

STROUD DISTRICT COUNCIL

HOUSING COMMITTEE

18 MAY 2020

Report Title	BUDGET MONITORING REPORT 2019/20 QUARTER 3			
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 2019/20.			
Decision(s)	The Committee RESOLVES to: a. to note the outturn forecast for the General Fund and HRA Revenue budgets and Capital programmes for this Committee.			
Consultation and Feedback	Budget holders have been consulted about the budget issues in their service areas. The feedback has been incorporated into the report to explain differences between budgets and actual income and expenditure.			
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Options	None			
Background Papers	None			
Appendices	None			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	No	No	No	No

1. Introduction

- 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 It also includes an update, for information, on the current financial position of the in house repairs service (Section 6), and the use of Right to Buy receipts (Section 7).
- 1.3 **Due to the volume of information contained in the report, it would be helpful where members have questions on matters of detail that they could be referred to the report author or the appropriate service manager before the meeting.**

2. General Fund Revenue Budget Position

- 2.1 Council approved the original General Fund revenue budget for 2019/20 in January 2019. The latest budget for Housing Committee, following approval of carry forwards in June 2019 and some small movements between committees, is £710k.

- 2.2 The budget monitoring position for the service at 31 December 2019 (Quarter 3) shows an overspend of £35k, after proposed transfers to reserves, as summarised in Table 1.
- 2.3 This is a net decrease of £29k from the Quarter 2 position reported in December.

Table 1: General Fund Revenue Budgets

Housing Committee	Para Refs	2019/20 Original Budget (£'000)	2019/20 Revised Budget (£'000)	2019/20 Forecast Outturn (£'000)	2019/20 Reserve Transfers (£'000)	2019/20 Outturn Variance (£'000)
Housing Advice	2.4	247	247	329	0	83
Housing Strategy	2.5	138	309	147	130	(32)
Private Sector Housing		154	154	138	0	(16)
Housing General Fund Total		538	710	614	130	35

2.4 Housing Advice and Homelessness – £83k overspend

Spend on temporary accommodation continues to be high, with the current forecast being net expenditure to exceed budget by £83k. This is a decrease of £12k from the Quarter 2 position.

Work continues to look at what can be done for homeless households, such as using properties in the HRA for temporary accommodation. A pilot is currently underway and it is intended that this provision is extended in the future.

There is some funding in the Homelessness earmarked reserve, which depending on the overall position of the General Fund, may be called on to fund some, or all, of this pressure.

2.5 Housing Strategy – (£32k) underspend, after £130k carry forward

A £44.5k grant has been received and passed on to Beresford to continue their work with people affected by Domestic Abuse. £40k has also been spent from the Community Housing Fund, in line with the three year programme.

It is expected that a further carry forward of £130k, from external grant funding for Community Housing Fund and Self Build, will be requested at the end of the financial year to allow the work in these areas to continue.

3. General Fund Capital Programme

- 3.1 The Housing General Fund Capital Programme was approved by Council in January 2019. This has subsequently been revised to £1,498k after slippage from 2018/19, and the reprofiling of the Temporary Accommodation budget as reported in the Estimates 2020/21 report in December 2019.
- 3.2 Capital spend is currently expected to be overspent by £239k, however it is not expected that this will affect the overall position of the General Fund as much of the variance relates to externally funded programmes.

3.3 The following table gives a breakdown of the programme.

Table 2 – Housing Committee Capital Programme

	Para Refs	2019/20 Original Budget (£'000)	2019/20 Revised Budget (£'000)	2019/20 Forecast Outturn (£'000)	2019/20 Outturn Variance (£'000)
Housing Capital Schemes					
Affordable Housing-Support to Registered Providers	3.4	0	39	429	390
Better Care Fund Projects	3.5	0	0	140	140
Disabled Facilities Grant Scheme	3.6	330	330	265	(65)
Health through Warmth Grants	3.7	200	200	200	0
Park Homes	3.8	0	76	76	0
Private Sector Housing Loans	3.9	0	0	27	27
Temporary Accommodation	3.10	0	0	0	0
Warm Homes	3.11	1,000	853	600	(253)
Housing General Fund Capital Schemes TOTAL		1,530	1,498	1,737	239

3.4 Grants to Registered Providers - £9k slippage and £399k additional grant

From the remaining budget of £39k, it is expected that a total of £30k will be transferred to Registered Providers in 19/20. It is expected that the remaining £9k will be requested to be transferred into 2020/21 at the end of the year.

