**Appendix 1 to support Management Accounts for Period 3 in the 2016-2017 financial year.**

1. At the end of P2 performance for the General Needs day to day repairs element of the Maintenance budget was showing a cumulative negative variance of *£159,653 against year to date budget*. This level of overspend so early in the financial year led to a joint detailed analysis by Finance and Reactive Repairs colleagues into the numbers and the jobs on the system.
2. The results of this analysis led to a movement of £85.1K made up of:

* £21.5K capitalised
* £6.4K recoded to the correct budget headings
* £57.2K reduction in 2015/16 accrual

1. If this movement is considered against the reported variance then the figure then that would have been a £74.5K negative variance against budget with further reconciliation still being undertaken.
2. It is important to consider the work undertaken since P2 as a context to P3 reporting in terms of the improving performance as seen through the further reduction in the negative variance to £34.1K for General Needs.
3. This could be seen as a positive reversal of the ‘normal’ trend in reactive overspends which tend to increase period on period until year end.
4. After the initial production of draft P3 figures, Finance and Reactive Repairs staff led by the Director of Property Services and the Senior Financial Accountant was able to further analyse and verify the data leading to what is considered as a more accurate reflection of spend to date and accruals.
5. Data cleansing work and appropriate coding of spend continues, particularly accruals and service chargeable items, so further movement will be reported in the next period.
6. P&R and Lakers are experiencing issues invoicing. P&R is the more substantial of the two as their IT system is not always set up as per specification in places and they have to improve their team’s knowledge of procedure. Lakers are a smaller issue relating to a different approach to rounding up to Hexagon Housing i.e. Pre VAT as opposed to Post. There are other actions in place to address and mitigate the impact of these elements.
7. Accruals are recorded following a systematic process to allow for additional variations and in paying VAT and the cost per order of £158 is moving into line with the budget figure of £145 which was produced using previous years spend analysis.
8. In addition the number of orders over £500 is reducing as the historic jobs pass through and the controls on newer orders take effect. Similarly jobs under £500 have also reduced to an average value of £75.67 and account for £182.2K of the spend. Finally expenditure on blue forms has also reduced as a greater volume of works get raised through the interface. Similarly trends and levels of expenditure over coming periods need to be seen to establish confidence and clarity.
9. A couple of areas to note. Whilst a negotiated credit note from KNK of £28K for duplicate jobs up to 21.12.15 has been accounted for in the accrual, we are still awaiting the details of the orders so that they can be removed from the system.
10. Supported Housing carries a negative variance of £6.8K against budget, although this has been reduced following analysis of the initial draft figures. Further work needs to be undertaken with Supported Housing colleagues to understand this spend profile further.
11. Gas Servicing continues to show a positive variance of £9.9K and assists the overall picture for GN but a ‘lag’ of boiler installs has now been completed and invoiced and this is expected to move closer to budget in future months.
12. Voids are also proving to be show different spend profiles as anticipated compared to budget. Low value void costs are £16.6K less than budgeted for, however high value void costs are above budget and approaching half the years spend in the first 3 months. There are both internal and external factors to explain these variances.
13. Turnover has reduced and therefore so has expenditure on lower value voids. The turnover that is happening tends to be with our customers who have been less inclined or able to manage their homes and therefore require a significant amount of work to bring these up to standard.
14. The pattern above is reported by colleagues across London and into the South East with several factors being considered for this pattern including Welfare Benefit Reform, increased housing shortages, changes in tenure security and customer’s perception of what is available.
15. The ‘interim’ arrangement for Asset Appraisal of voids over £20K will also ensure work is only undertaken on high value voids following a market test against sale and consideration by the Directors Group.
16. Overall the collective understanding of ‘Why’ has improved and the resulting actions have improved the overall knowledge of teams, removed unnecessary outstanding orders, ‘cleansed’ the system going forward, sort to establish processes to avoid repeat issues.
17. Performance Management will be enhanced from 15 July through weekly WIP reporting against budget. This along with other performance information e.g. jobs over £500 will be updated weekly in the Reactive Repairs Team office.
18. Continuous Improvement will continue in terms of additional controls, greater shared understanding of process and contractual frameworks, practice and knowledge lost through key staff turnover being reestablished and seeking to establish greater clarity and control over some roles and responsibilities alongside budget expenditure.
19. It is key that greater clarity and accountability should ensure control and a sense of empowerment and ownership for those involved.