

<b>Review of Quarter 3 management accounts 2024/25</b>	
To:	Finance Subcommittee
For:	Information and Discussion
Date of Meeting	Monday 3 <sup>rd</sup> February 2025, from 5:30pm
Link to Business/Annual Plan	Financial Performance and impact on reserves
Report Author	Majda Pamic, Finance Team Leader

<b>Quarter 3 Management Account Review (end of December 24)</b>	
<b>Income above budget</b> (as per management account)	<b>£174 k</b>
Of which homeowner major works income above	£50k
Homeowner revenue service charge above	£144k
Rent overall (rent refunds, vat on garages) <u>under</u> budget	-£6k
Bank interest received <u>under</u> budget	-£26.8k
<b>Expenditure above budget</b>	<b>£270k</b>
Of which general expenditure below budget	£134k
Managers' budgets above budget (health warning on repairs)	-£404k
<b>'Operating Surplus'</b> month 9	£1.33 million
<b>Reserves expenditure</b>	<b>£3.9 k</b>
<b>Rent collection end week 40</b> (performance stat)	98.37%
<b>Cash flow</b>	
Cash in bank end December 2024	£6.1 million
Full report to future finance subcommittee	
<b>Finance team update</b>	
<b>Maximising income through bank interest</b>	
<b>Any other financial business</b>	
Homemaster – started with the raw data import	

# Month 9 (Quarter 3) Management Accounts 2024/25

## Headline state of the JMB accounts

Nine months is the point in the year when we can get better picture and trend on spend and income presented via management accounts. It is also use as a base to produce draft budget for year 25/26.

**Income** - overall income £174k above budget (£404k above budget at month 9 2023/24). £174k represents better overall picture vs. year 23/24, due to the budget profile settings in that year. This year the budget I reprofiled to reflect the HB invoices issued on quarterly basis.

Rent collection over the years (Apr 2020 – December 24) averaged 96.67% at end of quarter 3. For the Q3 24-25 the cumulative rate is 98.37% and it's better vs. 96.67% (23-24). However, with collection lower than 98% for three years form April 2020 to December 2023, it is important that collection increases to collect the outstandings of prior years' arrears.

Major works and revenue service charge collection is above the budget overall, mainly due to better collection on MW service charges. However, no new schemes were budgeted for the year 24/25, and lots of final account credits are expected in 24/25, so the yearly budget was set at £29k.

Please note in this year's budget, rent and service charge income represents 96.61% of the budgeted income for the year. Improving collection on these should be the focus to increase income.

**Expenditure** is £270k above budget. The general budgets are underspent £134k, while the managers budgets overspend £404k.

The two budgets that have the biggest impact on the overall overspend on managers budgets are voids & repairs which is £223k over the budget and major works, which is £279k over the budget.

The spend on contractors is £223k above budget at the end of quarter 3, or an average of £24k overspend each month. This includes spend on clearing the backlog of long-standing voids. In addition, there is £56k spend above the repair's disrepair budget. Repairs material spend is £ 33k below the budget set. The repairs manager is being much tighter controlling materials ordering. They are also looking at productivity in the team as well as the repairs schedule of job value.

In the first 9 months of 24/25, major work budget has been overspent vs. projected for £279k. This is just an accounting / timing issue. We are asking the auditor to accrue £145k into 23/24 and the rest is the difference between the smooth profiling of the budget and uneven spend. It is noted that revenue budget for the year 24-25 is set at £ 1.556m. The stock condition survey planned for Autumn 24 has been pushed back slightly and once received we will be able to profile major works programme more accurately into future years. Cash flow planning will be crucial to fund the major work schemes when required whilst maximising bank interest by tying cash into interest bearing accounts where the cash is not needed in the short term.

## **Detailed consideration of month 9 management accounts**

### **Income**

**£174k above budget**

Overall income is £174k above budget. Although, it is noted that the amount above is due to the better collection on service charge on MW & SC revenue, while the overall rent collection is under budget by £6k.

