

**DERBBY HOMES MANAGEMENT ACCOUNTS PERIOD 11 2010/11
(MANAGEMENT FEE AND REPAIRS TEAM)**

Report of the Director and Company Secretary

1. SUMMARY

The report tables the management accounts for Derby Homes. The accounts cover a trading period of 11 months to February 2011 for the continuing operations and nine months to February 2011 for the operations of the Repairs and Investment Team. It compares actual expenditure for February and for the year to date against budget and extracts a difference.

2. RECOMMENDATION

To note the report and appendices.

3. MATTER FOR CONSIDERATION

- 3.1 On 2 June 2010 the Repairs Team and the Public Buildings Repairs and Maintenance Team transferred to Derby Homes from the Environmental Services Department of Derby City Council.
- 3.2 Appendix 1 shows a summary of the operating results for the period ended February 2011. Before adjustment for an expected additional funding from the Housing Revenue Account (HRA) Capital Programme and for expenditure which can be covered by the use of reserves, the consolidated result for the year to date is a deficit of £64,000.

Ongoing Operations Funded From Management Fee

- 3.3 Appendix 2 shows the Operating Statement for April 2010 to February 2011. This shows a cumulative operating surplus of £144,000. An explanation of significant variances is given in Appendix 3 together with a note of those that can be met from reserves.
- 3.4 As reported for Period 10, the management fee receivable has been re-aligned to the most recent HRA business plan and this results in a positive income variance for the year to date of £66,000. The other major income variance is the shortfall of service charge income from the Tenancy Sustainment Service in an amount of £71,000 but this is offset by savings on salaries and other costs of £31,000.

- 3.5 The expenditure variances include a positive variance in respect of the recharge of employee costs to the Repairs and Investment Team in an amount of £30,000 for the month and £270,000 for the year to date.
- 3.6 The Furniture Project still shows a substantial overspend against budget in an amount of £109,000 in the year to date. This has increased by an additional £17,000 since last month. An increase of £75,000 to the budget was approved as a budget development in the budget setting process for 2011/12 and a review of the project will be undertaken with a view to bringing costs back into line with the budget.
- 3.6 The above variances have been taken into account in calculating the underlying budget for 2011/12.

Repairs and Investment Team Operations

- 3.7 Appendix 4 shows the trading accounts for the Housing Repairs Team from June 2010 to February 2011. Initial funding for these operations is being received from Derby City Council's (DCC's) HRA Repairs Account in an amount of £8,718,000 for the 10 months, June 2010 to March 2011. This is a provisional allocation and is subject to final negotiation with the Council. An additional contribution of £180,000 has also been received from the HRA to cover one-off initial start up costs. The summarised trading position is as follows:

	Operating Result 9 months £'000
Day to Day	(176)
Voids	(112)
Equipment servicing and maintenance	(109)
Cyclical maintenance	461
Housing projects and miscellaneous	(32)
Total	31

- 3.8 It should be noted that as current systems do not allow for any commitment accounting month end accruals are based on post balance sheet transactions and estimations. This could lead to an understatement of costs and a variability of results when viewed on a month by month basis. Accruals in respect of sub-contract work in relation to gas servicing work are particularly difficult to assess at this time given the extreme weather conditions that were experienced in the winter months.

Capital

- 3.9 Appendix 5 shows the operating statement for Capital from June 2010 to February 2011. This covers kitchens, bathrooms and Exeter House and management in respect of DCC capital. Initial funding for these operations is being received from DCC's HRA Capital Programme in an amount of £2,468,000. An additional contribution of £70,000 has also been received from the HRA to cover one-off initial start up costs.

- 3.10 The trading result indicates a deficit in the year to date of £239,000. A part of the current deficit may arise as a consequence of income and expenditure not being correctly aligned in the budget.
- 3.11 The income referred to above is a provisional allocation and is subject to final negotiation with the Council. It is anticipated that any overspend at the close of the financial year will be met by the Council.

