

**STROUD DISTRICT COUNCIL**  
**STRATEGY AND RESOURCES COMMITTEE**

**AGENDA  
ITEM NO**

**4 OCTOBER 2018**

**13a**

<b>Report Title</b>	<b>Housing Revenue Account (HRA) Budget Monitoring Report 2018/19 P1</b>
<b>Purpose of Report</b>	To present to the Committee a forecast of the outturn position against the revenue budget and Capital programme for the HRA for 2018/19.
<b>Decision(s)</b>	<b>The Committee RESOLVES:</b> a) to note the outturn forecast for the HRA Revenue budgets and Capital programmes
<b>Consultation and Feedback</b>	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.
<b>Financial Implications and Risk Assessment</b>	<p>This report sets out the latest budget monitoring position on General Fund housing and the Housing Revenue Account (HRA).</p> <p>HRA forecasts of income and expenditure, as provided by budget holders, show a significant revenue budget underspend and variation in planned capital expenditure.</p> <p>Given the level of revenue and capital variation, it is expected that the service undertakes a robust review of the 2019/20 budget (as it has largely been set at the same level), and takes this into account when reviewing the HRA 30 year financial plan.</p> <p>David Stanley, Accountancy Manager  Tel: 01453 754100  Email: david.stanley@stroud.gov.uk</p>
<b>Legal Implications</b>	<p>The Committee has responsibility on behalf of the Council to monitor and review the Council's income and expenditure during the financial year against the Council's budget. As a local housing authority, the Council is under a duty to ensure that the Housing Revenue Account (HRA) is managed in accordance with proper accounting practices. 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</p> <p>Craig Hallett, Solicitor &amp; Deputy Monitoring Officer  Tel: 01453 754364  Email: <a href="mailto:craig.hallett@stroud.gov.uk">craig.hallett@stroud.gov.uk</a></p>

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<b>Options</b>	None
<b>Performance Management Follow Up</b>	Budgets will continue to be monitored on a regular basis by budget holders supported by Finance. Further finance reports will update the committee in January and April 2019, with the outturn position to be reported to Strategy and Resources Committee in May 2019 and Housing Committee in June 2019.

## Background

1. This report provides the first monitoring position statement for the financial year 2018/19. 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.**

## Housing Revenue Account Budget position

3. The original net Housing Revenue Account budget for 2018/19 is a transfer from reserves of £0.125m, as approved by Council at their meeting in January 2018. Indicative budgets for 2019/20 can be found in Appendix A.
4. The monitoring position for the service at 31 July 2018 shows a projected net underspend of £1.117m (-5.0% of gross spend) against the latest budget, as summarised in Table 1.

5. Table 3 shows the HRA Capital spend and projected outturn for 2018/19.

**Table 1 – HRA Revenue Summary**

	Para Refs	2018/19 Budget (£'000)	Spend to Month 4 (£'000)	Forecast Outturn (£'000)	Outturn Variance (£'000)
<b>Income</b>					
Dwelling Rents and Service Charges	6	(21,826)	(5,585)	(22,171)	(345)
Other Charges and Income		(564)	(125)	(587)	(23)
<b>Total Income</b>		<b>(22,390)</b>	<b>(5,710)</b>	<b>(22,758)</b>	<b>(368)</b>
<b>Expenditure</b>					
Supervision and Management	7	5,408	2,333	5,100	(308)
Repairs and Maintenance	8-12	3,767	914	3,521	(246)
Sheltered Housing Service	13	1,452	422	1,376	(76)
Other Expenditure	14	519	200	474	(45)
Sheltered Housing Modernisation	15	579	98	501	(78)
Revenue Funding of Capital Programme (Depreciation and RCCO)		7,153	0	7,153	0
Provision for Bad Debts		200	0	200	0
<b>Total Expenditure</b>		<b>19,078</b>	<b>3,967</b>	<b>18,325</b>	<b>(753)</b>
<b>Other Costs and Income</b>					
Interest Payable/Receivable	16	3,488	14	3,354	(134)
Transfers to/(from) Earmarked Reserves	17	(50)	0	28	78
Transfers to/(from) General Reserves		(126)	0	(126)	0
<b>Total Other Costs and Income</b>		<b>3,312</b>	<b>14</b>	<b>3,256</b>	<b>(56)</b>
<b>Total Housing Revenue Account</b>		<b>0</b>	<b>(1,729)</b>	<b>(1,177)</b>	<b>(1,177)</b>

Further detail of this breakdown is as follows:

**6. Dwelling Rents and Service Charges – (£368k) additional income**

Income is currently expected to be £368k more than budget. This is largely due to void loss (excluding dwellings intended for redevelopment) being lower than the budgeted void rate of 2%, and is in line with income received in 2017/18. This budgeted rate will be reviewed as part of budget setting.

