

REPORT BY THE DIRECTOR OF FINANCIAL SERVICES

TMO BOARD – 8th December 2005

BUDGET MONITORING 2005/2006

1. Purpose

- 1.1. To inform the TMO Board of the forecast of the financial position of the TMO company budgets and the TCC managed budgets based on the budget monitoring for the period ended 31st October 2005.

FOR INFORMATION

2. Background

- 2.1. The forecasts contained within this report for the TMO Company budgets are based on the actual expenditure to the end of October, and take into account known spending trends and committed expenditure.
- 2.2. The TMO Company set a net deficit budget of £86k. The October budget monitor forecasts a £177k surplus before tax and £125k surplus after tax, an improved revenue position of £263k to budget.

3. TMO Company Budgets

3.1. *People Costs*

- 3.1.1. People costs' forecast an underspend of £195k (2.2%) against expenditure budgets of £8.769m. The main variances are:

- £1.519m underspend on salary budgets. This is mainly due to the level of vacant posts within the organisation that are currently supported by agency staff. The forecast cost of agency staff is currently £1.217m. Therefore the net underspend on salary – agency budgets is £302k (3.4%);
- £115k overspend on consultancy budgets. This is mainly attributable the City West Homes bid and the use of consultants in preparing the HRA business plan, some of which will be recharged to the Council;
- £8k (3.1%) underspend on general staffing costs, this represents a reduction of £14k in last month due to additional costs incurred on the staff conference.

3.2. *Establishment Costs*

- 3.2.1. Establishment costs forecast an overspend of £274k (13.8%) against expenditure budgets of £1.992m. The main variances are:

- £278k (34.6%) overspend on supplies and services budgets. The majority of this relates to the estimate cost of the office move. However it should be noted that elements of this cost are likely to be amortised over the five year period of the new tenancy. The Finance Team will prepare a detailed schedule of amortised costs once the full cost of the move has been identified;
- £39k (10.5%) overspend on premises budgets mainly due to the increased cost of security guards and cleaning at Neighbourhood North;
- £43k (5.3%) underspend mainly due to proposed savings on accommodation and reception area costs.

3.3. **Service Delivery Costs**

3.3.1. Service delivery costs forecast an underspend of £28k (2.5%) against expenditure budgets of £1.121m. The main variances are:

- £50k (8.1%) underspend on the Legal Services SLA and £16k (8.0%) overspend on Valuers SLA which were reported in previous month;
- £8k (10.2%) overspend on tenant participation costs.

3.4. **Support Costs**

3.4.1. Support costs forecast an underspend of £186k (21.2%) against expenditure budgets of £879k. The main variances are:

- £49k (9.8%) underspend on IT support costs mainly due to lower level of equipment purchases in light of the proposed office move;
- £66k (36.4%) underspend on depreciation on capital expenditure mainly due to the decrease in spend and new equipment and maintenance in light of the proposed office move;
- £57k (41.5%) underspend on training costs due to lower than budgeted staff usage of training facilities;
- £13k (21.2%) underspend on central human resources costs which was reported in previous month.

3.5. **Income**

3.5.1. Revenue income is forecast to be £128k (20.9%) higher than the income budgets of £611k. The main variances are:

- £48k (47.5%) reduction in technical services income from capital receipts, £47k (63%) increase in Thames Water commission and £86k (287%) increase in bank interest income which were reported previously;
- £42k (10.4%) increase in community services income and miscellaneous income.

4. **Capital Programme**

- 4.1. The capital programme is forecast to over spend by £2.309m (10.7%) against a capital budget of £21.514m.
- 4.2. As previously reported, the overspend is mainly due to the capital programme team increasing the volume of Decent Homes works in line with TCC and Council expectations.

5. **TCC Managed HRA Budgets**

Income Summary

- 5.1. The TCC Managed HRA income budgets are summarised in the schedules attached. The October 2005 forecast position is in line with previous projections, a reduction in income of £3.793m (8.7%) against a budget of £43.571m. The reasons for this variance are explained below.
- 5.2. Rent and Other Charges Receivable
 - 5.2.1. Additional rent and other charges income of £194k (0.6%) is forecast against budgets of £31.888m. The reasons for this additional income are:
 - £22k decrease in rent and tenancy service charge income;
 - £143k increase in service tenancy income;
 - £30k increase in transfer rents income;
 - £44k increase in heating & hot water and insurance premium income.
- 5.3. Leasehold Charges
 - 5.3.1. The position of under recovery on leasehold charges has not changed since last report.
- 5.4. Commercial Property Rents
 - 5.4.1. There are no forecast variances on Commercial Property Rents income budgets.
- 5.5. Miscellaneous Income
 - 5.5.1. Additional income of £52k (5.0%) is forecast against budgets of £1.030m. This relates to an increase in the forecast income from garage rents.

Expenditure Summary

- 5.6. The TCC Managed HRA expenditure budgets are summarised in the schedules attached. The October 2005 forecast position shows an overspend of £429k (2.6%) against a budget of £16.567m. The reasons for this variance are explained below.

5.7. **Finance**

5.7.1. There are no forecast variances on the Finance expenditure budgets.

5.8. **Technical Services**

5.8.1. Technical Services forecast an overspend of £434k (3.4%) against expenditure budgets of £12.6m. The main variances are summarised below:

- £212k overspend on planned maintenance;
- £224k overspend on the supply of gas to central boilers;
- £2k underspend on response repairs.

5.9. **Lancaster West EMB**

5.9.1. There are no forecast variances on the Lancaster West EMB expenditure budgets.

5.10. **Borough wide cleaning and Pest control**

5.10.1. There are not changes to the forecast for cleaning and pest control compared with previous report.

5.11. **Tenancy Management North**

5.11.1. There are not changes to the forecast for Tenancy Management North area since last report.

5.12. **Tenancy Management South**

5.12.1. Tenancy Management South forecast an overspend of £5k (8.5%) against expenditure budgets of £59k mainly due to an estimated increase in cost of car park management.

5.13. **Customer Services**

5.13.1. There are no forecast variances on the Customer Services expenditure budgets.

5.14. **Area Revenue Works (ARW)**

5.14.1. There are no forecast variances on the Area Revenue Works expenditure budgets.