Public Buildings

- 3.12 Appendix 6 shows the operating statement for Public Buildings from June 2010 to February 2011. Derby Homes manages this service on behalf of Derby City Council on a fully funded cost recovery basis.
- 3.13 During the year settlement of invoiced costs has been subject to substantial delays and at 28.02.11 the amount of £664,000 was outstanding for October to February. However following recent discussions the invoices for October to December amounting to £433,000 have been cleared for payment and it is anticipated that payment of the remaining quarter will be made early in the new year.

Forecast Out-Turn 2010/11

- 3.14 Appendix 7 shows the forecast out-turn for 2010/11 as follows:

	Number of months trading	Forecast out-turn 2010/11 £'000	Total £'000
Ongoing operations	12	113	
Repair, Investment & Public Buildings			
Housing repairs team	10	(94)	
Capital	10	0	
Public Buildings	10	0	
Overall forecast result			19
Funded from Derby Homes reserves:			
Tenancy Sustainment Service		30	
Systems co-ordinator post		30	
Development officer post		45	
Family Intervention salaries		36	
Market development officer		28	
Business transformation salaries and VR/VER costs		139	
Other costs		25	
Funding to cover initial Repairs losses		94	
			427
Underlying results of trading			446

- 3.15 It is anticipated that any overspend on Capital will be met by the Council and It has been agreed that up to £140,000 of any deficit arising in the repairs and Investment team accounts will be met from Derby Homes reserves as approved by the Board on 29 July 2010.

- 3.16 Forecasting for the Repairs, Investment and Public Buildings team is particularly difficult as the current systems do not allow for any commitment accounting. The budgets are not quantified in terms of volume of work and forecasting relies on estimation and experience and on sub-contractors submitting invoiced costs on a timely basis. As mentioned in paragraph 3.8, work in relation to gas servicing is particularly difficult to assess and to forecast, given the extreme weather conditions that have been experienced and the increased work and costs that may arise as a result.
- 3.17 As the operations of these teams were only transferred to Derby Homes on 1 June 2010 forecasting experience is limited.
- 3.18 Work on forecasting is continuing but in the meantime the draft figures above and on Appendix 7 which show a surplus of £19,000 must be treated as provisional and based on information obtained to date.

Balance Sheet

- 3.19 Appendix 8 shows the consolidated balance sheet for Derby Homes at 28 February 2011. Included in the balance sheet is cash at bank of £2,695,000 compared with a cash balance of £2,900,000 at 31 January 2011.

4. FINANCIAL AND BUSINESS PLAN IMPLICATIONS

Those reflected in the body of the report.

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

- Consultation
- Legal and Confidentiality
- 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 – Phone: 01332 888528

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Background Information: None.

Supporting Information: None.

Summary of results for period 11 - February 2011

	Ongoing Operations	Housing Repairs Team	Capital	Public Buildings	Total Repairs, Investment and Public Buildings	Company Total
Months of operation	11 £'000	9 £'000	9 £'000	9 £'000	9 £'000	£'000
Operating Result: Surplus/(deficit)	144	31	(239)	0	(208)	(64)
Additional funding:						
HRA Capital Programme			239		239	239
	<u>144</u>	<u>31</u>	<u>0</u>	<u>0</u>	<u>31</u>	<u>175</u>
Funded from reserves as approved by Board 29.07.10:						
Tenancy Sustainment Service	30					30
Systems Co-ordinator post	27					27
Development Officer post	42					42
Family Intervention Project	36					36
Market development Officer	24					24
Business Transformation	134					134
Other	<u>25</u>					<u>25</u>
	<u>318</u>					
Underlying result	<u>462</u>	<u>31</u>	<u>0</u>	<u>0</u>	<u>31</u>	<u>493</u>