This budget line also includes an additional grant payment of £399k to Aster Housing Association on behalf of Eastington CLT. This funding has been received from the Homes England Infrastructure Fund and has been passed on to Aster as per the grant agreement.

3.5 Better Care Fund Projects - £140k additional project funding

Funding has been awarded by Gloucestershire County Council for two additional projects. A contribution has been made towards resurfacing the canal towpath to encourage residents to be active.

Funding has also been awarded to a foodbank to deliver improvements to their building which would improve accessibility and allow cooking classes to be held to help residents learn about preparing healthy food, whilst cooking together as a group.

3.6 Disabled Facilities Grants – (£65k) underspend

Spend on Disabled Facilities Grants (DFGs) is currently expected to be lower than budget by £65k. This is a demand led service and so it can be expected that the actual spend will vary depending on the level of referrals during the year.

Any remaining funding at the end of the year will return to the Better Care Fund, held by Gloucestershire County Council, to be reallocated at a later date.

3.7 Health Through Warmth Grants – on target

Health Through Warmth Grants are funded by Gloucestershire Clinical Commissioning Group (CCG) and like Warm Homes covers the whole county. The funding for Health

Through Warmth grants is predominantly used for insulation and heating systems to increase thermal efficiency in homes of people with cold or damp related health issues.

3.8 Park Homes – on target

This one-off funding has been carried forward from 2018/19 and has allowed grants to be awarded to residents living in park homes for improved insulation.

3.9 Private Sector Housing Loans - £27k spend

Healthy Home Loans are available for works on private housing to reduce defects that threaten the health and safety of the occupants. Loans must be repaid when the property is sold or transferred, with the money being recycled to provide further loans.

3.10 Temporary Accommodation – no budget in 2019/20

As reported in December 2019, this budget has been moved to the next financial year 2020/21.

Officers continue to look at ways in which temporary accommodation can be provided, but it is not expected that any property will be purchased in this financial year.

3.11 Warm Homes - £253k slippage

Warm Homes Fund is funding for central heating systems in homes across Gloucestershire, for which SDC is leading. It is externally funded by National Grid, through Affordable Homes Solutions.

Any underspend would reduce funding from Affordable Homes Solutions, and so there will be no impact on the bottom line. It may be possible to carry forward this funding to 2020/21, however this will need to be approved by Affordable Homes Solutions.

4. **Housing Revenue Account Budget Position**

4.1 The original net Housing Revenue Account (HRA) budget for 2019/20 was a transfer to reserves of £103k, as approved by Council in January 2019. This has now been revised to a transfer to general reserves of £50k following Council approval in April 2019 of funding for the insourcing of the Housing Reactive Repairs and Maintenance Service.

4.2 The monitoring position for the service at 31 December 2019 (Quarter 3) shows a projected net underspend of £710k (-3.1% of gross spend) against the current budget, as summarised in Table 3 on the following page.

4.3 This is a net change of -£44k from Quarter 2, and although only a small change overall there are a number of changes within this.

4.4 There is also an additional transfer from earmarked reserves included of £12k. This relates to the Sheltered Modernisation Programme, as detailed in paragraph 4.13.

