,550)	(46,323)	(773)
	(0)	0	(0)	(0)

BY SUBJECTIVE

Staff Costs	5,336	5,376	5,336	(40)
Other Costs	40,987	40,175	40,987	812
Gross Expenditure	46,323	45,550	46,323	773
Grants	0	0	0	0
Other Income	(46,323)	(45,550)	(46,323)	(773)
Gross Income	(46,323)	(45,550)	(46,323)	(773)
	(0)	0	(0)	(0)

Housing Revenue Account - Revenue Expenditure Monitoring Report

1 April 2013 to 30th June 2013

Summary

	£000 Actual Year To Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
BY ACTIVITY				
Expenditure:-				
Supervision & Management	1,025	6,624	6,624	(0)
Tenant Participation	37	203	203	0
Sheltered Housing	165	721	721	0
Homelessness	44	411	411	(0)
Repairs & Maintenance	412	15,359	15,359	0
Central Support	0	2,843	2,843	0
Loan Charges	0	15,629	15,629	0
CFCR	0	4,325	4,376	51
Gross Expenditure	1,683	46,116	46,166	51
Income:-				
House Rents	(9,418)	(45,307)	(45,307)	(0)
House Rent voids	175	593	839	246
Other Rents	(364)	(1,219)	(1,462)	(243)
Other Rent Voids	71	134	252	118
Other Income	(293)	(266)	(438)	(172)
Interest on Revenue Balances	0	(50)	(50)	0
Gross Income	(9,829)	(46,116)	(46,166)	(51)
	(8,146)	0	(0)	(0)

BY SUBJECTIVE

Staff Costs	1,080	5,447	5,466	19
Other Costs	603	40,669	40,700	31
Gross Expenditure	1,683	46,116	46,166	51
Grants	0	0	0	0
Other Income	(9,829)	(46,116)	(46,166)	(51)
Gross Income	(9,829)	(46,116)	(46,166)	(51)
	(8,146)	0	(0)	(0)

Non-Housing Revenue Account - Revenue Expenditure Monitoring Report

1 April 2012 to 31 March 2013

Summary

	£000 Actual Year To Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
BY ACTIVITY				
Expenditure				
Housing Development Unit	232	241	232	(9)
Private Sector Housing Grant	1,579	1,579	1,579	0
Gypsy Traveller Sites	104	117	104	(13)
Homelessness/Leasing	5,814	6,712	5,814	(898)
Supporting People	1,810	1,729	1,810	81
Anti Social Behaviour	291	325	291	(34)
Misc Costs	853	710	853	143
Accommodation Account	3,239	3,342	3,239	(103)
Asset Management	585	648	585	(63)
Property Management	1,632	1,983	1,632	(351)
Energy & Sustainability	267	234	267	33
Consultancy	5,317	4,914	5,317	403
Revenue Maintenance	6,296	6,158	6,296	138
Estates & Investment Properties	855	641	855	214
Administration	1,412	1,422	1,412	(10)
Gross Expenditure	30,286	30,755	30,286	(469)
Income				
Housing Development Unit	(120)	(98)	(120)	(22)
Gypsy Traveller Sites	(154)	(164)	(154)	10
Homelessness/Leasing	(4,482)	(5,284)	(4,482)	802
House Loans	(2)	(2)	(2)	0
Misc Income	(78)	(69)	(78)	(9)
Accommodation Account	(167)	(97)	(167)	(70)
Asset Management	(47)	(170)	(47)	123
Property Management	(626)	(709)	(626)	83
Energy & Sustainability	(207)	(124)	(207)	(83)
Consultancy	(8,676)	(8,515)	(8,676)	(161)
Revenue Maintenance	(1,187)	(1,187)	(1,187)	0
Estates & Investment Properties	(2,876)	(2,648)	(2,876)	(228)
Administration	(323)	(323)	(323)	0
Gross Income	(18,945)	(19,390)	(18,945)	445
	11,341	11,365	11,341	(24)
BY SUBJECTIVE				
Staff Costs	6,588	6,985	6,588	(397)
Other Costs	23,698	23,770	23,698	(72)
Gross Expenditure	30,286	30,755	30,286	(469)
Grants	0	0	0	0
Other Income	(18,945)	(19,390)	(18,945)	445
Gross Income	(18,945)	(19,390)	(18,945)	445
	11,341	11,365	11,341	(24)