Management Fee Operating Statement: February 2011

Period: 11 2010/2011

	<i>Period Budget</i>	<i>Period Actual</i>	<i>Period Variance</i>	<i>Variance %</i>	<i>Budget Year to Date</i>	<i>Actual Year to Date</i>	<i>Variance Year to Date</i>	<i>Variance %</i>	<i>Budget Full Year</i>
	£	£	£		£	£	£		£
Fee Income	937,646	943,667	6,021	1	10,314,106	10,380,334	66,228	1	11,251,754
Misc Income:									
Council Tax Collection	2,083	0	(2,083)	(100)	22,913	20,833	(2,080)	(9)	25,000
Capital Programme/Estates Pride	70,609	70,609	0	0	776,699	776,699	0	0	847,308
Supporting People Grant - Tenancy Support	22,747	22,738	(9)	0	250,217	250,217	0	0	272,975
Supporting People Grant - Sheltered Housing	61,493	61,486	(7)	0	676,423	676,424	1	0	737,925
A External Management - Rents	24,090	26,919	2,829	12	264,990	286,145	21,155	8	289,092
B External Management & Consultancy fees	5,761	7,402	1,641	28	63,371	84,312	20,941	33	69,161
D Other Council Services	11,879	14,991	3,112	26	130,669	166,688	36,019	28	142,564
Other Income	80,037	73,867	(6,170)	(8)	880,407	796,579	(83,828)	(10)	960,539
Total Income	1,216,345	1,221,679	5,334	0	13,379,795	13,438,231	58,436	0	14,596,318
C Employee Costs	704,262	658,017	46,245	7	7,746,882	7,598,560	148,322	2	8,451,683
Travel Expenses	25,961	18,967	6,994	27	285,571	264,173	21,398	7	311,710
Office Costs	94,252	94,626	(374)	0	1,036,772	1,054,911	(18,139)	(2)	1,131,508
Supplies & Services	242,274	262,553	(20,279)	(8)	2,665,014	2,733,338	(68,324)	(3)	2,908,014
Support Services	149,428	149,429	(1)	0	1,643,708	1,643,709	(1)	0	1,793,227
Total Expenses	1,216,177	1,183,592	32,585	3	13,377,947	13,294,691	83,256	1	14,596,142
Net Operating Surplus / (Deficit)	168	38,087	37,919	22,571	1,848	143,540	141,692	7,667	176

PLEASE NOTE: Our convention for presenting financial information is:

- Income will be shown without brackets
- Under achieved income variances will be shown with brackets
- Expenditure will be shown without brackets

- Overspent expenditure variances will be shown with brackets
- Surpluses will be shown without brackets
- Deficits will be shown with brackets

DERBY HOMES LIMITED			Appendix 3	
Management Fee Accounts - Period 11 2010//11				
Analysis of Income and Expenditure Variances				
	Actual		Full year forecast	
	Over/(U Current Period £'000	Over/(U Year to Date £'000	Impact Full Year £'000	Income not offset by Expenditure £'000
Income Variances				
· Income variances made up of :				
· Management fee variance	5	55	60	60
· Management Fee for LHO rent	1	11	12	12
· Tenancy Sustainment	(1)	(71)	(78)	(38)
· Other minor variances	0	63	64	(17)
Total Income Variances	5	58	58	17

PLEASE NOTE: Our convention for presenting financial information is:

- Under achieved income variances will be shown with brackets
- Overspent expenditure variances will be shown with brackets
- Surpluses will be shown without brackets
- Deficits will be shown with brackets

