

**DERBY HOMES MANAGEMENT ACCOUNTS 2012/13 – PERIOD 2**

Report of the Director & Company Secretary

**1. SUMMARY**

- 1.1 This report tables the 2012/13 management accounts for Derby Homes as at May 2012. The report concentrates on key variances in actual income and expenditure at May 2012 and also provides an initial overall forecasted year end position.
- 1.2 The year end forecast is for a profit of £612,000, split across management fee £552,000 and maintenance £60,000.
- 1.3 Key reasons for this are:

Reason	Management Fee £'000	Maintenance £'000	Total £'000
Budgeted profit for 12/13	337	-	337
Incentive scheme payment not budgeted for	150	-	150
Day to day repairs - Increased productivity and reduction of agency staff and material savings	-	60	60
Savings on insurance renewal contract and other minor variances	63	-	63
	<b>550</b>	<b>60</b>	<b>612</b>

- 1.4 Within capital works, progress on kitchen refurbishments is slightly behind schedule, but the full £3.1m capital budget for 2012/13 on kitchens and bathrooms and capitalised salaries is planned to be spent to the budgeted level by year end.
- 1.5 The Public Buildings works, operating on an open book basis with Derby City Council, are in line with expectations.
- 1.6 Changes to the year end forecast will arise throughout the year as events occur and more certainty in the forecasting can be made. This explains the differences between the budgeted and actual income and expenditure at May 2012 and the forecasted year end position shown in the tables below.

**2. RECOMMENDATION**

- 2.1 To note the current estimated forecast for 2012/13.

- 2.2 To agree to develop the format of future management accounts to the Committee.

### 3. MATTER FOR CONSIDERATION

- 3.1 **Management Fee** - The table below shows the May 2012 financial position for the services within the management fee area of Derby Homes.

Section	Net budget 12/13 £'000	Variance against budget at May 12 £'000	Forecasted year end variance £'000
<b>Management Fee</b>			
Principal fee	(8,694)	0	0
Housing Management	2,906	(3)	(15)
Area Offices	151	0	0
Supported Living	(96)	16	12
Initiatives	305	5	0
Homeless	(11)	1	0
Rent Arrears	592	(8)	(12)
Corporate Overheads	4,544	86	228
Trading Accounts	(36)	7	0
<b>Total profit / (loss) against budget</b>		<b>104</b>	<b>213</b>
Opening budgeted profit for 12/13	337	0	337
<b>Overall forecasted profit / (loss)</b>			<b>550</b>

- 3.2 The table shows that cost savings of £213,000 are forecasted from operations in addition to the budgeted profit for 2012/13 of £337,000. The main reasons for this are:

- £70,000 – Permanent saving on insurance following renewal of contract
- £150,000 – Incentive payment not budgeted, but likely to be achieved
- (£7,000) – Minor overspends and underspends in labour budgets.

- 3.3 A more detailed review of the first two months financial position is shown in Appendix 1.

- 3.4 **Maintenance** - The table below shows the May 2012 financial position for the services within the Maintenance area of Derby Homes.

Section	Net budget 12/13 £'000	Variance against budget at May 12 £'000	Forecasted year end variance £'000
<b>Maintenance</b>			
Repairs	9,366	101	60
Specialist works	1,162	27	0
Planned repairs	2,331	72	0
Estates Maintenance	1,288	(10)	0
Pension & contingencies	252	25	0
Investment & Regeneration	315	1	0
<b>Overall forecasted profit / (loss)</b>	<b>14,714</b>	<b>216</b>	<b>60</b>

- 3.5 The table shows cost savings of £60,000 are currently forecasted. This is due to increased productivity and reduction in agency staff and material savings within the day to day repairs sections as a result of continued business transformation.
- 3.6 Although there are currently under-spends against budget in the specialist works and planned repairs areas, this is mainly due to the timing of works and budgets expected to be spent in full by the year end. The one exception maybe within the alarms and fire equipment section where a saving may arise; this is being further reviewed.
- 3.7 The contingency budget of £149,000 is at this stage forecasted to be fully utilised in the year. To date £83,000 has been earmarked to fund asbestos removal in loft spaces in 175 homes.
- 3.8 A more detailed review of the first two months financial position is shown in Appendix 2.
- 3.9 **Capital works** – The target number of kitchen refurbishments for 2012/13 is 460. The number completed to the end of May is 57. Additional resources will be placed in this area to increase the output to ensure that the targeted number is achieved by year end. Current average cost per completed kitchen is £3,720 (2011/12: £3,650).
- 3.10 The targeted number of bathroom refurbishments for 2012/13 is 460. The number completed to the end of May is 76, in line with expectations. Current average cost per completed bathroom is £2,350 (2011/12: £2,340).
- 3.11 Capitalised salary budget of £374,000 for 2012/13 is forecasted to be fully spent.
- 3.12 **Public Buildings** - This section currently operates on an open book basis for Derby City Council. Costs of around £1.3m in 2012/13 are in line with expectations, see Appendix 2. The reduced cost of the service in 2011/12 as a result of savings in materials contracts and revised central support charges from the Council is forecasted to continue in 2012/13.

