STROUD DISTRICT COUNCIL

AGENDA ITEM NO

HOUSING COMMITTEE

20 JUNE 2017

9

Report Title	**HOUSING REVENUE ACCOUNT (HRA) OUTTURN 2016/17 – SUMMARY OF VARIANCES**
Purpose of Report	To inform members of the 2016/17 outturn position on the Housing Revenue Account.
Decision(s)	**The Committee RESOLVES:** a) To note the HRA revenue and capital outturn for 2016/17, as shown in Table 1 and Table 4; b) To support the revenue reserve transfers and capital slippage, as set out in Table 2 and Table 5; c) To support the reprofiling of the 2017/18 New Build Programme budget, as set out in Table 6; d) To support an additional budget of £700,000 for housing acquisitions in the 2017/18 capital programme; e) To approve affordable rents on properties built or acquired using Right to Buy receipts.
Consultation and Feedback	Budget holders have been consulted about the budget outturn for their service areas. The feedback has been incorporated in the report to explain differences between budgets and actual income and expenditure.
Financial Implications and Risk Assessment	The report sets out the outturn for the HRA, which is an improved position compared to the March budget monitoring report. Whilst the headline variation is only £509k, there is a significant element of capital slippage that will be funded in future years from the Major Repairs Reserve. Further work will be undertaken during the course of the year to ascertain the longer term financial position of the HRA. An updated MTFP will be considered in December. David Stanley – Accountancy Manager Tel: 01453 754100 Email: david.staney@stroud.gov.uk
Legal Implications	As a local housing authority, the Council is under a duty to keep in accordance with proper accounting practices, a Housing Revenue Account, consisting of sums falling to be credited or debited in respect of the provision of housing and other associated housing purposes. The Council is also under a duty

	to prevent a debit balance on the HRA for each accounting year and in doing so must keep under review the proposals in place regarding the income and expenditure on its assets held for housing related purposes. The Council must also revise the proposals from time to time to ensure the relevant duty continues to be met. Karen Trickey, Legal Services Manager and Monitoring Officer Tel: 01453 754356 Email: karen.trickey@stroud.gov.uk
Report Author	Lucy Clothier, Principal Accountant Tel: 01453 754343 Email: lucy.clothier@stroud.gov.uk
Options	To not approve affordable rents on new housing
Performance Management Follow Up	
Background Papers/ Appendices	Appendices A and B

Background

1. This report sets out the final outturn position for the Housing Revenue Account for the 2016/17 financial year. The purpose of this report is to inform members of the level of balances held by the HRA as a result of closing the accounts for the year.

HRA Budget – outturn position

2. The original HRA budget for 2016/17 was £30.229m gross expenditure less £28.563m of income and financing resulting in a transfer from (use of) balances of £1.666m. The revised budget, as approved by Council in February 2017 is £25.837 gross expenditure less £28.603m of income and financing resulting in a net transfer to (addition to) balances of £2.765m.

3. The outturn position for 2016/17 shows a transfer to HRA balances of £3.275m – a variation of -£0.509m. A summary of this variation is shown in Table 1 below.

Table 1 – HRA budget position (summary)

Housing Committee	2016/17 Original Budget	2016/17 Latest Budget	2016/17 Outturn	Outturn Variance
Expenditure				
Supervision and Management	4,985	4,774	4,397	(377)
Sheltered Housing	903	1,021	985	(36)
Repairs and Maintenance	3,283	3,098	3,081	(17)
Sheltered Housing Modernisation	0	426	281	(145)
Queen's Court	0	0	133	133
Other Income and Expenditure	3,869	3,783	3,781	(2)
Support Service Charges	330	322	322	0
Subtotal Revenue Expenditure	**13,370**	**13,424**	**12,980**	**(444)**
Capital Expenditure NB&D	9,266	6,957	7,247	290
Capital Expenditure - Works	7,870	5,280	3,488	(1,792)
Capital Expenditure - SH Modernisation	0	176	38	(138)
Capital Expenditure - Queen's Court	0	0	170	170
Subtotal Capital Expenditure	**17,136**	**12,413**	**10,943**	**(1,470)**
Gross Expenditure	**30,506**	**25,837**	**23,923**	**(1,914)**
Income (Rents and Charges)	(22,484)	(22,231)	(22,349)	(118)
Net Housing Expenditure	**8,022**	**3,606**	**1,574**	**(2,032)**
Funding (Borrowing, Grants)	(6,355)	(6,372)	(4,849)	1,523
TOTAL HRA	**1,667**	**(2,766)**	**(3,275)**	**(509)**

(Table contains roundings.)