Table 3 – HRA Revenue Summary

	Para Refs	2019/20 Original Budget (£'000)	2019/20 Revised Budget (£'000)	2019/20 Forecast Outturn (£'000)	2019/20 Outturn Variance (£'000)
Housing Committee					
Dwelling Rents and service charges	4.5	(21,855)	(21,855)	(22,423)	(568)
Other charges and income	4.5	(551)	(551)	(718)	(167)
Provision for Bad Debt	4.6	80	80	41	(39)
Total Income		(22,325)	(22,325)	(23,099)	(774)
Supervision and Management	4.7	4,203	4,256	4,082	(173)
Repairs and Maintenance	4.8	3,733	3,793	4,083	291
Sheltered Housing Service	4.9	1,083	1,083	1,035	(49)
Other Expenditure	4.10	460	460	518	58
Sheltered Housing Modernisation	4.11	470	470	528	58
Total Expenditure		9,948	10,061	10,245	184
Support Service Charges from the GF		1,560	1,560	1,560	0
Revenue Funding of Capital Programme (Depn & RCCO)	4.11	6,687	6,687	6,642	(45)
Provision for repaying debt		900	900	900	0
Interest Payable/Receivable	4.12	3,354	3,354	3,279	(75)
Total Other Costs and Income		12,501	12,501	12,381	(120)
Total Housing Revenue Account		123	236	(473)	(710)
Transfers to/from HRA Earmarked reserves	4.13	(226)	(286)	(298)	(12)
Transfers to/from General Reserves		103	50	50	0
Total Transfers to/from reserves		(123)	(236)	(248)	(12)

Note: table may contain rounding differences

4.5 Income – (£735k) additional income

As previously reported additional rental income is expected in this year, in part because of prudent budgeting of dwelling numbers included in the new build programme and sheltered modernisation programme.

There is also an increased level of lease income representing the work by Tenant Services of providing some housing for temporary accommodation in the district.

Garage rents are expected to be higher than budgeted, but will continue to reduce in line with the approval to review the use of all garage sites.

Leaseholder charges are also higher, with a number of major works being completed in blocks containing leaseholders. Leaseholders are charged a share of the cost of works, based on the provision in their lease. For example, if a leaseholder is in a block of four flats, they would usually be expected to pay one quarter of the total cost for the block. Leaseholders are consulted under Section 20 of the Landlord and Tenant Act. This income will offset the cost of the works which was largely completed in 2018/19.

4.6 Provision for Bad Debt – (£39k) underspend

Current indications show that the full provision allowed for non payment of debt will not be needed in this year. This will be further monitored throughout the year.

4.7 Supervision and Management – (£173k) underspend

Significant salary savings are currently expected, predominantly in Contract Services. This is largely due to posts being held vacant pending the implantation of the in house repairs and maintenance service from April 2020.

This area also includes the set up costs for the in house service starting April 2020. Further detail on these costs are included in Section 6.

4.8 Repairs and maintenance - £291k overspend

Maintenance spend is currently expected to be £291k overspent over the year, an increase of £90k from Quarter 2.

An overspend in General maintenance of £297k relates to responsive repairs. This area will be transferred to the in house repairs and maintenance service from April 2020.

Void works are currently expected to be £132k overspent. £47k of this relates to Council Tax on void properties.

Planned maintenance is forecast to include savings of £35k, largely due to a lower than anticipated cost for asbestos and fire risk assessments. Planned works on properties are expected to be completed within budget.

Gas in house provider is expected to be £104k underspent. This is due to a small underspend in salaries due to a vacant apprentice post, as well as slippage in a contractor delivering (non urgent) servicing to renewable heating systems.

4.9 Sheltered Housing Service – (£49k) underspend

As reported in Quarter 1, there is a reduced staffing cost compared to the budget (-£66k), and significant savings made on services (-£47k). This has however been partially offset by additional costs relating to works and equipment needed to implement the changes to call monitoring as approved by Housing Committee in September 2019.

This is a change of -£37k from Quarter 2 which relates to a reduced assumption of the one off costs.

4.10 Other expenditure - £58k overspend

As previously reported, the cost of grounds maintenance, including fly tipping, is higher than anticipated. This will continue to be monitored, and the budget has been increased in 2020/21.