- 3.13 The service is planned to be re-tendered by the Council in 2012/13; if Derby Homes is unsuccessful in the tender then additional overheads currently met by the service of £135,000 would have to be absorbed by remaining maintenance functions, increasing their costs or reducing the contingency budget within the service.

#### **4. FINANCIAL AND BUSINESS PLAN IMPLICATIONS**

Current forecasts indicate that Derby Homes are likely to generate an operating surplus in 2012/13. This is mainly due to the realisation of business transformation savings earlier than planned, strong cost control and productivity increases. Consideration needs to be given towards the medium and long term financial strategy on how any profits arising in this financial year are to be re-invested in future years.

The areas listed below have no implications directly arising from this report:

- Consultation
- Legal and Confidentiality
- Council
- Personnel
- Environmental
- Equalities Impact Assessment
- Health & Safety
- Risk
- Policy Review

If Board members or others would like to discuss this report ahead of the meeting please contact the author, or Phil Davies, Chief Executive, [phil.davies@derbyhomes.org](mailto:phil.davies@derbyhomes.org) – Phone: 01332 888528

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Background Information: None

Supporting Information: Appendix 1 – Management Fee summary  
Appendix 2 – Maintenance & Capital works summary

# Derby Homes Ltd

# APPENDIX 1

## Management Fee Net Summary by main operations - May 2012

Cost Centre	Service	Budget 2012/13 £'000	Budget May 2012 £'000	Actual Year to May 2012 £'000	Variance Year to Date £'000	2012/13 Forecasted variance against budget £'000	Comments (on variances >£5k)
<b>PRINCIPAL FEE</b>							
S310450	MANAGEMENT FEE	(8,694)	(1,449)	(1,449)	-	-	
		<b>(8,694)</b>	<b>(1,449)</b>	<b>(1,449)</b>	-	-	
<b>HOUSING MANAGEMENT</b>							
H110100	AREA MANAGEMENT	585	98	100	(2)	-	
H110150	NEIGHBOURHOOD MANAGEMENT	102	17	17	1	-	
H110300	HOUSING OFFICERS	989	165	174	(9)	(9)	Additional Housing Benefit agency costs
H110750	ALLOCATIONS TEAM	222	37	32	5	-	
H150200	ENQUIRY CENTRE	430	72	71	1	-	
H110550	CONCIERGE	12	2	2	-	-	
H110600	NEIGHBOURHOOD SAFETY TEAM	180	30	26	4	-	
H110650	COMMUNITY WATCH PATROL	109	18	15	3	-	
H150500	FURNITURE PACKS	-	-	-	-	-	
H110500	ESTATE RESPONSE TEAM	-	-	-	-	-	
H130400	SHELTERED HOUSING	127	21	28	(7)	(6)	Additional spend on under occupation disturbance payments
H140100	LANDLORD SERVICES-GENERAL	188	31	29	2	-	
C410600	IMARI PARK & PARK HOMES	(34)	(6)	(6)	-	-	
C410100	EATON COURT	(4)	(1)	-	(1)	-	
		<b>2,906</b>	<b>484</b>	<b>488</b>	<b>(3)</b>	<b>(15)</b>	
<b>AREA OFFICES</b>							
H120100	SUSSEX CIRCUS	28	5	4	-	-	
H120200	ALLENTON	27	5	4	1	-	
H120220	OSMASTON	13	2	2	-	-	
H120300	ALVASTON LIBRARY	4	1	1	-	-	
H120400	STOCKBROOK STREET	33	6	5	-	-	
H120500	MACKWORTH LIBRARY	8	1	1	-	-	
H120520	BROOK STREET	15	3	2	-	-	
H120600	SINFIN	23	4	4	(1)	-	
		<b>151</b>	<b>27</b>	<b>23</b>	-	-	
<b>SUPPORTED LIVING</b>							
C420400	FAMILY INTERVENTION PROJECT	90	15	3	12	12	2 vacant support worker posts, recruitment planned over next few months
H110800	TENANCY SUSTAINMENT	(40)	(7)	(8)	1	-	
H110700	HRA SUPPORTED LIVING	23	4	4	-	-	
H130200	SUPPORTED LIVING SERVICE	(169)	(28)	(31)	3	-	
		<b>(96)</b>	<b>(16)</b>	<b>(32)</b>	<b>16</b>	<b>12</b>	
<b>INITIATIVES</b>							
H150300	RESIDENT INVOLVEMENT	201	34	30	4	-	
H150350	COMMUNITY INITIATIVES	84	14	12	2	-	
M210100	REGENERATION	-	-	1	(1)	-	
S310500	INITIATIVES	20	3	3	-	-	
		<b>305</b>	<b>51</b>	<b>46</b>	<b>5</b>	-	