Report Summary

4. The main variations identified in the report relate to Supervision & Management, Sheltered Housing Modernisation Project, Capital Works and Repairs and Maintenance budgets.

5. This position includes a net transfer to reserves of £941k (budgeted £724k), which consists of transfers to Earmarked reserves of £931k, and a carry forward request of £10k. A breakdown of this can be found in paragraph 18 and Table 2.

6. A number of projects and work streams have been deferred to future years based partially on the uncertainty of the financial position and also a more robust validation of works being carried out on planned and cyclical areas. Due diligence has been demonstrated by disputing works from contractors that were incorrect and challenging suppliers to ensure that the money spent provides the best outcome for the Council and its tenants. It is also worth highlighting that this approach ensures that HRA resources are spent in a considered and planned manner to achieve best value for tenants and the council. Given the limited resources of the HRA over the medium term plan period, budgets may not always be fully spent in a given year just to achieve budgetary targets.

7. A brief overview of the reason for the outturn variations is set out below:

8. Expenditure of £3.488m has been spent on the Capital works budgets, significantly less than the budgeted amount of £5.280m. **Capital slippage** of **£1.045m** has been identified and it is requested that this budget is taken into future years to support the delivery commitments already in place. Further detail on the capital slippage can be found in paragraph 22 and Table 5.

9. **Supervision and Management** is **underspent by a net £117k** (£377k before a proposed transfer to a workforce planning reserve of £250k, and carry forward of £10k). The gross £377k underspend is largely due to the recruitment freeze in the first half of the year (£100k) and challenging recruitment market for key positions. A significant element of the variation has been the difficulty to recruit competent and skilled staff to technical positions, especially within our salary structure. Given the overall level of savings in this area, it is requested that an HRA Workforce Planning reserve of £250k is approved to help mitigate potential future costs associated with the workforce. This has been included in Table 2 as a requested transfer to earmarked reserves.

10. The overall variation is a mix of pay and non-pay variations. Certain non-pay budgets have not been spent due to the recruitment situation, with training, IT budgets and supplies and services budgets comprising the majority of the variation.

11. This variation should be seen in the context of service delivery achievements in the year. There is a need to invest in the staffing structure to ensure performance can continue in the future and the HRA Delivery plan realised. The variation in 2016/17 is a result of a recruitment freeze and difficulty in recruiting to key technical posts. Whilst the workload of the teams has been managed despite the vacancies, it is not sustainable in the longer term. Therefore, whilst there are likely to be some savings released across the MTFP period, further investment in staff, processes, and IT systems will be required.

12. **£290k additional expenditure on New Build** as a result of a number of large schemes with large monthly contract payments that span over two financial years. Work has also progressed more quickly on the Top of Town Scheme and at Chapel Street, Cam due mainly to the good weather and contractors delivering more quickly than they had anticipated.

13. **£17k net underspend on revenue Repairs and Maintenance budgets**. Robust changes in the culture have been introduced, with officers instructed not to spend simply to meet a budget target and instead to spend wisely on works that are assessed and considered necessary, and putting some works into planned programmes to ensure we are carrying out more sustainable repairs at a more controlled cost. Additionally, we have introduced a strong approach to contract management including disputing and challenging suppliers and contractors specifically regarding variations to works orders.

14. The overall underspend of £17k has been achieved by a combination of a £428k underspend on revenue repairs and maintenance (£355k overspend on responsive repairs, £372k underspend on revenue void works, £292k underspend on planned and cyclical works, and a £119k

underspend on the in house gas provision), and the inclusion in the accounts of an impairment of £411k. Further details on revenue repairs and maintenance can be found in Appendix A.

