

Appendix A –Revenue and Financing variations

1. **Supervision & Management: £117k net underspend.** £377k before £250k is proposed to be allocated to a new earmarked reserve for workforce planning, and £10k carry forward (as outlined in paragraph 13). The overall variation is in addition to the HRA action plan salary savings and are predominantly due to difficulty in recruiting a number of technical posts in areas such as asbestos, mechanical & electrical and contract management across the service leading to the underspend. This is being addressed by reviewing roles and considering alternate methods of delivery in some cases
2. **Sheltered Housing: £36k net underspend** as a result of a significantly reduced call off responsive items, most significantly tree surgery, reduced grounds maintenance costs, with more of this being undertaken in house and a reduced call on the equipment budget for new purchases.
3. **Repairs & maintenance:** A robust approach to delivery has allowed efficiencies to be made across most work streams during the year. Notably we are starting to benefit from past years investments, we have changed the way works are delivered when properties become empty, and we have been more focused in the way the repairs and maintenance service is managed.
 - a. **Cyclical and Planned maintenance - £292k underspend.** Cyclical painting has largely been deferred as the contract has been re-procured in year due to the performance of the incumbent contractor. We are taking the opportunity to realign this programme with future planned programmes of work to ensure synergy and value for money is achieved.
 - b. **General Voids - £372k underspend.** This has been achieved by changing operating practices and moving some traditional void works into planned programmes as appropriate (unless the circumstances show otherwise, such as health and safety concerns) e.g. not replacing kitchens on voids because the programme indicates renewal, but instead assessing their condition on a case by case basis and moving them into the planned capital programme.
 - c. **Gas In-House service - £119k underspend.** SDC Heating Services are showing significant efficiencies when benchmarked against the external market place. This has been achieved through greater partnership working with stakeholders, changes in working practices, negotiated improved materials costs and support servicing contract
 - d. **Responsive Repairs - £355k overspend.** Responsive repairs is a by nature a responsive budget, and maintenance needed each year can fluctuate. Some of this would have been due to slowing down and deferring works while the old contract, with Morgan Sindall, was run down, and part of the cost would also be attributable to repairing,

rather than replacing elements, and deferring the capital programme to future years. This would have only occurred where appropriate.

4. **Rent & charge income - £118k variation.** Rental and service charge income largely in-line with the revised budget, with additional income of £118k over budget.
5. This is a very pleasing outcome and can be attributed to the service's redesign where a specialist income team was formed and which has performed exceptionally well, and the impact of welfare reform changes far less than predicted. It must be noted that major changes notably Universal Credit will be implemented during 2017/18.
6. This positive income performance is all the more reassuring, considering that the sheltered housing modernisation project has meant that two schemes are being closed, creating empty flats during 2016/17 and income loss as a result.
7. A further contribution factor to the positive variation is the delivery of new homes from the New Build programme, which are generally let at affordable rent levels.
8. **Sheltered Housing Modernisation:** The revenue variation is due to lower than forecast expenditure on decants.
9. **Queens Court:** Expenditure of £133k – See commentary in Appendix B.
10. **Funding:** There is a reduction in the level of financing from Capital receipts owing to the reduced level of expenditure within the HRA's capital programme:
 - a. Reduced funding of the capital programme from the Major Repairs Reserve - £1,417k variation. This balance will remain in the Major Repairs Reserve to fund capital works in future years, including the capital slippage.
 - b. HCA grant received - £33k of unapplied grant from 2015/16 being utilised
 - c. Application of Right to Buy and other capital receipts in line with budget estimates.

Gross income from renewable exceeded budget by £78k.

Appendix B – Capital Variations

New Homes and Regeneration £0.290m additional expenditure

1. The New Homes and Regeneration Programme continues to deliver new homes as planned. Members will recall that the budgets for the New Build schemes were reprofiled during the year to reflect the revised cashflow forecast.
2. Schemes highlighted as differing from the revised budget profile for the year.
 - a. **Leonard Stanley - £199k** of expenditure which is more in line with the original budget allocation (£2.227m)
 - b. **Top of Town - £260k** of additional expenditure (all phases)
 - c. **Contingency – (£211k)** essentially supporting these schemes has not been spent and can be netted-off against the expenditure above.

