

STROUD DISTRICT COUNCIL

AGENDA

HOUSING COMMITTEE

ITEM NO

27 MARCH 2018

8

Report Title	Budget Monitoring Report 2017/18 Month 10
Purpose of Report	To present to the Committee a forecast of the outturn position against the revenue budget and Capital programme for the General Fund and HRA for 2017/18.
Decision(s)	<p>The Committee RESOLVES:</p> <p>a) to note the outturn forecast for the General Fund and HRA Revenue budgets and Capital programmes for this Committee To recommend to Strategy and Resources Committee:</p> <p>b) that, subject to the overall position at outturn, the carry forwards and reserve transfers detailed in this report are approved</p>
Consultation and Feedback	Budget holders have been consulted about the budget issues in 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	<p>There are significant levels of revenue underspends and capital slippage forecasted in the HRA. This should be considered when reviewing the overall position of the HRA over the medium and long term. Any HRA surplus at year end would return to HRA reserves, strengthening the reserves position over the medium term, subject to any future approvals for use of the reserves.</p> <p>Lucy Clothier, Principal Accountant Tel: 01453 754343 Email: lucy.clothier@stroud.gov.uk</p>
Legal Implications	<p>To the extent that the outturn forecast is for noting, the report is for information and there are no legal implications. There are also no legal implications associated with the carrying forward of surpluses, however, it does not appear that any alternatives to such a carry forward have been considered. (Ref: r0903/c2703/d1203)</p> <p>Mike Wallbank Solicitor Advocate and Deputy Monitoring Officer Email: mike.wallbank@stroud.gov.uk</p>

Report Author	Lucy Clothier, Principal Accountant Tel: 01453 754343 Email: lucy.clothier@stroud.gov.uk
Options	None
Performance Management Follow Up	Budgets will continue to be monitored on a regular basis by budget holders supported by Finance. The outturn position will be reported to Strategy and Resources Committee in May 2018 and Housing Committee in June 2018.

Background

1. This report provides the first monitoring position statement for the financial year 2017/18. The purpose of this report is to notify members of any known significant variations to budgets for the current financial year, highlight any key issues, and to inform members of any action to be taken if required.
2. **Due to the volume of information contained in the report, it would be helpful where members have questions on matters of detail if they could be referred to the report author or the appropriate service manager before the meeting.**

General Fund Revenue Budget position

3. Council approved the General Fund Revenue budget for 2017/18 in February 2017 including budget proposals of the administration. This committee had previously considered the standstill budget at its meeting in December 2016.
4. The latest budget for Housing Committee taking into account the carry forwards is £573k (Original Budget was £562k).
5. The monitoring position for the service at 31 January 2018 shows a projected net **underspend of £36k (-6.3%)** against the latest budget, as summarised in Table 1. This underspend is stated net of transfers to reserves and carry forwards. The overall position on the General Fund will be considered by Strategy and Resources Committee at their meeting in April 2018.
6. The position includes the transfer to earmarked reserves of an estimated £65k. This is new grant funding received in 2017/18 that will be used over the period 2018/19 to 2020/21. Further detail is included in paragraph 9. Any transfers would be subject to the overall position of the General Fund at Outturn.
7. The outturn position is mainly attributable to the major items outlined in Table 2 with an explanation of the significant variances that have arisen.

Table1 – General Fund Revenue budgets Housing Committee 2017/18

Housing Committee	Para Refs	2017/18 Original Budget (£'000)	2017/18 Revised Budget (£'000)	2017/18 Forecast Outturn (£'000)	2017/18 Outturn Variance (£'000)
Homelessness	9	259	259	255	(4)
Housing Strategy	10	89	110	93	(18)
Private Sector Housing	11	214	204	189	(14)
Housing (General Fund) TOTAL		562	573	553	(36)

8. The table below outlines the key variances for this Committee.

Table 2 - Headline Budget variances

Housing Committee	Para Refs	Overspend / (Underspend) (£'000's)
Homelessness	9	
Salary underspend		(24)
Bed and breakfast expenditure		90
Bed and breakfast income		(66)
Additional grant income – request to transfer to EMR		(65)

9. Homelessness – (£4k) underspend

(Phil Bishop extn 4063, phillip.bishop@stroud.gov.uk)

Salary savings of £24k have been identified across Housing Advice and Homelessness Prevention. This is largely due to delays in recruiting to vacant posts.