**7. Supervision and Management – (£308k) underspend**

Salary underspends are currently forecasted to total £119k due to vacant posts during the year, and actively managing areas in a different way over a short term fixed period. There is a currently uncommitted staffing contingency of £135k, and a general contingency of £50k which has no known draw downs. This position could change and will be updated in future reports.

**8. Repairs and Maintenance – (£246k) underspend**

**9. Planned Maintenance – (£247k) underspend**

This is largely due to the cyclical maintenance programme for this year containing fewer revenue works than capital. This is dependent on what revenue cyclical works are needed on the dwellings in the programme, for example repainting of exterior walls that not every dwelling will require, and will vary considerably year on year.

**10. Gas In-house Provider – £0k on target**

Heating services provided by the in house team are currently on target.

**11. Voids – (£117k) underspend**

Void spend has been lower than budgeted so far this year on minor voids, but spend has been higher than budgeted on capital major voids (as reported in paragraph 37).

**12. Responsive Maintenance – £118k overspend**

Due to the reactive nature of works, it is difficult to predict the works required during the year and a small overspend is forecasted. This includes the extension of the Handyperson service to reduce the works passed to a third party contractor.

**13. Sheltered Housing Service – (£76k) underspend**

Salary underspends of £65k are currently expected due to the reduction in the number of schemes (as planned in the Sheltered Housing Modernisation Programme). This budget will be reviewed as the Sheltered Modernisation Programme continues.

**14. Other Expenditure – (£45k) underspend**

An underspend of £45k is currently expected relating to communal areas, including the cost of maintaining wider estate areas and trees. This will be continually monitored throughout the year.

**15. Sheltered Housing Modernisation – (£78k) underspend**

The cost of decanting tenants is expected to be lower than budgeted, however this is partially offset by the cost of keeping properties void, largely council tax.

**16. Interest Payable/Receivable – (£134k) underspend**

Interest payments are expected to be lower than budgeted as higher HRA balances mean that some borrowing can be internally borrowed over the short term. This reduces investment income to the HRA, as it reduces cash balances, but gives an overall saving as interest is not payable on the borrowing.

**17. Transfers to/from Earmarked Reserves – £78k reduced transfers from Earmarked Reserves**

The current forecast in Sheltered Housing Modernisation means that £78k of the budgeted transfer will not be needed in 2018/19. This amount will therefore remain in the reserve and will be allocated to the project in the future.

The following table shows the budgeted transfer to and from earmarked reserves.

Table 2:

Earmarked reserve	Budgeted transfer into the reserve £000s	Forecasted transfer into the reserve £000s	Budgeted transfer from the reserve £000s	Forecasted transfer from the reserve £000s	Variation £000s
Sheltered Modernisation	1,390	1,390	(2,260)	(2,182)	78
Estate Works	820	820	0	0	0
<b>Total</b>	<b>2,210</b>	<b>2,210</b>	<b>(2,260)</b>	<b>(2,182)</b>	<b>78</b>