### **Detail of variances in income from budget of more than £5k**

#### **Rent received**

**£6k below budget**

The rent collection rate has slightly improved vs. prior year. However, due to £20k of rent refunds and £11k down as no commercial income of Peeveril Garages conversion, net rent income is £23k above budget.

Rent loss due to property voids has fallen from 0.92% at the start of April 24 to 0.55% at the end of December 24 as progress is made on letting the long-term voids. This is a lagging indicator of progress in reletting voids. Ongoing work is needed to monitor the voids and to keep the void period short as possible to minimize the void loss and improve the rent collection figures overall. Rent loss due to garage voids has slightly increased to 0.42%, with rent loss due to shed voids at 0.17%.

#### **Homeowner Major Works Income**

**£50k above budget**

The budget for the year is set at £29k, which is the lowest vs. prior years. This was due to no new major works scheme being billed to leaseholders in April 2024, plus provision for final account credits. £29k was collected in April 24, £18k in May with only £2k in June 24 and £11k in August 24, £9.2k Oct., £0.6k in November and 10k in December. In July and September, the JMB paid out more in major works refunds related to final accounts reconciliation than was collected from leaseholders. Overall, £108k of credits have been raised, but these only get refunded if the leaseholder has no outstanding debt within a repayment agreement.

#### **Homeowner revenue service charge income**

**£144k above budget**

This reflects the cash received in each month from April until December 24. In addition, £23.6k was received before the 1<sup>st</sup> April for 24/25 revenue charges that were sent out in early March but only became due on 1<sup>st</sup> April. This gives a boost to collection figures early in the year.

The budget was set based on the estimated service charges that were billed in early March 24.

Overall, the 23/24 actual bills were £289k above the estimate, £144k is almost half of that amount that was billed 1<sup>st</sup> October and is due by end of March 25.

#### **Bank interest income**

**£26.8k under budget**

NatWest bank accounts are set up. Interest received as per 31.12.2024 are £ 4,993.73.

An additional £ 1 Mio was transferred to 35- and 95-days' notice account was made on 20<sup>th</sup> January. By the end of January 25, we are expecting an additional £ 4,447.43 of interest to be received. Totaling £ 9,441.16

Expected interest received as per 31.01.2025 are as follows:

Type of account	dates	Nominal amount	Interests	Total amount
Business reserves account	as per 31.12.2024	£ 500,004.00	£ 929.08	£ 500,929.07
Business reserves account	as per 31.01.2025		£ 574.35	£ 574.35
35 days notice	as per 31.12.2024	£ 1,000,006.00	£ 4,064.65	£ 1,004,064.64
35 days notice - total fund	as per 31.01.2025	£ 500,000.00	£ 3,256.64	£ 503,256.64
95 days notice	as per 31.12.2024	£ -	£ -	£ -
95 days notice	as per 31.01.2025	£ 500,000.00	£ 616.44	£ 500,616.44
<b>Total deposited</b>		<b>£ 2,500,010.00</b>	<b>£ 9,441.16</b>	<b>£ 2,509,441.14</b>

## Aerial income

**£ 8.9k under budget**

After the budget set for the year 24/25, confirmation from LBS was that the income for 24/25 is going to be £89k, which is £56 k shortfall on budget. Income expected in January is £62k.

**All other income streams are within £5k of the budget, so below the reportable limit.**

## Operating expenditure £270k above budget

Of which general budgets £134k below budget; and  
Manager's budgets £404k above budget

**VARIANCES OF MORE THAN £5,000 FROM BUDGET are reported below**

### General budget expenditure £134k below budget

#### Office Staffing

**£55.3k above budget**

**Office salaries and oncosts £86.2k under budget** made up from:

£ 30k under RSO salaries (offset by temp costs)

£ 28.6k under finance salaries

£14.4k under on major works

£ 18.6k under on HR staffing salaries (offset by temp costs)

Part offset by:

£ 5.4 k above on management salaries and office all

#### Staffing contingency £129k above budget

£85 k over MW temp. fees with no saving in major works salaries to part offset this

£27 k over HR temp. fees almost matching the saving in the HR salaries budget

£16.2 k over RSO temp. fees which is less than the current reduction in the RSO salaries budget.