Spend on bed and breakfast continues to be higher than budgeted, however this is partially offset by income from corresponding Housing Benefit claims. With the rollout of full Universal Credit in the district, the income received going forward is likely to reduce which could create an ongoing pressure within the service.

Two additional grants have been received in 2017/18. Grant funding of £22k has been received as new burdens funding for the Homelessness Reduction Act (three year grant). This will be used to fund a part time post to support the additional duties of the Homelessness Reduction Act.

A £63k Flexible Homelessness Support Grant (two year grant) will be used to fund an additional full time post for the length of the grant funding. Part of the grant has been used in year to partially offset the additional cost of Bed & Breakfast (£10k), and £10k towards homelessness prevention.

As these grants were not received until partway through the year and recruitment for the new posts is underway, it is proposed that the remaining grant (£43k Flexible Homelessness Grant and £22k new burdens funding) is transferred to an earmarked reserve and allocated to fund the posts in future years.

10. Housing Strategy – (£18k) underspend

(Pippa Stroud extn 4099, pippa.stroud@stroud.gov.uk)

General running costs are expected to be £3k lower than budgeted for the year, and £15k of a carried forward budget remains.

11. Private Sector Housing – (£14k) underspend

(Maria Hickman extn 4454, maria.hickman@stroud.gov.uk)

A small underspend in staffing costs (£4) have been supplemented by the ending of the Home Improvement Agency contract, giving an overall underspend of £14k.

General Fund Capital Programme

12. The Housing General Fund Capital Programme of £389k was approved by Council in January 2017. This has subsequently been revised to £710k following the approval of the carry forwards/slippage and profiling changes by Strategy and Resources Committee at their meetings in June 2017 and January 2018.

13. Table 3, below, shows the General Fund Capital Outturn forecast for the Housing Committee 2017/18, projecting an underspend of £231k at this stage of the financial year. Based on the current forecast an amount of £120k would be proposed to be carried forward and added to the 2018/19 Capital Programme.

Table 3 – Housing Committee Capital Programme

Housing Capital Schemes	2017/18 Revised Budget (£'000)	2017/18 Spend to date (£'000)	2017/18 Projected Outturn (£'000)	2017/18 Outturn Variance (£'000)
Affordable Housing – Support to Registered Providers	120	0	90	(30)
Disabled Facilities Grants	330	153	226	(104)
Private Sector Housing Loan Scheme	60	43	43	(17)
Health through Warmth Grants	200	20	120	(80)
TOTAL General Fund Capital	710	216	479	(231)

14. The Councils Capital programme for 2017/18 is reported and updated regularly throughout the year by the responsible officers.

Support to Registered Providers – (£30k) slippage

15. A grant payment of £90k has been made to a Registered Provider, with the remaining budgeted grant of £30k now likely to be made in 2018/19. Therefore it is proposed that the remaining funds be carried forward into 2018/19.

Disabled Facilities Grants – (£104k) underspend

16. Disabled Facilities Grants are funded (via the County Council) through the Better Care Fund. Although the approved budget is £330k, the full allocation for the Stroud District Council area is substantially higher (over £500k) and funding would be provided by Gloucestershire County Council for all spend up to this higher allocation amount. An underspend of £104k is currently forecast due to low demand. Any underspend must return to the County Council, to be returned to the county pool.

Private Sector Housing Loan Scheme – (£17k) underspend

17. An underspend of £17k is currently forecast.

Health Through Warmth Grants – (£80k) underspend (carry forward)

18. The funding for the Health Through Warmth is predominantly used for insulation and heating systems to increase thermal efficiency in homes of people with cold or damp related health issues. Since this is external funding it is proposed that any underspent funds are carried forward into 2018/19.
19. Further detail on the capital programme can be found in the Capital Project Monitoring Report.

