

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

**AGENDA  
ITEM NO**

**11 APRIL 2019**

**6**

<b>Report Title</b>	<b>HRA BUDGET MONITORING REPORT 2018/19 MONTH 10</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 to note the outturn forecast for the HRA Revenue budgets and Capital programmes.</b>
<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>	There are no direct financial implications arising from this report as it looks at current revenue and capital budget estimates.  Final positions for 2018/19 will be reported as part of the year-end outturn process.  Andrew Cummings - Head of Finance & Section 151 Officer  Email: <a href="mailto:andrew.cummings@stroud.gov.uk">andrew.cummings@stroud.gov.uk</a>
<b>Legal Implications</b>	There are no legal implications arising from this report  Patrick Arran – Interim Monitoring Officer Tel: 01453 754369 Email: <a href="mailto:patrick.arran@stroud.gov.uk">patrick.arran@stroud.gov.uk</a>
<b>Report Author</b>	Lucy Clothier, Principal Accountant Tel: 01453 754343 Email: <a href="mailto:lucy.clothier@stroud.gov.uk">lucy.clothier@stroud.gov.uk</a>
<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. The outturn position will be reported to Strategy and Resources Committee in May 2019 and Housing Committee in June 2019.

## **1. Background**

- 1.1 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.
- 1.2 **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.**

## **2. Housing Revenue Account Budget Position**

- 2.1 The original net Housing Revenue Account (HRA) budget for 2018/19 was a transfer from reserves of £125k, as approved by Council in January 2018. This has now been revised to a transfer to general reserves of £518k, as approved by Council in January 2019.
- 2.2 The monitoring position for the service at 31 January 2019 (month 10) shows a projected net underspend of £114k (-0.5% of gross spend) against the current budget, as summarised in Table 1. This is before a carry forward request of £60k (para 2.6), giving a net underspend of £54k which would mean a total transfer to general reserves of £573k.
- 2.3 As in 2017/18, the tight deadlines for closing the accounts mean that it will not be possible for the outturn position to go through Housing Committee before being approved by Strategy and Resources Committee in May 2019. It is therefore proposed that any variance (currently estimated at £54k) is initially transferred to HRA General Reserves at Outturn, with the opportunity for Housing Committee to propose a later course of action. This would allow Housing Committee to properly discuss the position in June and, if required, propose a transfer to take place in 2019/20. This could include setting up a debt repayment earmarked reserve, as indicated by Housing Committee in December 2018.

**Table 1 – HRA Revenue Summary**

	Para Refs	2018/19 Original Budget £k	2018/19 Latest Budget £k	Forecast Outturn £k	Outturn Variance £k
<b>Income</b>					
Dwelling Rents and Service Charges	2.4	(21,826)	(22,144)	(22,193)	(49)
Other Charges and Income	2.4	(564)	(625)	(666)	(41)
<b>Total Income</b>		<b>(22,390)</b>	<b>(22,769)</b>	<b>(22,859)</b>	<b>(90)</b>
<b>Expenditure</b>					
Supervision and Management		5,222	5,084	5,070	(14)
Repairs and Maintenance	2.5 - 2.8	3,767	3,795	3,828	33
Sheltered Housing Service	2.9	1,452	1,270	1,199	(71)
Other Expenditure	2.10	519	494	547	53
Sheltered Housing Modernisation	2.11	579	365	410	45
Revenue Funding of Capital Programme (Depreciation and RCCO)	2.11	7,153	6,273	6,228	(45)
Provision for Bad Debts		200	80	80	0
<b>Total Expenditure</b>		<b>18,892</b>	<b>17,361</b>	<b>17,362</b>	<b>1</b>
<b>Other Costs and Income</b>					
Interest Payable/Receivable	2.12	3,488	3,395	3,370	(25)
Transfers to/(from) Earmarked Reserves	2.13	136	1,494	1,494	0
Transfers to/(from) General Reserves		(126)	519	519	0
<b>Total Other Costs and Income</b>		<b>3,498</b>	<b>5,408</b>	<b>5,383</b>	<b>(25)</b>
<b>Total Housing Revenue Account</b>		<b>0</b>	<b>0</b>	<b>(114)</b>	<b>(114)</b>
Carry Forward Request	2.6				60
<b>Net Outturn Forecast</b>					<b>(54)</b>

#### 2.4 Income – (£90k) additional income

Dwelling rents and income is currently expected to be £49k over budget. This represents a variance of 0.2%.