Appendix 4

DERBY HOMES HOUSING TRADING ACCOUNTS 2010/11

	10 months			9 months to February 2011			2010/11 Forecast £	2009/10 Actual Costs	
	Budget 2010/11 £	Period Budget	Period Actual	Budget YTD £	Actual YTD £	Under/(Over) Spend £		2009/10 (pro rata'd 10 mths)	2009/10 (9 mths)
Summary - Housing Derby Homes Repairs Trading									
Income	8,718,000	871,800	877,658	7,846,200	7,903,736	57,536	8,778,397	8,610,800	7,749,720
Direct Costs	7,904,809	790,481	789,442	7,114,328	7,175,431	(61,103)	8,056,357	7,608,691	6,847,822
Gross Profit	813,191	81,319	88,216	731,872	728,305	(3,567)	722,040	1,002,109	901,898
Overheads	181,015	18,102	25,526	162,914	67,417	95,497	110,000	753,237	677,913
London Road Recharges	632,176	63,218	50,007	568,958	624,854	(55,896)	680,000	0	0
DH management charge	0	0	20,518	0	184,652	(184,652)	206,483	0	0
Total Overheads	813,191	81,319	96,051	731,872	876,923	(145,051)	996,483	753,237	677,913
Use of HRA funds to fund 'One-Off' costs					180,000	180,000	180,000		
Net surplus/deficit	0	0	(7,835)	0	31,382	31,382	(94,443)	248,872	223,985
Day to Day			(44,081)	0	(175,995)	(175,995)	(256,103)		
Voids			(6,982)	0	(112,366)	(112,366)	(209,747)		
Equipment, servicing & maintenance			(4,991)	0	(108,970)	(108,970)	(115,423)		
Cyclical			81,285	0	461,207	461,207	522,491		
Housing projects			(33,067)	0	(32,495)	(32,495)	(35,661)		
TOTAL			(7,835)	0	31,382	31,382	(94,443)		

Appendix 4

Day to day & welfare adaptations	Budget 2010/11	Period Budget	Period Actual	Budget YTD	Actual YTD	Under/(Over) Spend	2010/11 Forecast	2009/10 (pro rata'd 10 mths)	2009/10 (9 mths)
Income	3,666,000	366,600	372,458	3,299,400	3,354,797	55,397	3,726,397	4,010,692	3,609,623
Staff costs	1,238,437	123,844	142,588	1,114,593	1,319,761	(205,167)	1,480,000	1,516,116	1,364,504
Subcontractor	920,000	92,000	126,765	828,000	895,707	(67,707)	1,020,000	777,829	700,046
Materials	663,018	66,302	76,966	596,716	677,660	(80,944)	750,000	842,647	758,382
Vehicle costs	250,413	25,041	3,994	225,372	201,217	24,155	230,000	162,602	146,342
Total Direct Costs	3,071,868	307,187	350,312	2,764,681	3,094,344	(329,663)	3,480,000	3,299,194	2,969,275
Gross Profit	594,132	59,413	22,146	534,719	260,453	(274,266)	246,397	711,498	640,348
Overheads	77,545	7,755	23,145	69,791	50,235	19,555	70,000	519,733	467,760
London Road Recharges	516,587	51,659	34,213	464,928	433,895	31,034	470,000		
DH management charge			8,869		79,818	(79,818)	90,000		
Total Overheads	594,132	59,413	66,227	534,719	563,948	(29,229)	630,000	519,733	467,760
Use of HRA funds to fund 'One-Off' costs					127,500	127,500	127,500		
Net surplus/deficit	0	0	(44,081)	0	(175,995)	(175,995)	(256,103)	191,765	172,589
No D2D jobs completed June to Jan 11		30,462	Avg act cost/job completed		£	115.91			

Voids (incl contingency)	Budget 2010/11	Period Budget	Period Actual	Budget YTD	Actual YTD	Under/(Over) Spend	2010/11 Forecast	2009/10 (pro rata'd 10 mths)	2009/10 (9 mths)
Income	1,570,000	157,000	157,000	1,413,000	1,415,139	2,139	1,570,000	1,638,170	1,474,353
Staff costs	507,052	50,705	56,271	456,347	473,049	(16,702)	530,000	619,258	557,332
Subcontractor	603,000	60,300	55,360	542,700	577,448	(34,748)	675,000	414,102	372,692
Materials	179,305	17,931	27,354	161,375	231,434	(70,059)	270,000	247,783	223,005
Vehicle costs	61,584	6,158	3,598	55,426	60,911	(5,486)	75,000	66,416	59,774
Total Direct Costs	1,350,941	135,094	142,582	1,215,847	1,342,841	(126,995)	1,550,000	1,347,559	1,212,803
Gross Profit	219,059	21,906	14,418	197,153	72,298	(124,856)	20,000	290,611	261,550
Overheads	103,470	10,347	2,380	93,123	17,181	75,942	40,000	233,504	210,154
London Road Recharges	115,589	11,559	15,794	104,030	190,959	(86,929)	210,000		
DH management charge			3,225		29,023	(29,023)	32,247		
Total Overheads	219,059	21,906	21,399	197,153	237,163	(40,010)	282,247	233,504	210,154
Use of HRA funds to fund 'One-Off' costs					52,500	52,500	52,500		
Net surplus/deficit	0	0	(6,982)	0	(112,366)	(112,366)	(209,747)	57,107	51,396
No of voids to June to Feb 2011		902	Avg cost/void		£	1,752			