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<b>HOMELESS (DCC GF)</b>							
C410300	HSG OPTIONS HOMELESS INITIATIVE	(3)	-	-	-	-	
C410400	LONDON ROAD HOMELESS ACCOMM	(6)	(1)	(2)	1	-	
C410500	MILESTONE HOUSE	(2)	-	-	-	-	
		<b>(11)</b>	<b>(1)</b>	<b>(2)</b>	<b>1</b>	-	
<b>RENTS &amp; ARREARS</b>							
H110200	ARREARS OFFICERS	447	74	87	(12)	(12)	2 more staff than budgeted, subject to review plus overtime payments unbudgeted
S310310	RENTAL CONTROL	145	24	20	4	-	
		<b>592</b>	<b>98</b>	<b>107</b>	<b>(8)</b>	<b>(12)</b>	
<b>CORPORATE OVERHEADS</b>							
S310400	CORPORATE OVERHEADS	1,256	209	185	24		£70k underspend on Insurance following finalisation of new contract; £8k underspend on vacant development manager post (filled from June).
	CONTINGENCY	200	33	-	33		£60k estimated for additional staffing in preparation for Welfare Reform, balance not yet allocated
	LGPS	155	26	26	-		
	INCENTIVE PAYMENT	-	-	(25)	25	150	Annual incentive payment not budgeted for
H150100	PERFORMANCE MGT	121	20	20	-	-	
H150150	BUSINESS TRANSFORMATION	40	7	17	(10)	-	Profiling of salary budget
H150400	COMMUNICATIONS	101	17	17	-	-	
S310100	DIRECTORATE & SUPP SERVS	240	40	40	-	-	
S310150	LEGAL	131	22	22	-	-	
S310200	PERSONNEL & STAFFING	458	76	69	8	-	Delayed Apprentices expenditure
S310300	FINANCE	361	60	57	3	-	
S310350	IT	1,230	204	202	3	-	
	IT DEPRECIATION	251	42	42	-	-	
		<b>4,544</b>	<b>756</b>	<b>672</b>	<b>86</b>	<b>228</b>	
<b>TRADING ACCOUNTS</b>							
C420100	SPIRITA HSNG POET'S CORNER	(10)	(2)	(5)	4	-	
C420200	NCHA BEDFORD STREET	(9)	(1)	(1)	-	-	
C420350	LILLIAN PRIME TRUST	(2)	-	(1)	-	-	
C420500	GREEN HILL APARTMENTS	(6)	(1)	(1)	-	-	
C420600	NEW BUILD	(6)	(1)	(4)	3	-	
C420700	LEYTONSTONE DRIVE	(3)	(1)	(1)	-	-	
C420900	LEASEHOLDER REPAIR SCHEME	-	-	-	-	-	No actual
		<b>(36)</b>	<b>(6)</b>	<b>(13)</b>	<b>7</b>	-	
<b>Total Profit / (Loss) against budget</b>		<b>(339)</b>	<b>(56)</b>	<b>(160)</b>	<b>104</b>	<b>213</b>	
<b>Opening budgeted profit for 12/13</b>						<b>337</b>	
<b>Overall forecasted Profit / (Loss)</b>						<b>550</b>	