Garage rents, which are expected to continue to reduce as the small sites programme continues, are also expected to be higher than budget in 2018/19 by £25k.

#### 2.5 Repairs and maintenance - £33k overspend

#### 2.6 Planned maintenance – £91k underspend, £60k carry forward request

The cyclical decoration programme is expected to spend to budget. There is an underspend of £21k against asbestos surveys. Surveys are only required where there are gaps in information and dependant on programme progress. There is also an underspend of £60k for Fire Risk Assessments, which have slipped into 2019/20. Therefore a £60k carry

forward is requested to allow the Fire Risk Assessments to be delivered in early 2019/20. Gas in-house provider – on budget

**2.7 Voids - £41k overspend**

Works on void properties are expected to be over budget by £41k.

**2.8 Responsive maintenance - £83k overspend**

This overspend represents a variance of 5.7% and relates to general maintenance and electrical remedial works. Responsive works are monitored for trends and where appropriate re-addressed through planned programmes of works.

**2.9 Sheltered Housing Service – (£71k) underspend**

Spend in Sheltered Housing is lower than budgeted, with spend likely to continue to reduce in line with the closure of red schemes as part of the Sheltered Modernisation. It should be noted that although spend is expected at the lower level of £1,199k in 2018/19, the forecasted service charge income for Sheltered Housing for the year is £920k, and so there is still a forecasted subsidy of £279k towards the service from the wider HRA.

**2.10 Other expenditure - £53k overspend**

The cost of grounds maintenance is higher than anticipated, with fly tipping an increasing issue in some of our estates.

**2.11 Sheltered Housing Modernisation - £45k overspend**

Works at Sherborne House completed in 2018, and planning is underway for works at Concord and George Pearce House which are due to be undertaken in 2019/20. There is a £45k overspend on revenue which represents an offset between revenue and capital works - there were slightly more revenue works, and less capital works than in the budget. Therefore the Revenue Contribution to Capital Outlay (RCCO) for Sheltered Modernisation will reduce by a corresponding £45k and there is no overall impact on the Sheltered Modernisation budget.

**2.12 Interest payable/receivable – (£25k) underspend**

It is expected that due to the level of reserves held by the HRA the investment income will be higher than budgeted by £25k in this year. These reserves have been taken into account over the Medium Term Financial Plan period.

**2.13 Transfers to/from Earmarked reserves – on budget**

Earmarked reserve transfers are expected to be in line with the budgeted position, as per Table 2 below.

Table 2: Earmarked reserve transfers

<b>Earmarked Reserve</b>	<b>Opening balance £k</b>	<b>Transfers in £k</b>	<b>Transfers out £k</b>	<b>Closing balance £k</b>
Sheltered Modernisation	1,976	1,390	(816)	<b>2,550</b>
Estate Redevelopment	350	820	0	<b>1,170</b>
Staffing	250	0	0	<b>250</b>
HRA General Contingency	0	100	0	<b>100</b>
	<b>2,576</b>	<b>2,310</b>	<b>(816)</b>	<b>4,070</b>

### **3. HRA Capital Programme**

- 3.1 The HRA has a budgeted capital programme of £10,153k for 2018/19, as approved by Council in January 2019. The current forecast is spend of £8,491k, with slippage of £1,539k into 2019/20 to be requested.
- 3.2 The following table give a breakdown of the capital programme.