Appendix 4

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2009/10 (pro rata'd 10 mths)	2009/10 (9 mths)
477,594	429,835
477,594	429,835
477,594	429,835
0	0
0	0
0	0

	Budget 2010/11	Period Budget	Period Actual	Budget YTD	Actual YTD	Under/(Over) Spend	2010/11 Forecast
Housing Projects & Miscellaneous							
Income	358,000	35,800	35,800	322,200	322,200	0	358,000
Subcontractor	358,000	35,800	68,000	322,200	346,900	(24,700)	385,000
Total Direct Costs	358,000	35,800	68,000	322,200	346,900	(24,700)	385,000
Gross Profit	0	0	(32,200)	0	(24,700)	(24,700)	(27,000)
Overheads						0	
DH management charge			867		7,795	(7,795)	8,661
Total Overheads	0	0	867	0	7,795	(7,795)	8,661
Net surplus/deficit	0	0	(33,067)	0	(32,495)	(32,495)	(35,661)

DERBY HOMES LONDON ROAD 2010/11

Appendix 4

London Road		10 months		9 months to February 2011			2010/11 Forecast	2009/10 Actual	
	Budget 2010/11	Period Budget	Period Actual	Budget YTD	Actual YTD	ver) Spend		(pro rata'd 10	2009/10 (9 mths)
Income - London Road Rect	1,237,000	89,711	89,711	1,119,894	1,119,894	0	1,237,000	200,334	140,234
Staff costs	320,000	26,806	26,806	292,580	292,580	0	320,000	0	
Buildings Maintenance	30,000	2,976	2,976	23,960	23,960	0	30,000	37,377	26,164
Direct Costs	350,000	29,782	29,782	316,540	316,540	0	350,000	37,377	26,164
	887,000	59,929	59,929	803,354	803,354	0	887,000	162,957	114,070
Overheads-									
Professional Charges	160,000	6,229	6,229	151,436	151,436	0	160,000		
Legal Fees	110,000	0	0	101,989	101,989	0	110,000		
Security Services	45,000	4,500	4,500	40,500	40,500	0	45,000	44,935	31,455
Cleaning	17,000	1,616	1,616	14,544	14,544	0	17,000	16,163	11,314
Insurance	80,000	7,985	7,985	71,865	71,865	0	80,000		
Tipping	210,000	21,090	21,090	189,090	189,090	0	210,000		
Other	170,000	9,151	9,151	149,709	149,709	0	170,000	101,859	71,301
Support Services	95,000	9,358	9,358	84,221	84,221	0	95,000		
Net surplus/deficit	0	(0)	(0)	(0)	(0)	0	0	0	0

DERBY HOMES CAPITAL 2010/11

Appendix 5

Capital	Budget 2010/11	Period Budget	Period Actual	Budget YTD	Actual YTD	Under/(Over) Spend	2010/11 Forecast	2009/10 (pro rata'd 10 mths)	2009/10 (9 mths)
Income	2,468,000	246,800	199,050	2,221,200	2,223,362	2,162	2,470,162	5,343,463	4,809,117
Staff costs	1,036,950	103,695	92,821	933,255	875,109	58,146	950,000	1,234,288	1,110,859
Subcontractor	300,000	30,000	(21,945)	270,000	308,971	(38,971)	360,000	922,748	830,473
Materials	768,000	76,800	147,198	691,200	849,692	(158,492)	910,000	2,922,034	2,629,831
Vehicle costs	133,330	13,333	25,191	119,997	120,903	(906)	135,000	137,942	124,148
Total Direct Costs	2,238,280	223,828	243,264	2,014,452	2,154,674	(140,222)	2,355,000	5,217,012	4,695,311
Gross Profit	229,720	22,972	(44,214)	206,748	68,688	(138,060)	115,162	126,451	113,806
Overheads	74,325	7,433	103	66,893	6,815	60,078	10,000	371,777	334,599
London Road Recharges	155,395	15,540	26,105	139,856	317,059	(177,204)	350,000		
DH management charge			5,970		53,734	(53,734)	76,763		
Total Overheads	229,720	22,972	32,178	206,748	377,608	(170,860)	436,763	371,777	334,599
Use of HRA funds to fund 'One-Off' costs					70,000	70,000	70,000		
Net surplus/deficit	0	0	(76,393)	0	(238,921)	(238,921)	(251,601)	(245,326)	(220,793)
Additional Income from DCC to cover additional works					238,921		251,601		
					0		0		