Non-Housing Revenue Account - Revenue Expenditure Monitoring Report

1 April 2013 to 30 June 2013

Summary

	£000 Actual Year To Date	£000 Annual Budget	£000 Year End Estimate	£000 Year End Variance
BY ACTIVITY				
Expenditure				
Housing Development Unit	59	231	231	(0)
Private Sector Housing Grant	(10)	1,579	1,579	0
Gypsy Traveller Sites	24	108	108	(0)
Homelessness/Leasing	2,030	6,083	6,083	(0)
Supporting People	733	1,729	1,906	177
Anti Social Behaviour	67	327	327	0
Misc Costs	(61)	455	455	0
Accommodation Account	1,361	3,500	3,500	0
Asset Management	148	628	628	0
Property Management	332	1,848	1,848	0
Energy & Sustainability	44	889	889	0
Consultancy	1,109	4,981	4,981	0
Revenue Maintenance	942	4,910	4,910	0
Estates & Investment Properties	119	724	724	0
Administration	186	976	976	0
Gross Expenditure	7,080	28,968	29,145	177
Income				
Housing Development Unit	0	(125)	(125)	0
Gypsy Traveller Sites	(34)	(169)	(156)	13
Homelessness/Leasing	(966)	(4,963)	(4,963)	0
House Loans	(1)	(2)	(2)	(0)
Misc Income	(24)	(69)	(69)	(0)
Accommodation Account	(12)	(99)	(99)	0
Asset Management	(22)	(57)	(57)	0
Property Management	(5)	(743)	(743)	0
Energy & Sustainability	(32)	(894)	(894)	0
Consultancy	0	(8,954)	(8,954)	0
Revenue Maintenance	(89)	(5)	(5)	0
Estates & Investment Properties	(570)	(2,728)	(2,728)	0
Administration	0	(117)	(117)	0
Gross Income	(1,755)	(18,925)	(18,911)	13
	5,325	10,043	10,233	190
BY SUBJECTIVE				
Staff Costs	1,626	7,024	7,030	6
Other Costs	5,454	21,944	22,115	170
Gross Expenditure	7,080	28,968	29,145	177
Grants	0	0	0	0
Other Income	(1,755)	(18,925)	(18,911)	13
Gross Income	(1,755)	(18,925)	(18,911)	13
	5,325	10,043	10,233	190

Appendix 5

Property Revenue Maintenance Budget 2013/14

Programme Performance: 1st April to 30th June 2013

	Budget	Legally Committed	Paid	Balance	% of Budget Paid / LC	% Through Year
Day to Day Building	700,100	83,022	68,352	548,726	22%	25%
Day to Day Engineering	660,000	95,232	91,642	473,126	28%	
Service Contracts (Including Legionella and LPG Work)	1,071,336	46,361	205,646	819,329	24%	
Vandalism	110,000	11,623	9,809	88,568	19%	
Planned Maintenance	524,000	118,032	26,537	379,431	28%	
Cyclical Maintenance	710,000	124,634	36,815	548,551	23%	
Kitchen Fabric - EHO Reports	50,000	6,545	4,767	38,688	23%	
Structural Surveys	25,000	8,400	0	16,600	34%	
Asbestos Work	100,000	17,420	10,989	71,591	28%	
Water Safety Remedial Works	0	4,900	13,333	-18,233		
Emergency Works	120,000	32,350	17,742	69,908	42%	
HACC Beam Monitoring	30,000	0	0	30,000	0%	
Fire Legislative Measures	70,000	51,331	16,247	2,422	97%	
Fixed Electrical Compliance Works	50,000	30,386	48,636	-29,022	158%	
Insurance Surveys – One-Off Annual payment	33,000	33,000	0	0	100%	
Storm Damage / Winter Contingency	72,849	18,561	19,330	34,958	52%	
Leased Building Service Charges	20,000	0	0	20,000	0%	
Fees	602,320	0	152,200	450,120	25%	
Overall Totals	4,904,605	681,798	722,044	3,500,763	29%	