Housing Revenue Account Budget position

20. The original net Housing Revenue Account budget for 2017/18 is a transfer from reserves of £3.088m, as approved by Council at their meeting in January 2017. This has now been revised to a transfer from reserves of £3.578m taking into account the additional capital budget as approved by Strategy and Resources in June 2017 and January 2018.
21. The monitoring position for the service at 31 January 2018 shows a projected net underspend of £1.541m (-6.7% of gross spend) against the latest budget, as summarised in Table 5. This is an increase of £0.392m from the £1.149m underspend reported in September 2017.
22. Table 6 shows the HRA Capital spend and projected outturn for 2017/18.
23. It is proposed that any surplus at the end of the year is returned to HRA general reserves. Based on the current forecasted underspend of £1.541m, this would increase HRA general reserves to £3.176m. The revised reserves position over the medium term, subject to any calls on reserves, would be as follows.

Table 4 – Estimated HRA General Reserves

	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Opening Balance	5,213	3,176	3,050	3,234	3,040
Budgeted Transfer To/(From) General Reserves	(3,578)	(126)	184	(194)	1,742
Forecasted 2017/18 Underspend	1,541				
Closing Balance	3,176	3,050	3,234	3,040	4,782

24. It should be noted that although this increase in reserves over the medium term is good news, the majority of the surplus is made up of one year only underspends. Therefore further savings in future years can't be assumed and the long term position, as reported in the 2018/19 Budget Setting paper at the December Committee meeting, remains largely unchanged.

Table 4 – HRA Revenue Summary

	Para Refs	2017/18 Original Budget (£'000)	2017/18 Latest Budget (£'000)	Forecast Outturn (£'000)	Outturn Variance (£'000)
Income					
Dwelling Rents and Service Charges	25	(22,269)	(22,171)	(22,565)	(394)
Other Charges and Income		(661)	(661)	(664)	(3)
Total Income		(22,930)	(22,832)	(23,229)	(397)
Expenditure					
Supervision and Management	26	5,301	5,234	4,921	(313)
Repairs and Maintenance	27- 31	3,658	3,643	3,040	(603)
Sheltered Housing Service	32	1,441	1,523	1,346	(177)
Other Expenditure		552	552	558	6
Sheltered Housing Modernisation	33	425	406	314	(92)
Queens Court		0	0	43	43
Revenue Funding of Capital Programme (Depreciation and RCCO)		10,562	9,880	9,880	0
Provision for Bad Debts	34	100	100	50	(50)
Total Expenditure		22,039	21,338	20,152	(1,186)
Other Costs and Income					
Interest Payable/Receivable	35	3,476	3,476	3,426	(50)
Transfers to/(from) Earmarked Reserves	36	503	1,596	1,688	92
Transfers to/(from) General Reserves		(3,088)	(3,578)	(3,578)	0
Total Other Costs and Income		891	1,494	1,536	42
Total Housing Revenue Account		0	0	(1,541)	(1,541)

Further detail of this breakdown is as follows:

25. Dwelling Rents and Service Charges – (£394k) additional income

Income is expected to be £394k more than budget. This is largely due to void loss (excluding dwellings intended for redevelopment) being lower than the budgeted void rate of 2%.

26. Supervision and Management – (£313k) underspend

Salary underspends of £104k (due to vacant posts during the year) as well as an unused staffing contingency of £184k make up most of this underspend. Funding set aside for estate works and resident involvement have not been fully utilised due to needing time for the new Neighbourhood Management Officers to learn their roles and changes to tenant involvement, the future of which is being reported to this committee. The cost of insuring the dwellings and other assets in the HRA has risen, being £50k more than budget in 2017/18. This has been offset with the assumption that there will be no calls on the £50k contingency budget. This could change should something happen before the end of the financial year.

27. Repairs and Maintenance – (£603k) underspend

28. Planned Maintenance – (£309k) underspend

There was a delayed start for the new contractor on external decorating that will result in some of the programme slipping into next year. Some other planned areas, such as smoke detector servicing is now being undertaken by the In-house Gas Team, providing additional savings to the planned maintenance budget.