DERBY HOMES PUBLIC BUILDINGS TRADING ACCOUNT 2010/11

Appendix 6

Public Buildings	10 months			9 months to February 2011			2010/11 Forecast
	Budget 2010/11	Period Budget	Period Actual	Budget YTD	Actual YTD	Under/(Over) Spend	
Income	1,530,000	134,322	134,322	1,376,239	1,376,239	0	1,530,000
Staff costs	605,000	52,015	52,015	556,035	556,035	0	605,000
Subcontractor	200,000	27,251	27,251	180,331	180,331	0	200,000
Materials	285,000	11,363	11,363	256,849	256,849	0	285,000
Vehicle costs	100,000	14,383	14,383	84,994	84,994	0	100,000
Direct Costs	1,190,000	105,011	105,011	1,078,208	1,078,208	0	1,190,000
Gross Profit	340,000	29,311	29,311	298,031	298,031	0	340,000
Overheads	25,000	4,315	4,315	18,268	18,268	0	25,000
Support Services	80,000	7,834	7,834	70,506	70,506	0	80,000
London Road Recharges	200,000	13,649	13,649	177,643	177,643	0	200,000
DH management charge	35,000	3,513	3,513	31,614	31,614	0	35,000
Net surplus/deficit	0	0	0	0	0	0	0
Total Income due to 28 February				1,376,239			
Income already invoiced to 31 January 2011				1,144,340			
Income due from non-Property Service jobs				114,588			
Income due from Property Services for February 2011				117,311			

DERBY HOMES LIMITED
Forecast Out-turn for Year 2010/11
Appendix 7

	Operating statement February 2011	Forecast Operating statement March 2011	Budget Full Year 2010/11	Variance
	£'000	£'000	£'000	£'000
CONSOLIDATED				
INCOME				
Management Fee and miscellaneous income	13,438	14,654	14,596	58
Repairs, Investment & Public Buildings income	11,503	12,778	12,716	62
Use of HRA to fund 'One-Off' costs	250	250		250
Additional income from DCC to fund capital overspend	239	252		252
	25,430	27,934	27,312	622
EXPENDITURE				
Ongoing management fee operations:				
Employee Costs	7,868	8,531	8,451	(80)
Recharge of employee costs to Repairs, Investments & Public Buildings	(270)	(300)	0	300
Vehicle and Travel Expenses	264	312	312	0
Office Costs	1,055	1,147	1,132	(15)
Supplies & Services	2,733	3,058	2,908	(150)
Support Services	1,644	1,793	1,793	0
	13,294	14,541	14,596	55
Repairs, Investment & Public Buildings:				
Employee Costs	3,412	3,795	3,387	(408)
Sub-contractor costs	4,495	5,029	5,505	476
Materials	2,014	2,214	1,895	(319)
Vehicle and Travel Expenses	488	563	546	(17)
Indirect Repairs overheads	145	200	336	136
Allocation of central Repairs and Investment overheads	1,118	1,230	987	(243)
Allocation of overhead charge from ongoing operations	289	343	60	(283)
	11,961	13,374	12,716	(658)
Other Council Services				0
TOTAL EXPENDITURE	25,255	27,915	27,312	(603)
OPERATING SURPLUS/(DEFICIT)	175	19	0	19