## Derby Homes Ltd

## APPENDIX 2

### Maintenance Net Summary by main operations - May 2012

Cost Centre	Budget 2012/13 £'000	Budget May 2012 £'000	Actual Year to Date May 2012 £'000	Variance Year to Date £'000	2012/13 Forecasted variance against budget £'000	Comments (on variances >£5k)
<b>Repairs Budget</b>						
A100000 Day to Day Repairs	4,070	678	600	78	60	This under spend is due to increased productivity and reduction of agency staff and material savings
A100500 Gas Breakdowns	1,143	173	193	(20)	-	Overall the Gas budgets have come in under spent against the profiled budget, however the budgets were based on last years demand figures, so small variances are likely
A200600 Gas Testing	845	187	151	36	-	
A200000 Voids	2,381	394	414	(20)	-	The over spend is due to higher demand in May against a usual month.
A200500 Electrical Testing	349	58	42	16	-	The electrical testing budget is currently based on 3 vacant direct labour employees - these are currently being covered by 3 agency staff
A400500 Open Contractor Team	197	33	27	6	-	The open contractor budget is showing to be under spend due to seconded staff salary
A500500 Facilities Management	381	63	58	5	-	costs being coded elsewhere in the company
	<b>9,366</b>	<b>1,586</b>	<b>1,485</b>	<b>101</b>	<b>60</b>	
<b>Specialist works</b>						
A600000 Specialist Works - Staff Costs	215	36	39	(3)	-	
A600001 Alarms & fire equipment Entry systems, CCTV & aerials	485	81	54	26	-	This budget was under spent in 2011-12 and appears to be following the same trend, work required to accurately forecast this area
A600002 Lifts	125	21	22	(1)	-	
A600003 Water safety	90	15	15	-	-	
A600004 Asbestos sampling	30	5	1	4	-	
A600005 Energy performance certificates	30	5	6	(1)	-	
A600007 Structural repairs	50	8	11	(2)	-	
A600008 Drainage	100	17	18	(1)	-	
A600009 Other servicing	7	1	-	1	-	
	<b>1,162</b>	<b>194</b>	<b>167</b>	<b>27</b>	<b>-</b>	
<b>Planned Repairs</b>						
A700000 Planned Repairs - Staff costs	168	28	30	(2)	-	
A700001 Repairs prior to painting	693	116	48	67	-	Internal works are generally planned for Autumn / winter time. The budget is anticipated to be spent by the year end.
A700002 External painting	720	120	157	(37)	-	A higher proportion of external works takes place in the first part of the financial year due to the likelihood of favourable weather conditions. The budget is anticipated to be spent by the year end.
A700003 Lobby refurb	250	42	25	16	-	Internal works are generally planned for Autumn / winter time. The budget is anticipated to be spent by the year end.
A700004 Home dec scheme	250	42	56	(14)	-	This budget is currently over spent but works are programmed in to accommodate the contractors leave and also Christmas week when work is reduced
A700005 Fencing	250	42	-	42	-	This project has not commenced as yet, as soon as the project is up and running the worked will be scheduled to matched the profiled expenditure
	<b>2,331</b>	<b>390</b>	<b>316</b>	<b>72</b>	<b>-</b>	

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Cost Centre	Budget 2012/13 £'000	Budget May 2012 £'000	Actual Year to Date May 2012 £'000	Variance Year to Date £'000	2012/13 Forecasted variance against budget £'000	Comments (on variances >£5k)
<b>Estates Maintenance</b>						
Estates Maintenance - Staff						
A800000 Costs	45	8	14	(6)	-	- Estates Pride contribution to staffing costs not yet claimed.
A800001 Grounds maintenance	669	112	115	(3)	-	
A800002 Tree maintenance	227	38	38	-	-	
A800003 Playground inspections	70	12	12	-	-	
A800004 Tenant's garden scheme	100	17	17	-	-	
A800005 Communal cleaning	177	30	31	(1)	-	
	<b>1,288</b>	<b>217</b>	<b>227</b>	<b>(10)</b>	-	
<b>Pension Contribution &amp; Contingencies</b>						
General Contingency and						It is likely that approx £83k of the contingency will be spent on asbestos removal from loft
A900000 BTS	149	25	-	25	-	- spaces in 175 non traditional homes, the balance is yet to be allocated
Additional Pension						
A900001 Contribution	103	17	17	-	-	
	<b>252</b>	<b>42</b>	<b>17</b>	<b>25</b>	-	
<b>Investment &amp; Regeneration</b>						
A900500	<b>315</b>	<b>52</b>	<b>51</b>	<b>1</b>	-	- Staffing costs for this area
	<b>14,714</b>	<b>2,481</b>	<b>2,263</b>	<b>216</b>	<b>60</b>	
<b>Capital Budget</b>						
A300000 Capital Kitchens	1,580	268	212	56	-	- From June there will be increased resources in this area to ensure that targeted number of completions are achieved. This should ensure that the budget is spent by year end.
A300100 Capital Bathrooms	1,180	201	179	22	-	
A600500 Capitalised Salaries	374	62	63	-	-	
A300500 Solar Panels	-	-	-	-	-	- May have some residual payments in 2012/13
	<b>3,134</b>	<b>531</b>	<b>454</b>	<b>78</b>	<b>0</b>	
<b>Other Works</b>						
A400000 Public Buildings	1,347	224	182	42	-	This under spend on Public buildings is usual for this time of year, there is likely to be an under spend against the budget at the year end, but this is a cost neutral budget as all actual costs are recharged to DCC
	<b>1,347</b>	<b>224</b>	<b>182</b>	<b>42</b>	<b>0</b>	