4.11 Sheltered Housing Modernisation - £58k overspend

There is a small (£12k) overspend expected in the revenue cost of decanting tenants from red schemes, and holding the properties vacant pending redevelopment. This can be funded from an additional transfer from the Sheltered Modernisation earmarked reserve (as included in paragraph 4.13).

There is also an increase in revenue spend on the modernisation works in the amber schemes of £45k. This relates to the works at Concord and George Pearce House, also included in the capital programme, paragraph 5.17. The spend on the modernisation works is on budget overall, but there is a difference in split between capital works and revenue works as the budget was based on an estimate. This doesn't affect the programme as a whole, and as the capital works have reduced and so need less funding, the Revenue

Contribution to Capital Outlay (RCCO) (in Revenue Funding of Capital Programme line) has been reduced by £45k, leaving the bottom line of the HRA unaffected by this change.

4.12 Interest payable/receivable – (£75k) underspend

It is expected that the investment income will be higher than budgeted by £75k in this year. This is dependent on levels of reserves throughout the year and the prevailing interest rate and so is subject to change.

4.13 Transfers to/from Earmarked reserves – on budget

Earmarked reserve transfers are expected to be in line with the budgeted position, other than a small additional transfer from the Sheltered Modernisation reserve as detailed in paragraph 4.11. This is not expected to have a material impact on the project.

	Opening Balance (£'000)	Transfer in (£'000)	Transfers out (£'000)	Closing Balance (£'000)
Earmarked Reserves				
Sheltered Modernisation	2,514	1,000	(1,238)	2,276
Estate Redevelopment	1,170	0	0	1,170
Staffing	250	0	0	250
HRA General Contingency	100	0	0	100
Carry Forwards	60	0	(60)	0
	4,094	1,000	(1,298)	3,796

5. HRA Capital Programme

- 5.1 The HRA capital programme has been revised to £10,010k for 2019/20, as part of budget setting. The current forecast is total spend of £9,470k, an overall underspend of £540k.

5.2 The following table gives a breakdown of the capital programme.

Capital Summary	Para Refs	2019/20 Original Budget (£'000)	2019/20 Revised Budget (£'000)	2019/20 Forecast Outturn (£'000)	2019/20 Outturn Variance (£'000)
Central Heating	5.5	1,021	849	604	(245)
Disabled Adaptations		200	200	211	11
Kitchens and Bathrooms	5.6	1,389	1,400	1,475	75
Major Works	5.7	464	464	420	(44)
Compliance	5.8	422	422	300	(122)
Doors and Windows	5.9	1,022	702	660	(42)
Electrical Works		218	218	218	0
Environmental Works		0	150	150	0
Door Entry		218	313	313	(0)
Suited Locks		76	150	150	0
External Works	5.10	3,519	2,713	2,915	202
Total Major Works	5.3	8,549	7,581	7,417	(164)
Depot		0	0	180	180
IT Systems		0	175	0	(175)
Total Other Capital Works	5.11	0	175	180	5
Southbank, Woodchester	5.14	902	707	507	(200)
Purchase of Properties/Miscellaneous	5.15	0	0	143	143
New Homes Contingency		50	50	50	0
Ship Inn	5.13	1,000	0	3	3
Tanners Piece		449	705	490	(215)
Broadfield Road, Eastington		31	31	23	(8)
Orchard Road, Ebley		20	20	21	1
Queens Drive, Cashes Green		27	16	9	(7)
Ringfield Close, Nailsworth		55	55	41	(14)
Summersfield Road, Minchinhampton		28	28	6	(22)
Gloucester St and Bradley St, WuE		28	28	11	(17)
Opportunity Land Aquisition Pot	5.16	3,000	0	0	0
Total New Build and Development	5.14	5,590	1,640	1,304	(336)
Sheltered Housing Modernisation		614	614	569	(45)
Total Sheltered Housing Modernisation	5.17	614	614	569	(45)
Total Capital Expenditure		14,753	10,010	9,470	(540)

5.3 Major Works – (£168k) underspend

5.4 The Major works programme was reprofiled as part of budget setting for 2020/21.

5.5 Kitchens and Bathrooms - £75k overspend

The planned kitchen and bathroom replacement programme is on target, with additional kitchens and bathrooms also being replaced in void properties.