**Pension fees and benefits £21.4k above budget** – profiling issue as full year cost spread across year.

## **Voids and repairs**

**£24.8k above budget**

Made up of £16k over on repairs management staffing costs (including recruitment) even as one month in arrears on temp costs for repairs manager, £8k over on vehicle fuel costs as the 23/24 bill from Southwark is still not in, £5k over on consultancy fees, £7k under on repairs operative salary costs due to vacancies

## **Estate Costs**

**£202k below budget**

Estate electricity £47k below budget: there is a drop in costs for electricity due to the reducing energy rates. It is noted that N-power and CSD Laser are charging at a lower rate like the rates seen prior to the energy costs crisis. Quarter 1-3 also covers the season when nights are shortest, so less electricity is used to light the estates. £47.3k under estate electricity.

Estate fire prevention £42.4k below budget. Spend is not smooth through the year as it depends when the Southwark led fire safety works are completed and billed. There is ongoing discussion about fire prevention responsibilities between the JMB and Southwark, so no billing has been received to date.

Estate gas (Joyce Newman House) £112.2k below budget due to large credit for lower usage 22/23 and 23/24 than charged. Actual meter read has been provided and actual costs recalculated. Gas for JNH is in credit of £165.2k as of 31.12.2024. Actual invoices are offset against the credit, hence no payments needed. Based on current credit and invoiced bills, we are on credit for the next 26 months.

## **Office costs**

**£ 32k below budget**

£ 32 k under budget

£3 k above repairs, replace &H&S; £1.3 k above sundry expenses offset by

£ 1.2k under office gas

£ 9.5 k under water rates

£ 6.3 k under printing

£ 7.6 k under electricity

£ 9.5 k under the NNDR (timing issue)

£ 1.8k under budget on various (travel, stationery, photocopier rental, telephones)

**LBS Charges: £ 0 no charges yet.** Expecting 24/25 estimate based on 23/24 actual in Q3/4. According to LBS, bill is expected in January 25.

## **Cleaning Costs**

**£ 9.7k over budget**

£5.2k over on salaries, £2k over on staffing contingency, £ 1.3k over by staff training, £1.3k over fuel, salaries include backdated uplifts for manager and inflationary uplift, that was higher % for staff on lower salaries.

## **Insurance Costs**

**£ 7.9 k over budget**

£ 2.6 above on insurance (actual annual costs higher than budget), £5.6k above audit fees, £2k above payroll (to be adjusted for accruals of £1k 23-24 costs; and profile budget issue release), offset (due to accruals) by £2.5k underspend on bank charges

**All other general budgets are within £5k of budget**

## **MANAGER'S BUDGETS**

**£270k over budget**

It is noted that there has been less miscoding over past months and adjustments are made more quickly to reflect accurate position on management accounts.

Provisions for bills not yet appearing on the budget codes are made in the management accounts.

## **VARIANCES OF MORE THAN £5,000 FROM BUDGET**

### **Voids and repairs contractors**

**£223k over budget**

Repairs contractors' is above budget, and it does not include contractors for heating and lifts. This includes jobs assigned to the contractors to clear the voids backlog. In turn this would have a knock-on effect on better rent collection. However, more work is needed to get the repairs expenditure back within budget. The head of property service has agreed to conduct a review of the repairs service to see where efficiencies can be found.

The repairs accruals report is no longer posted in GP dynamics hence more accurate data is available to track the actual spend on repairs. As per 31.12.024 there were total of £ 541k completed and charged jobs delivered and paid to the contractors.

While the in-house (DLO) team delivered £253k jobs by the end of 31.12.2024.