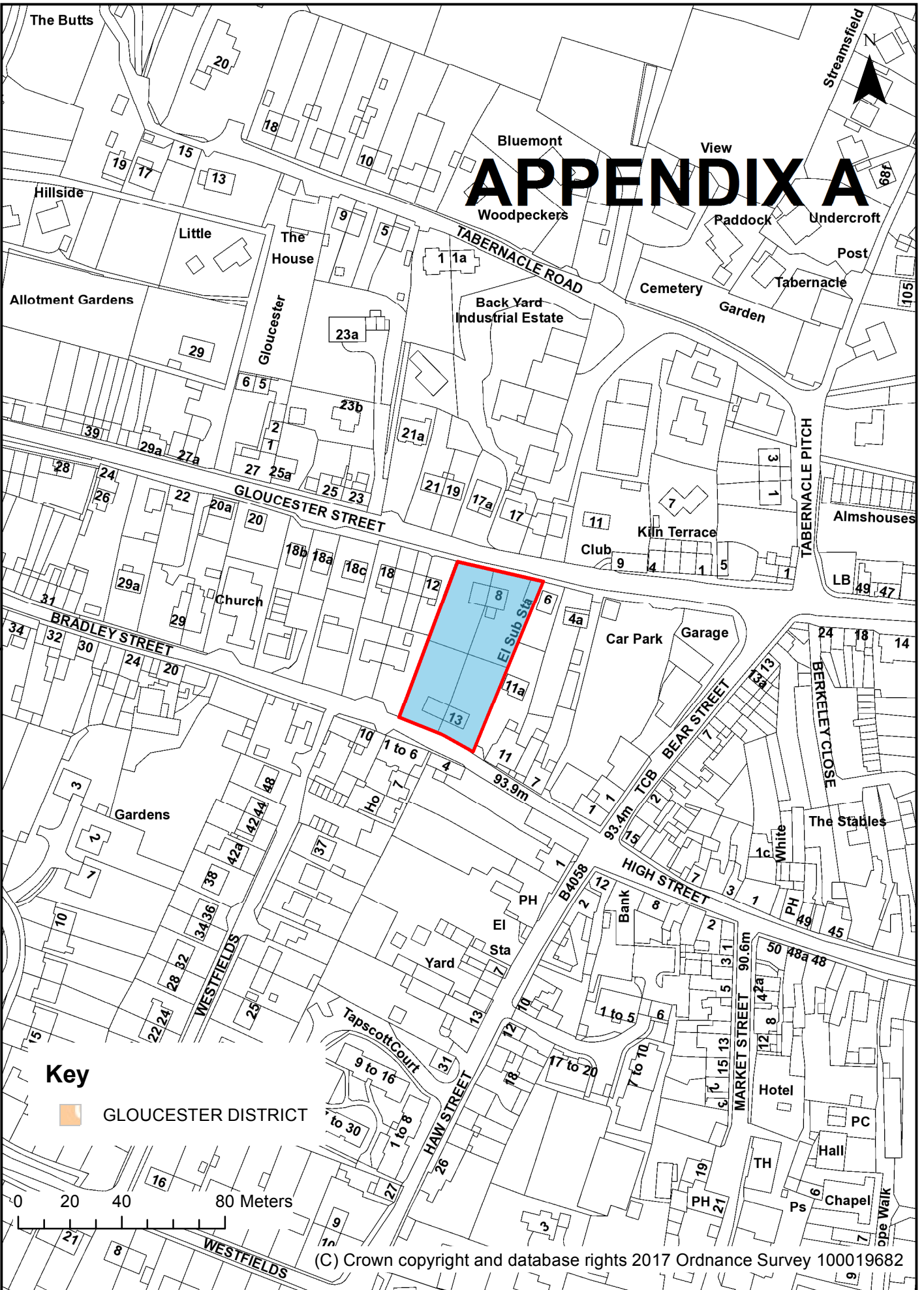
Other capital works £1.792m under budget

3. Capital works budgets were revised downward by £2.590m in December to reflect the deferment of expenditure as part of the HRA Action Plan. Capital slippage of £1.045m is reported.
 - a. **Central Heating - £135k underspend.** Despite a high volume of critical failure works being undertaken we are dealing with those efficiently. A credit of £56k from the Central Heating Fund (CFH) was received in year.
 - b. **Disabled Adaptations - £57k underspend.** These works are demand led and there has been a lower volume of DNA referrals than in previous years.
 - c. **Kitchens and Bathrooms £265k underspend.** Works are being validated and if appropriate moved into future programmes if elements do not need replacing i.e. if a kitchen or bathroom has several years of life left they are reprofiled into future programmes
 - d. **Major Voids - £78k underspend.** This budget is demand led where there have been cost reductions, increased intelligence from pre termination inspections has assisted this process
 - e. **Asbestos/Radon - £87k underspend.** All asbestos is identified and managed safely and where appropriate removed rather than encapsulated where there is any indication of risk. In many situations leaving undisturbed asbestos may be the safest option which is then addressed through void or programmed works.
 - f. **Damp works/Insulation - £90k slippage.** Works have been deferred to future years and realigned with other planned works programmes.
 - g. **Non-Traditional properties - £37k slippage.** Initial pilot programme was successfully delivered. All future financial commitment is subject to validation and financial appraisal in accordance with the approved strategy and guidance.
 - h. **Door Entry - £175k slippage** Procurement was initially deferred as this work stream had a degree of flexibility which provided some comfort to ensure resource certainty in case additional savings were required to maintain HRA balances in-year. Door entry in our properties are working

correctly and this procurement will enhance and replace systems. Consequently this is not an immediate priority and as such delivery will now begin in 2017/18.

- i. **Professional fees (reclassification of ineligible expenditure from capital to revenue).** This budget will be moved from capital to revenue in future years.
 - j. **External Works - £723k slippage.** Delays in starting on site, and the poor performance and delivery of the contractors have been a factor. This has been managed robustly by officers and outstanding works will be carried forward into future year's programmes. The aim is to ensure works are properly carried out, validated and provide value for money.
4. **Sheltered Housing Modernisation:** The main variance is on Capital due to an allowance for options appraisals that has not been required in this financial year and costs of remodelling units falling across two financial years– all of the ex-wardens properties will have been brought back into use in 2017/18.
 5. **Queens Court** – Capital and Revenue combined - £130k and £170k funded from balances. It was anticipated that it would take up to 2 years to progress the project to a point where the property could be disposed on the open market. The HRA MTFP allowed for £400k of reserve funding across 2017/18 and 2018/19, but given the project has progressed more quickly, the revenue and capital buy-back costs will be funded from HRA working balances in the current financial year. A capital receipt of £1.5m to £2.0m was forecast in the MTFP in 2018/19, although this may be realised sooner given the progress to date.

APPENDIX A



Key

 GLOUCESTER DISTRICT

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