15. An accounting entry of £411k has been included in the financial statements to represent the impairment in value of stock held. This represents the reduction in its resale value, and does not mean that there is an additional cost or that the stock is no longer useful to the Council. The stock will continue to be used for elements of failure in the photovoltaic systems, and within programmes of works in SDC dwellings in future years.

16. **Sheltered Housing** - variations include there being no call on the tree surgery budget and savings on the equipment budgets within Sheltered Housing during 2016/17.

17. **Financing variation** due to reduced level of expenditure across the HRA capital programme, changes in Queens Court buy-back profile from earmarked reserves, projected utilisation of HCA grant balances and income from renewable heating schemes.

Revenue Reserve Transfers/Carry Forwards

18. It is requested that amounts totaling £0.941m are transferred into reserves. A summary of the transfers is included in the following table.

Table 2: Summary of Revenue Reserve Transfers and Carry Forwards

Area	Budgeted Transfer (Net) £000s	Requested Transfer (Net) £000s	Details
Sheltered Housing (Net transfer)	174	331	Reduced cost in 2016/17 of £157k, to be carried forward into the 2017/18 budget
Queens Court	200	0	Programme accelerated with expenditure funded in 2016/17 from revenue, and reserve transfer to fund cost in 2017/18 no longer required
Estate Redevelopment	350	350	As budgeted
Workforce Planning		250	Earmarked reserve to help mitigate potential future costs associated with the workforce (Paragraph 9)
Carry Forward		10	£10k carry forward from the Community Improvements budget for Bearlands, to be included in 2017/18 budget
Total	**724**	**941**	

HRA Reserves

19. The budgeted transfer to reserves of £2,766k, along with the additional transfer of the £509k underspend, increases the funding held in general reserves to £5,213k. This is above the minimum recommended balance of £1,500k. However, it should be noted that the budgeted transfer of

£2,766k is needed in order to keep HRA reserves above the minimum recommended balance across the MTFP period, as identified in the HRA 2017/18 Budget Setting paper approved by members in January 2017. The following table shows the reserves position at the end of the financial year 2016/17.

Table 3: HRA General Reserves Position

	£000s	£000s
Opening balance 01.04.2016		1,938
Budgeted transfer to reserves	2,766	
2016/17 underspend	509	
Total transfer to reserves 2016/17		3,275
Closing balance 31.03.2017		5,213
Use of 2016/17 underspend in 2017/18 (as per paragraph 38)		(490)
Net reserve position after further transfers		4,723

20. The above table includes the use of the 2016/17 underspend in 2017/18. If the recommendations in paragraph 37 are not approved, the reserves position would remain at £5,213k.

HRA Capital Programme

21. The HRA Capital programme for 2016/17 is shown in Table 4 below. For clarity, the budgets are split between work on new homes, sheltered housing modernisation programme, and capital works on existing stock. Underspends and capital slippage total £1.470m, with expenditure of £10.943m in the year against the revised budget of £12.413m.

Table 4 – HRA Capital Outturn 2016/17

HRA Capital Schemes	**2016/17 Original Budget (£'000)**	**2016/17 Latest Budget (£'000)**	**2016/17 Outturn (£'000)**	**2016/17 Outturn Variance (£'000)**
New Build & Development				
Minchinhampton	0	0	10	10
Berkeley	0	2	0	(2)
Chapel Street, Cam	1,383	1,112	1,117	5
Hillside, Coaley	326	352	363	11
Littlecombe	0	41	32	(9)
Southbank, Woodchester	516	0	0	0
The Corriett	51	110	132	22
Wharfdale Way	500	23	0	(23)
Development - Leonard Stanley	2,227	2,027	2,226	199
Development - Top of Town Phase 1	4,052	47	27	(20)
Development - Top of Town Phase 2	0	1,352	1,384	32
Development - Top of Town Phase 3	0	1,320	1,553	233
Development - Top of Town Phase 4	0	360	375	15
Stonehouse - Former Ship Inn site	0	0	13	13
Fountain Crescent	0	0	15	15
Contingency	211	211	0	(211)
Total New Build & Development	**9,266**	**6,957**	**7,247**	**290**