## HRA Capital Programme

18. The following table shows the full capital programme for 2018/19

**Table 3 – HRA Capital Summary**

<b>Capital Summary</b>	<b>2018/19 Revised Budget (£'000)</b>	<b>Spend to date (£'000) (to end Jul 18)</b>	<b>2018/19 Projected Outturn (£'000)</b>	<b>2018/19 Outturn Variance (£'000)</b>
Central Heating	710	98	680	(30)
Disabled Adaptations	315	31	150	(165)
Kitchens and Bathrooms	1,590	56	1,470	(120)
Major Works	424	130	570	146
Compliance	257	100	314	57
Doors and Windows	530	153	615	85
Electrical Works	212	29	212	0
Damp Works/Insulation	127	0	127	0
Non-Traditional Properties	350	0	350	0
Door Entry	212	103	352	140
External Works	1,750	53	2,525	775
Lifts	32	0	0	(32)
Suited Locks	148	0	74	(74)
<b>Total - Major Works</b>	<b>6,657</b>	<b>753</b>	<b>7,439</b>	<b>782</b>
Southbank, Woodchester	650	(11)	300	(350)
Ship Inn	333	0	15	(318)
New Homes Contingency	50	1	91	41
Completed schemes (retention payments)	0	(174)	0	0
<b>Total - New Build</b>	<b>1,033</b>	<b>(184)</b>	<b>406</b>	<b>(627)</b>
Tanners Piece - New Build	1,700	21	1,345	(355)
Amber/Green schemes	364	142	285	(79)
Ex warden conversions	0	17	28	28
<b>Total – Sheltered Modernisation</b>	<b>2,064</b>	<b>180</b>	<b>1,658</b>	<b>(406)</b>
<b>Total Capital Expenditure</b>	<b>9,754</b>	<b>749</b>	<b>9,503</b>	<b>(251)</b>

### 19. Major Works – £782k overspend

Areas of additional spend are largely where works have slipped from 2017/18 and are being delivered on top of the 2018/19 programme. This can be funded from previous slippage which is held in the Major Repairs Reserve and so will not affect HRA general reserves.

A full revised capital programme is being worked on, and will be included in the December committee report.

### 20. Central Heating – (£30k) underspend

Spend on heating systems is slightly lower than budgeted. This is due to one commercial boiler in a sheltered housing scheme being delayed because of the complexities involved. Some of this funding has been reallocated in year and the position will be monitored throughout the year.

21. Disabled Adaptations – (£165k) underspend

Based on current demand, total spend on disabled adaptations is expected to be £150k. Many of the level access bathrooms that would previously have been installed as a disabled adaptation are now being included in the main bathroom installation programme.

22. Kitchens and Bathrooms – (£120k) 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 £120k against budget.

23. Major Voids – £146k overspend

Spend on major voids is in nature responsive and the numbers of major voids have varied greatly throughout the year. An overspend of £146k is currently expected, which includes some major voids brought forward from 2017/18 pending the start of the new contractor.

24. Compliance – 57k overspend

Asbestos removal is directly linked to other major works as the removal happens in conjunction with the other contracts. It is estimated to cost £57k more than budget in this year, but will ultimately depend on asbestos levels in properties undergoing major works.

25. Doors and Windows – £85k overspend

The replacement of doors and windows is largely on target for the year, with additional works planned to catch up on works slipped from 2017/18.

26. Electrical Works – £0k on target

It is currently expected that electrical works will be on target, but this will depend on the outcomes of electrical tests through the year.

27. Insulation – £0k on target

Some works such as replacement cavity wall insulation are underway and a full programme of works is being formulated to ensure available grants utilised, and ensuring the most beneficial use of the available funding.

28. Non Traditional Properties – £0k on target

External wall insulation planned in this financial year, is subject to receiving planning permission. Further detail will be included in the December Committee report.

29. Door Entry – £140k overspend

The installation of door entry systems in communal blocks is ongoing, with additional blocks being fitted with new door entry systems this year in order to catch up with works slipped from late 2017/18.

30. External Works – £775k overspend

Full programme worked up, and all works, including those delayed in 2017/18, are due to be completed in year.

### **31. New Build and Development – (£627k) slippage**

The slippage is due to delays on two schemes, namely The Former Ship Inn site and Southbank. Both schemes are actively being progressed but will start later than planned and so the spend profile has changed with more spend falling in 2019/20.

The Former Ship Inn site has experienced some delays in the planning process due to the difficult planning history on the site. These have been resolved and a planning application is to be presented to Development Control Committee on the 16<sup>th</sup> October. As potential contractors are unlikely to be interested in the site prior to planning being received, the tenders will be published immediately after the 16<sup>th</sup> October, subject to approval to our proposed scheme. There are also various ecological issues which need addressing which impacts on when works can commence and so all of the spend for this project will now fall into 2019/20.