29. Gas In-house Provider – (£91k) underspend

Savings relate in part to reduced salary costs while recruiting to vacant posts, as well as lower than budgeted overheads.

30. Voids – (£152k) underspend

Void spend has been lower than budgeted throughout the year.

31. Responsive Maintenance – (£51k) underspend

Due to the reactive nature of works, it is difficult to predict the works required during the year and a small underspend is expected.

32. Sheltered Housing Service – (£177k) underspend

Salary underspends and lower than budgeted in year costs (such as grounds maintenance) have led to an expected underspend of £177k. This budget will be reviewed as the Sheltered Modernisation Programme continues.

33. Sheltered Housing Modernisation – (£92k) slippage

A reduced number of decants have occurred during the year. The balance of £92k will remain in the Earmarked reserve in order to contribute towards funding the decanting of residents from Cambridge House and Glebelands which will begin in 2018/19.

34. Provision for Bad Debt – (£50k) underspend

It is currently expected that in line with last year, the additional provision needed for unpaid rents and charges will be lower than budget. This could change at the end of the year. It is also likely that this will increase significantly over the medium term due to the impact of Universal Credit.

35. Interest Payable/Receivable – (£50k) underspend

The budget includes an amount of £50k for payment of interest on Right To Buy (RTB) receipts to be repaid to Government. It is currently expected that this won't be necessary.

36. Transfers to/from Earmarked Reserves – £92k reduced transfers from Earmarked Reserves

The current forecast in Sheltered Housing Modernisation means that £92k of the budgeted transfer will not be needed in 2017/18. This amount will therefore remain in the reserve and will be allocated to the project in the future.

HRA Capital Programme

37. The following table shows the full capital programme for 2017/18

Table 6 – HRA Capital Summary

Capital Summary	2017/18 Revised Budget (£'000)	Spend to date (£'000) (to end Jan 18)	2017/18 Projected Outturn (£'000)	2017/18 Outturn Variance (£'000)	Proposed Slippage (£'000)
Central Heating	690	593	776	86	0
Disabled Adaptations	308	25	60	(248)	0
Kitchens and Bathrooms	1,545	781	1,163	(382)	0
Major Voids	515	270	450	(65)	0
Asbestos/Radon and Compliance	453	91	105	(348)	0
Doors and Windows	515	267	499	(16)	0
Electrical Works	206	208	260	54	0
Damp Works/Insulation	124	2	2	(122)	0
Renewable Heating 1	0	(569)	(569)	(569)	0
Non-Traditional Properties	340	3	179	(161)	0
Door Entry	206	5	195	(11)	0
External Works	1,700	385	883	(817)	0
Total - Major Works	6,602	2,061	4,003	(2,599)	0
Woolaways - Minchinhampton	0	2	2	2	0
Woolaways-Leonard Stanley (New Build)	0	(87)	2	2	0
Woolaways-Top of Town (New Build)	0	5	5	5	0
The Corriett	0	(28)	(26)	(26)	0
Berkeley	0	3	3	3	0
Hillside, Coaley	0	(84)	(47)	(47)	0
Southbank, Woodchester	8	3	0	(8)	0
Chapel Street, Cam	535	509	535	0	0
Littlecombe	0	(28)	2	2	0
New Homes Contingency	17	0	0	(17)	48
Fountain Crescent	0	5	0	0	0
Woolaways-Top of Town Phase 2	0	(26)	4	4	0
Woolaways-Top of Town Phase 3	203	181	229	26	0
Ship Inn	19	10	20	1	0
Woolaways-Top of Town Phase 4	485	477	490	5	0
Miscellaneous Properties	700	566	700	0	0
Total - New Build	1,967	1,508	1,919	(48)	48
Sheltered Housing Modernisation	1,366	336	568	(52)	52
Total Capital Expenditure	12,482	3,905	6,490	(2,699)	100

38. Major Works – (£2,599k) underspend/slippage

This is a combination of reduced spend in areas such as Major Voids, Asbestos and Disabled Adaptations, as well as reprogramming of the kitchens and bathrooms contract and slippage in external works. A change in contractor has affected some non essential works, although critical works have continued using the existing provider.