**Table 3 – HRA Capital Summary**

<b>Capital Summary</b>	<b>Para Ref</b>	<b>2018/19 Revised Budget £k</b>	<b>Spend to date (to end Jan 19) £k</b>	<b>2018/19 Projected Outturn £k</b>	<b>2018/19 Outturn Variance £k</b>	<b>Anticipated Slippage Request £k</b>
Central Heating	3.4	624	420	652	28	0
Disabled Adaptations		143	88	149	6	0
Kitchens and Bathrooms	3.5	1,506	706	1,065	(441)	430
Major Void Works	3.6	570	640	710	140	0
Compliance	3.7	337	360	401	64	0
Doors and Windows	3.8	791	425	546	(245)	100
Electrical Works		212	148	212	0	0
Damp Works/Insulation	3.9	127	34	34	(93)	93
Non-Traditional Properties		595	450	597	2	0
Door Entry	3.10	352	111	190	(162)	0
External Works		2,793	1,403	2,790	(3)	0
Suited Locks	3.11	74	0	0	(74)	74
<b>Total - Major Works</b>	<b>3.3</b>	<b>8,124</b>	<b>4,785</b>	<b>7,346</b>	<b>(778)</b>	<b>697</b>
Southbank, Woodchester	3.13	300	1	1	(299)	299
Former Ship Inn Site, Bridgend		15	13	13	(2)	2
Tanners Piece, Nailsworth	3.14	1,345	567	815	(530)	530
Broadfield Road, Eastington	3.15	0	0	10	10	
Ringfield Close, Nailsworth	3.15	0	0	2	2	
Summersfield Road, Minchinhampton	3.15	0	0	6	6	
Gloucester St and Bradley St, WuE	3.15	0	0	12	12	
Completed schemes (retention payments)	3.15	0	(121)	9	9	
New Homes Contingency	3.15	50	12	0	(50)	11
<b>Total - New Build</b>		<b>1,710</b>	<b>472</b>	<b>868</b>	<b>(842)</b>	<b>842</b>
Sheltered Housing Modernisation	3.16	319	446	277	(42)	
<b>Total Capital Expenditure</b>		<b>10,153</b>	<b>5,703</b>	<b>8,491</b>	<b>(1,662)</b>	<b>1,539</b>

### 3.3 Major Works – (£778k) underspend/slippage

Total spend of £7,346k is forecast across major works on existing dwellings. Although lower than the current budget by £778k, it should be noted that this is above the original budgeted amount of £6,657k and so still represents an increase in works delivered in year.

Based on the current forecast, slippage of £697k would be requested at outturn.

#### 3.4 Central Heating - £28k overspend

Central heating upgrades are largely on target, with a small variance to budget.

#### 3.5 Kitchens and bathrooms – (£441k) underspend/slippage

Kitchen and bathroom installs have progressed throughout the year. Some issues with contractor performance have been encountered. To ensure the correct standard is achieved works have been reallocated. Therefore a carry forward of £430k is forecasted to allow the slipped installations to be delivered next year, on top of the 2019/20 programme.

#### 3.6 Major works - £140k overspend

Major works on void properties are higher than budgeted. This could change further if more, or less, major voids are experienced before the end of the financial year.

#### 3.7 Compliance - £64k overspend

The cost of asbestos removal has been higher than budgeted. Removal of asbestos is done in line with planned works and will vary each financial year.

#### 3.8 Doors and Windows – (£245k) underspend/slippage

Difficulty in obtaining certain doors as a result of the Grenfell tragedy has led to delays, and a carry forward of £100k is being requested. The new contract is due to be in place early in 2019/20.

#### 3.9 Insulation – (£93k) slippage

Although insulation works have been undertaken as part of the external works contract, additional insulation is being procured under a framework in order to be delivered early in 2019/20. Therefore it will be requested that the remaining budget is slipped into next year.

#### 3.10 Door entry – (£162k) underspend

Performance issues with the contractor, and long lead in times for door manufacture, have led to the programme unfortunately being delayed.

#### 3.11 Suited locks – (£74k) slippage

Suited locks are reforecast to commence in April 2019, and so the budget will need to be slipped into 2019/20.

#### 3.12 **New Build and Regeneration – (£842k) slippage**

The slippage detailed below, is due to re-profiling of these schemes to reflect various factors affecting start on site.

#### 3.13 Southbank – (£299k) slippage

This scheme was originally forecast to start on site in January this year. A contractor is in place and works are now due to start on site in April 2019.

### 3.14 Tanners Piece – (£530k) slippage

Tanners Piece is now well underway, with 11 new dwellings due for completion in May/June 2019. Due to a later start than anticipated, more spend has fallen in 19/20 than originally forecast.

### 3.15 Other Schemes – (£11k) carry forward

Initial scoping works and planning applications are starting for some of the new sites approved by Council in January 2019. These works are currently being funded by the New Homes Contingency budget, but will all have an individual budget in place from 2019/20.

There are also some small costs on completed schemes which are to be funded from the contingency.

### 3.16 **Sheltered Modernisation – (£42k) underspend**

Three ex scheme warden property conversions, and modernisation works at Sherborne House have been completed during the year.

As reported in paragraph 2.11 there has been a variance between revenue and capital works at Sherborne, but this does not affect the overall financial position of the programme.

Works are due to start at Concord, the next scheme in the modernisation programme, in the new financial year.