As members are aware from the New Homes and Regeneration updates in the regular Capital Monitoring reports to Housing Committee, the Council has been in the process of reaching agreement to terminate the contract with the original contractor for the scheme at Southbank, Woodchester, for some time. This is due to the fact that they had not pursued a solution to the drainage of the site and had not fully appreciated the difficult ground conditions, which require piling and retaining walls to be constructed. The termination has now been completed. Council officers engaged an engineer directly to work with Severn Trent to resolve the drainage issues and the scheme has been re tendered. All tenderers this time have considered the ground conditions in detail and this is now reflected in their figures. The tendered prices are close together and so it is felt that the figures are a true reflection of the cost of delivering this scheme in the current market. Having been approved by Housing Committee, a revised budget of up to £1.3 million will be requested for the scheme as part of the budget setting process.

Whilst it is an expensive scheme to deliver the scheme will provide 5 new affordable homes in a village that has very little remaining affordable housing and has very few other options in terms of land supply to deliver further homes.

The Parish Council and Ward Councillor have been kept informed about progress.

Spend of £91k is committed against the Contingency budget. This relates to spend on schemes that have been included in the bid for additional borrowing. Should the bid be approved by Council, these schemes will be included in the 2019/20 budget pending outcomes from MHCLG.

### **32. Sheltered Housing Modernisation– (£348k) slippage**

The Sheltered Housing Modernisation Programme for 2018/19 includes the start on site of new units at Tanners Piece, the completion of major works on the communal areas at Sherborne House, and the start of major works at Concord. It also includes the final works of the conversion of three ex warden's properties into six flats.



33. Tanners Piece – (£355k) slippage

Tanners Piece is on site and due to deliver 11 new dwellings on the red scheme site. The build is due to complete early in 2019/20, with £1,345k of the £1,700k budget needed in 2018/19. The project started on site in August. It had been planned to commence work earlier in the financial year. However, a badger license was required which delayed the start and hence some of the spend will fall into 2019/20.

34. Amber/Green Schemes – (£79k) underspend

Works are expected to complete at Sherborne House in September 2018, and works due to start at Concord in the new year.

35. Ex Warden Conversions – £28k overspend

Works are now complete on the ex warden conversions, with the final three schemes (six flats) handed over in April. This represents slippage in spend from 2017/18.

## Indicative 2019/20 Budgets

	2018/19 Original Budget (£'000)	2019/20 Indicative Budget (£'000)
<b>Income</b>		
Dwelling Rents and Service Charges	(21,826)	(21,428)
Other Charges and Income	(564)	(450)
<b>Total Income</b>	<b>(22,390)</b>	<b>(21,878)</b>
<b>Expenditure</b>		
Supervision and Management	5,408	5,484
Repairs and Maintenance	3,767	3,795
Sheltered Housing Service	1,452	1,502
Other Expenditure	519	608
Sheltered Housing Modernisation	579	457
Revenue Funding of Capital Programme (Depreciation and RCCO)	7,153	5,750
Provision for Bad Debts	200	200
<b>Total Expenditure</b>	<b>19,078</b>	<b>17,796</b>
<b>Other Costs and Income</b>		
Interest Payable/Receivable	3,488	3,504
Transfers to/(from) Earmarked Reserves	(50)	394
Transfers to/(from) General Reserves	(126)	184
<b>Total Other Costs and Income</b>	<b>3,312</b>	<b>4,082</b>
<b>Total Housing Revenue Account</b>	<b>0</b>	<b>0</b>

The base budget for 2018/19 shown in the table above are based on:

- Original Budget 2018/19 as reported to Council in January 2018
- Addition of 1% Pay inflation to service budgets recognising the increased pay award of 2%

The base budget for 2018/19 will not tie-back to the original/revised budget for the committee as shown in this report. Budget changes concerning the Workforce Plan have not been reflected in these tables, as all changes will be reported through Strategy and Resources committee in October 2018.

The Indicative budget for 2019/20 is based on:

- Base budget 2018/19
- Addition of 2% pay inflation in recognition of the agreed pay award
- Addition of non-pay inflation on contracts/IT services where the council is contractually obliged to uprate the contract cost
- Known changes to service budgets as reflected in the MTFP presented to Council in January 2018.

No other budget changes have been reflected at this stage.