HRA Capital Schemes	2016/17 Original Budget (£'000)	2016/17 Latest Budget (£'000)	2016/17 Outturn Forecast (£'000)	2016/17 Outturn Variance (£'000)
Central Heating	670	670	535	(135)
Disabled Adaptations	300	300	243	(57)
Kitchens and Bathrooms	2,240	1,240	975	(265)
Major Voids	500	500	422	(78)
Professional Fees	50	110	0	(110)
Asbestos / Radon	400	250	163	(87)
Doors and Windows	500	500	508	8
Electrical Works	200	200	174	(26)
Damp Works	90	90	0	(90)
Renewable Heating	0	0	49	49
Non-Traditional Properties	310	100	63	(37)
Gas In-House Provider	0	0	0	0
Door entry	200	200	25	(175)
Suited Locks	140	0	0	0
External Works	2,250	1,100	331	(769)
Lifts	20	20	0	(20)
Total Major Works	**7,870**	**5,280**	**3,488**	**(1,792)**
Sheltered Housing Modernisation	0	176	38	(138)
Queens Court Capital	0	0	170	170
Total Capital Expenditure	**17,136**	**12,413**	**10,943**	**(1,470)**

(The table contains roundings.)

Capital slippage – Major Works

22. Capital slippage of £1.045m has been identified during the year, representing capital programmes that have started later, or have progressed slower, than budgeted. These works are still required, however it is not expected that these works would be delivered on top of the existing ongoing capital programme for 2017/18, but rather will extend the timing of each contract. It is therefore requested that the budgets be held in the Major Repairs Reserve, and added to the capital budget over the MTFP period. Further detail on the reprofiling of these contracts, along with a review of the forecasted budget requirement, will be provided to Members as part of the budget setting process for the financial year 2018/19. A breakdown of the major works slippage is included in Table 5 below.

Table 5 – Capital slippage – Major Works

Capital Slippage	Capital slippage (£'000)
Damp Works/Insulation	90
Door Entry	175
External Works	723
Lift	20
Non-Traditional Properties	37
Total provisional slippage	**1,045**

New Build Programme Budgets 2017/18

23. Due to the acceleration of some new build schemes across 2016/17, and slippage in others, it is necessary to amend the New Build Programme budgets in 2017/18, to reflect the outturn position. The funding of the programmes should also updated to reflect the changes, and so the overall transfer from reserves of £3.088m will remain the same. The below table shows the amendments requested to the 2017/18 budgets.

Table 6: 2017/18 New Build Budgets

Scheme	Approved budget 2017/18	Slippage	Revised Budget 2017/18
Southbank, Woodchester	578	0	578
Chapel Street, Cam	579	(5)	574
Top of Town Phase 3	401	(233)	168
Top of Town Phase 4	1,206	(15)	1,191
Ship Inn	1,500	10	1,510
New Homes Contingency	250	0	250
Total New Build	4,514	(243)	4,271
Sheltered Housing Modernisation Project	1,366	176	1,542
Total Development Capital Budget	**5,880**	**(67)**	**5,813**
Funding of Development Capital Budgets	(5,880)	67	(5,813)
Net change to HRA Revenue Position	**0**	**0**	**0**

24. Whilst a number of new build schemes are progressing well and will spend as planned in 2017/18, i.e. Top of Town phase 3 and Chapel Street, Cam, there are a number of other schemes that are taking longer than anticipated to reach a start on site for a variety of reasons. This includes the swop of some of the funding for Top of Town phase 4 on to a new site. The planned purchase of owner occupied properties to enable a comprehensive demolition and redevelopment of the last phase has not been possible due to their reluctance to sell and so this funding will need to be moved to an alternative location to deliver the planned programme of 236 new homes. The budget for 2017/18 will need to be reprofiled with some of the spend moving into

2018/19. The full details will be presented to members in the September report.