39. Central Heating - £86k overspend

Spend on heating systems is slightly higher than budgeted due to the inclusion of two large communal boilers in sheltered schemes which have significant costs.

40. Disabled Adaptations – (£248k) underspend

Based on demand, total spend on disabled adaptations is expected to be £140k, however this has been offset by an overaccrual of £80k brought forward from last year.

41. Kitchens and Bathrooms – (£382k) underspend

Validation of works, and tenant refusal of works has meant that fewer kitchens and bathrooms are needed than originally estimated. There is therefore an underspend of £382k against budget. The level of budget needed going forward will be reviewed as further data is received on stock condition.

42. Major Voids – (£65k) underspend

Spend on major voids is in nature responsive and the numbers of major voids have varied greatly throughout the year. An underspend of £65k is currently expected.

43. Compliance – (£348k) underspend

This budget is allocated for a number of compliance issues such as asbestos removal. Asbestos removal is directly linked to major works as the removal happens in conjunction with the works. It is estimated to cost £163k less than budget in this year, as the level of major works is lower. Other parts of this budget include and remedial capital works linked to Fire Risk Assessments, which although no works have been required from this budget (although new fire doors have been fitted within the doors budget line), may be needed in future years as Fire Risk Assessments are routinely reviewed.

An allowance was also made for funding to make good homes where fires have been removed under compliance. For efficiency, some of this work has been undertaken through the Central Heating work stream.

44. Doors and Windows – (£16k) underspend

The replacement of doors and windows is largely on target for the year.

45. Electrical Works – £54k overspend

A number of communal areas have been rewired which has increased the cost of electrical works in year. This has been funded from underspends elsewhere in major works.

46. Insulation – (£122k) underspend
A programme of works is being formulated to ensure available grants utilised, and ensuring the most beneficial use of the available funding. This has unfortunately been delayed due to staffing changes.
47. Renewable Heating – (£569k) underspend
A large sum of £569k is being reported as an underspend in Renewable Heating. This sum is in dispute with the contractor that completed the works in 2014. With no response forthcoming from the contractor to resolve the situation, the accounting entry will not be carried forward into next year. Provision will be made for the sum (which would show in revenue), which will be called on should the claim be settled. This will lead to an underspend being shown on the capital renewable heating line, with the revenue cost of the provision being offset from reducing the RCCO needed to fund the capital programme. The bottom line of the HRA will therefore be unaffected.
48. Non Traditional Properties – (£161k) underspend
Refurbishment of 16 non traditional homes is expected by the end of the year, however this is lower than budgeted due to a change in contractor.
49. Door Entry – (£11k) underspend
The installation of door entry systems in communal blocks is currently expected to be mostly on target. This work is programmed to overlap with other works streams, some of which have been delayed and so there is potential that it may slip into early 2018/19.
50. External Works – (£817k) underspend
Due to issues with the contractor and reduced works possible over winter months it has not been possible to catch up with works following a late start on site. This has led to an expected £817k underspend in 2017/18.
51. Any slippage in contracts at this point in the year will lead to a revised programme over the medium term and so has not been included in the slippage figures. Remaining funding will remain in the Major Repairs Reserve and will be used to fund capital works over the coming years.
- 52. New Build and Development – (£48k) slippage**
2017/18 has seen the completion of the final phases at Top of Town and the completion of the mixed tenure scheme at Chapel Street, Cam. Some final consultant fees a number of our completed schemes have also been due during the year.

The New Build and Development Programme has been reprofiled, as recommended by Housing Committee in December. It is expected that a small carry forward of £48k will be required at the end of the year. This is largely due to allowances made for additional amounts on new build sites which have not yet been agreed. They have therefore been taken out of the forecast for 2017/18.

53. Sheltered Housing Modernisation– (£52k) slippage

The Sheltered Housing Modernisation Project has been reprofiled, as recommended by Housing Committee in December. Delays in the procurement of a contractor for the works at Sherborne House, mean that slippage is likely in the region of £52k.

54. Further detail on the capital programme can be found in the Capital Project Monitoring report.