**HIGHLAND COUNCIL
BUILDING MAINTENANCE**

FINANCIAL MONITORING STATEMENT PERIOD 1 APRIL 2012 - 31 MARCH 2013

SUMMARY	ANNUAL PLAN	PLANNED TO DATE	ACTUAL TO DATE	PROJECTED OUTTURN	YEAR END VARIANCE
	£	£	£	£	
INCOME					
HOUSING REPAIRS	-11,580,076	-11,580,076	-12,476,544	-12,476,544	-896,468
HOUSING CAPITAL	-2,348,300	-2,348,300	-4,486,026	-4,486,026	-2,137,726
NON HOUSING	-929,606	-929,606	-557,713	-557,713	371,893
RETURNS	500,001	500,001	328,001	328,001	-172,000
ADDITIONAL INCOME	-238,652	-238,652	-236,119	-236,119	2,533
	-14,596,633	-14,596,633	-17,428,401	-17,428,401	-2,831,768
DIRECT COSTS					
LABOUR COSTS	3,568,563	3,568,563	3,446,647	3,446,647	-121,916
SUB_CONTRACTORS	6,546,093	6,546,093	9,451,408	9,451,408	2,905,315
MATERIALS	1,408,486	1,408,486	1,613,629	1,613,629	205,143
TRANSPORT & PLANT	730,688	730,688	792,004	792,004	61,316
OTHER SUPPLIES & SERVICES	334,253	334,253	342,873	342,873	8,620
	12,588,083	12,588,083	15,646,561	15,646,561	3,058,478
OVERHEADS					
MANAGEMENT COSTS	994,595	994,595	950,207	950,207	-44,388
APPORTIONED COSTS	244,972	244,972	218,408	218,408	-26,564
SUPPORT COSTS	650,107	650,107	680,052	680,052	29,945
INTEREST ON REVENUE BALANCES	20,000	20,000	12,775	12,775	-7,225
	1,909,674	1,909,674	1,861,442	1,861,442	-48,232
TOTAL COSTS	14,497,757	14,497,757	17,508,003	17,508,003	3,010,246
(SURPLUS)/DEFICIT	-98,876	-98,876	79,602	79,602	178,478

**HIGHLAND COUNCIL
BUILDING MAINTENANCE**

FINANCIAL MONITORING STATEMENT PERIOD 1 APRIL 2013 - 30 JUNE 2013

SUMMARY	ANNUAL PLAN	PLANNED TO DATE	ACTUAL TO DATE	PROJECTED OUTTURN	YEAR END VARIANCE
	£	£	£	£	
INCOME					
HOUSING REPAIRS	(11,360,200)	(2,840,046)	333,716	(11,360,200)	0
HOUSING CAPITAL	(2,572,612)	(643,146)	297,446	(2,572,612)	0
NON HOUSING	(620,941)	(155,220)	(115,883)	(620,941)	0
RETURNS	0	0	0	0	0
ADDITIONAL INCOME	(250,000)	(62,495)	(3,292)	(250,000)	0
	<u>(14,803,753)</u>	<u>(3,700,908)</u>	<u>511,988</u>	<u>(14,803,753)</u>	<u>0</u>
DIRECT COSTS					
LABOUR COSTS	3,761,503	788,046	830,096	3,761,503	0
SUB_CONTRACTORS	6,469,103	1,617,269	1,296,004	6,469,103	0
MATERIALS	1,338,361	334,586	305,032	1,338,361	0
TRANSPORT & PLANT	795,828	213,217	179,932	795,828	0
OTHER SUPPLIES & SERVICES	346,634	95,352	88,785	346,634	0
	<u>12,711,429</u>	<u>3,048,470</u>	<u>2,699,850</u>	<u>12,711,429</u>	<u>0</u>
OVERHEADS					
MANAGEMENT COSTS	944,076	236,193	166,620	944,076	0
APPORTIONED COSTS	289,229	132,201	31,985	289,229	0
SUPPORT COSTS	839,019	126,240	147,203	839,019	0
INTEREST ON REVENUE BALANCES	20,000	1	0	20,000	0
	<u>2,092,324</u>	<u>494,635</u>	<u>345,808</u>	<u>2,092,324</u>	<u>0</u>
TOTAL COSTS	<u>14,803,753</u>	<u>3,543,105</u>	<u>3,045,658</u>	<u>14,803,753</u>	<u>0</u>
(SURPLUS)/DEFICIT	<u>0</u>	<u>-157,803</u>	<u>3,557,645</u>	<u>0</u>	<u>0</u>