Stock Numbers

25. The below table shows the changes in stock numbers during 2016/17

Table 7: Housing stock numbers in 2016/17

	Rented	Shared Ownership	Total
Opening stock at 1 April 2016	**5,096**	**21**	**5,117**
Additions:			
New build	68	14	82
Less:			
Right to Buy	(25)		(25)
Market Disposal	(4)		(4)
Demolished/decanted for development schemes	(6)		(6)
Closing stock at 31 March 2017	**5,129**	**35**	**5,164**
Held vacant for Sheltered Modernisation Programme (red schemes) and Queens Court	(87)		(87)
Stock available for rent at 31 March 2017	**5,042**	**35**	**5,077**

26. A total of 82 additional dwellings have been added to the stock over 2016/17, 68 of which rented, and 14 shared ownership homes. A breakdown of these is included in Table 8 below.

Table 8: Breakdown of new builds in 2016/17

Development Scheme	Rented	Shared Ownership	Total
Leonard Stanley	41	10	51
Top of Town	9	4	13
The Corriett	6		6
Hillside, Coaley	4		4
Berkeley	4		4
Littlecombe	4		4
Total	68	14	82

27. There have been a total of 25 Right to Buys during the year. There have also been 4 disposals on the open market and a total of 6 dwellings that have been demolished or taken out of the stock. These have occurred as part of development or regeneration schemes.

28. Therefore, overall the number of dwellings has increased. However, a total of 87 dwellings have been decanted from the Red Schemes as part of the Sheltered Housing Modernisation Programme and are no longer available to rent. New housing will be provided as part of this programme, and works are expected to start in late 2017/18.

Right to Buy Receipts

29. As members will be aware, the Council is able to retain Right to Buy (RTB) receipts (after a set payment to the Treasury, a Council share, an allowance for the self financing debt relating to the RTBs, and an admin allowance), but only if they are spent on new affordable rented housing. There are strict rules on the use of the receipts, with the RTB receipts only able to make up a total of 30% of the spend on the new housing. The remaining 70% of spend must come from other resources, such as revenue resources (ie from rental income), borrowing, or capital receipts (although the use of capital receipts from the sale of non RTB dwellings is not directly allowable). For example, £300k of RTB receipts must be used towards spend of £1,000k on new housing, with £700k coming from Council resources. They also cannot be used at the same time as other government funds, such as Homes and Communities Agency (HCA) grants.

30. In 2016/17, 25 tenants exercised their Right to Buy, and purchased their homes. The total receipt from these sales was £2,370k, of which £465k is the amount that must be returned to Government (the Treasury share), £731k is the combined SDC share (Local Authority share and allowances for administration costs and the debt in the self financing determination attributable to the RTB sales). The remaining £1,174k is the 'additional' RTB receipts that if kept, must be spent on new housing, with match funding. Of these additional receipts, a total of £571k has been retained.

31. If the total amount of £1,174k was kept by the Council, this would mean that a total of £3,913k (£1,174k of RTB receipts – 30%, and £2,739k of other HRA funding – 70%) would need to be spent on new affordable housing within three years. This is on top of the existing development programme.

32. Unfortunately, the Council is not currently able to match fund the full amount, and is unable to borrow additional funds as borrowing is at the 'debt cap' imposed as part of the self financing agreement. Therefore a total of £571k has been retained, which requires spend of £1,903k within three years. It is envisaged that this is more manageable within existing resources, as any receipts that are not used within three years, and match funded, must be returned to the Government with interest at 4% above base level. This is deliberately high to avoid Local Authorities retaining receipts where there are no plans, or resources, to utilise them within the time limit.

33. In 2016/17, a total of £353k RTB receipts have been returned in this way, with interest payments totaling £53k. Work is ongoing to minimise the need to return any further receipts already held. This includes looking at the SDC development programme, as well as working with Housing Associations in the area, as they are also able to use RTB receipts providing that they match fund the additional 70%. This work is underway.

34. Based on the current forecast of eligible spend, which includes the assumption of also working with RPs locally, it is expected that additional spend of £1,300k is required over the next three years (representing RTB receipts of £390k – 30%). If RP partners are unable to work within the RTB timescales, this sum could increase. £600k of this total spend is required by December 2017, or else £180k of RTB receipts would need to be paid back to the Treasury, along with interest of approximately £25k.