### **Lifts**

**£72 k over budget**

The lifts budget is significantly overspent. The repairs management team are investigating and will closely monitor spending in the following months.

**Voids and repairs other****£56k over budget**

Disrepairs and compensation budget is £62k overspent due to the high volume of cases. Repairs management say the backlog has reduced, contributing to the overspend. Work is quite often miscoded to this budget, hence it's closely observed as the year progresses.

**Major works****£ 279k over budget**

This year MW budget is set at £1.556 million, profiled up to December is £ 1,167million, out of which we spend £ 1,433 million of which £145k to be accrued into the year 23/24. As spending is not smooth during the year, the 'overspend' is more a timing issue. Year-end overspends are currently covered by reserves allocated to major works.

New schemes are yet to be confirmed after the new stock condition survey. Year-end overspends are currently covered by reserves allocated to major works.

**UNDER BUDGET****Homeowners' services****£ 60k under budget**

No spend to date whilst waiting for legal agreement from Southwark

**Legal & compensation****£46k under budget**

The legal and compensation is £46k under budget. Delay in receiving invoices during the year.

**Voids & repairs – materials****£ 33k under budget**

Stronger control on stock ordering

**Strategic projects****£24k under budget**

Only £1.3k spend to date

**Estate works****£22k under budget**

£37.5k TRA underspend, and £15k overspend on repairs work on the estate.

**Directors' projects****£ 17.4k under budget**

Only £5.2k spend to date

**IT****£13.3k under budget**

For 2024/25 the IT budget is set at a higher sum, primarily due to the new software implementation. First installment to Home-master paid in December 24.

**Heating and cold-water tanks****£5.6k under budget**

Manual provisions were added for November and December to reflect accurate spending. Furthermore, the cost of the gas for the three original district heating systems for actual 22/23 and estimate for 23/24 are still expected to be invoiced (when invoice received from

Southwark Council, which will more than reverse the overspend. As actualization comes months into the following year, it is difficult to make provision for these extra costs). In addition, the adjustments were made due to the miscoding to reflect accurate position.

**All other managers budget spends are within £5k of budget.**

### **Operating surplus at end of Quarter 3**

Total income received (£7 million) less operating expenditure to date (£5.7 million) shows an operating surplus of £1.332 million. However, £1.4 million of LBS charges including debt repayment is expected imminently, so the current position is not saved money.

### **Reserves expenditure (Annual capital budgets) £4k**

Only £4k of spend to date is shown on the management account, with no reserves spend on major works (unless and until the in-year budget is spent).

### **Cash flow**

There was £6.1 million in the bank at the end of December 24. We are forecasting to have £3.1 million in the bank as per 31.03.2025. Currently major works are programming £8 million spend in 25/26. When a programme based on revenue budget plus remaining reserves is produced this will enable us to update cash flow.



## **Update on current focus of finance team**

### **Estimate revenue service charges 25/26**

The first draft of block and estate costs has been produced based on the most recent three years' actual costs. This will be reviewed in January and to be ready for import onto the software on February 25.

### **Implementation of new integrated software**

The tender is completed, and the finance team will be heavily involved in the project, as finance is the building blocks of a new system including block and estate definitions matching to homeowner charging requirements, creating a new chart of accounts that links to these, and setting up coding to reduce the manual choices in coding so reduce the volume of miscoding. Finance is also heavily involved in rents, homeowners and repairs module implementation on top of the finance system. Furthermore, financial procedures need to be re-written to reflect the new system requirements and new procedures for implementing all the work.

All of the above are on top of daily, weekly, monthly and periodic cycle required to deliver the operating and management requirements of the finance function.

### **Reorganization of the finance team**

With the finance manager leaving the JMB, the finance function is being reviewed with a potential restructuring to be presented to the Board. The JMB will need additional finance officer time to support the migration to the new IT, as built into the 24/25 staffing budget.

## **Any other business**