35. The options available to members are:

a. Return the RTB receipts to Government, and pay the interest payments from the HRA
b. Add additional spend to the 2017/18 capital programme
c. Work with a Registered Provider (RP) to deliver spend in 2017/18

36. Although working with RPs is an option, informal discussions indicate that they would find it difficult to meet the spend within the timescales. This will not mean that discussions will cease as there may be opportunities to work together at a later date, and with longer lead in times, but it may not be suitable to address the issue of RTB receipts in 2017/18.

37. Therefore, in order to prevent the requirement to return RTB receipts in 2017/18, the Council would need to increase it’s own capital programme. The underspend from 2016/17 identified in this report could be used to fund the 70% match funding. Therefore a request has been made to Strategy and Resources Committee that an additional budget of £700k is added to the 2017/18 capital programme for the purchase of properties on the open market. It is not likely to be possible to build new housing within this timescale, and although purchasing land to build on at a later date would be allowable, the HRA doesn’t currently have the available resources available to fulfill a larger scheme. Therefore purchasing on the open market is the most viable option.

38. This is slightly higher than the forecasted requirement of £600k, in order to give flexibility. It would be extremely difficult to spend exactly the amount needed in order to match the Right to Buy receipts. This would allow the purchase of approximately 3 or 4 additional dwellings, depending on size, location and condition. This would also need to fund any purchase costs, such as Stamp Duty Land Tax, and any works required to bring them up to a lettable standard.

39. The additional budget would be funded by up to £210k RTB receipts (30% of the spend, in line with the RTB agreement), with the remaining £490k being funded from HRA General Reserves, through Revenue Contribution to Capital Outlay (RCCO), funded by the revenue underspend in 2016/17. Neither the RTB receipts or the 2016/17 are currently allocated to any projects.

40. It would be intended that the new dwellings would be best possible fit with the housing need, but will depend on appropriate properties becoming available as the use of the Right to Buy receipts is time critical.

41. As these dwellings would be part funded through RTB receipts, it is possible to charge either Affordable Rents or Social Rents. The below table shows estimated rents for 1, 2 and 3 bed units at social and LHA rates. These are guideline rents only, as the rents for any new dwellings would be calculated individually for the dwelling.

Table 9: Social, Affordable and Market Rents

	Average Social Rent (Weekly)	Average Social Rent (monthly)	Estimated Affordable Rent capped at LHA Rate (weekly)	Estimated Affordable Rent capped at LHA Rate (monthly)	Indicative Market Rent (weekly)	Indicative Market Rent (monthly)
1 bed flat	£71.97	£312	£92.05	£399	£115.38	£500
2 bed house	£86.74	£376	£122.36	£530	£161.54	£700
3 bed house	£92.11	£399	£147.13	£638	£184.62	£800

42. When implementing rent policy, members should be mindful of the impact on the HRA over the longer term. Housing at below market rents will inevitably need subsidy in order to stack up financially, and although 30% of the cost will be funded through RTB receipts, the imposed figure of 30% is based on affordability using Affordable Rents. Therefore social rents would require additional subsidy from the HRA, meaning that less funding would be available for services for existing tenants, or for the provision of other new housing. The below table shows the impact on the HRA over 30 years of both social and Affordable rents, based on the estimates in Table 9, and includes 30% funded through RTB receipts (ie the HRA would be funding 70% of the purchase cost).

Table 10: Impact of Rents on NPV

	Estimated total purchase cost (£)	NPV at social rent (£)	NPV at LHA rate (£)
1 bed flat	100,000	-28,600	3,500
2 bed house	190,000	-66,700	-18,000
3 bed house	240,000	-94,400	-19,200

43. The Net Present Value (NPV) gives a view on the benefit the purchase over a 30 year period. That is the ‘value’ of the purchase in todays money. A positive amount shows that the purchase would add value over 30 years, whereas a negative amount shows the level of subsidy needed over that period. However, it can be assumed that any dwellings purchased will have a useful life of more than 30 years.

44. It is therefore recommended that affordable rents be charged on properties built or acquired using Right to Buy receipt funding. This is in line with those built using HCA grant.

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 an 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

11. 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.
12. 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

13. 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.

14. **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.

15. **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.