5.6 Central Heating – (£245k) underspend/slippage

Some heating works have slipped into the new year. It is currently expected that these works can be delivered as well as the existing programme in 2020/21, which would prevent further slippage.

There have also been a high number of failures on the existing air source heat pumps. Where possible these have been repaired, but as parts are no longer available, or are very difficult to source in a reasonable time, this has largely only been possible by utilising parts from the decommissioned units at Glebelands.

As this is not a long term solution, and in order to prevent tenants being without heating for any length of time, it is recommended that £100k of this underspend is carried forward to 2020/21 specifically for replacement of failing air source heat pumps.

5.7 Major Void Works – (£44k) slippage

With the contracts for void works ending at the end of the financial year, any void properties that would not be completed before the end of the contract have not been instructed. This is to prevent works stopping when partially completed. Works on these void properties will commence as soon as possible, and it is anticipated that the underspend in this year would be carried forward to complete these works.

5.8 Compliance – (£122k) underspend

This is predominantly an underspend in asbestos works, which was reported in Quarter 2. Asbestos removal is responsive, and the level of works needed is determined by the result of surveys undertaken prior to capital works. Therefore this does not represent works being delayed, but less works than budgeted being needed in the year.

5.9 Doors and Windows – (£42k) underspend

A new contractor is being mobilised to deliver the doors and windows programme for the year, however as this is due to be delivered in the final months of the year, there is the possibility that some of this may slip into 2020/21.

5.10 External Works - £202k overspend

Some works have not been delivered to the standard expected and are due to be completed by an alternative contractor. There are ongoing discussions with the contractor around this.

5.11 **Other Capital Works – (£175k) slippage and £200k overspend**

The IT costs and fit out costs for the new depot relate to the decision to insource responsive repairs and maintenance from April 2020.

The budget approved by Council for IT costs is £175k, which was intended to be used over a two year period. The requirements of the new service is being reviewed and the Councils IT Strategy will be considered before new systems are purchased and implemented.

Additional costs for the fit out of the new depot at Littlecombe Business Park are now also included as a capital cost. This includes the addition of a mezzanine floor, heating system, mechanical and electrical systems, IT, and office furniture etc.

The business case had assumed leasing a depot (with some fit out costs), but the opportunity to utilise the unit at Littlecombe Business Park means that the cost will be capitalised.

Some of the works have been undertaken internally, with staff redirected to work on the depot and alternative solutions found for the day to day work, for example utilising existing contracts to a larger degree. This has allowed the costs to remain lower than the tenders received from external companies.

Further detail on the costs of setting up the in house service can be found in Section 6.

5.12 **New Build and Regeneration – (£336k) underspend**

5.13 Tanners Piece – (£216k) underspend

11 new Independent Living units have now been completed at Tanners Piece. This has been delivered with an expected underspend of £216k against the initial budget estimate (after final payments and retentions). This reflects a slightly lower build cost than budget and the approved contingency budget being largely unused.

5.14 New Build Programme – (£264k) slippage

Southbank is now on site with completion due in October. The actual spend on this project for the current financial year will depend upon the work actually done on site up to 31 March 2020 with the remaining spend taking place in 2020/21. This profiling between years will depend on various factors including the weather and the contractors programming. For example, the erection of the timber frame has recently been moved to April and this will tie in with the Easter holidays, which is beneficial due to the sites close proximity to the Woodchester primary school. The timber frame is a large cost and as the spend for this item has moved from 2019/20 to 2020/21 this has substantially affected the spend profile for this scheme. The contractual commitment is that the scheme is completed by October subject to any agreed extensions of time.

With regard to the budgets for the next schemes to be delivered for the new homes programme, Ringfield Close, Nailsworth has now received planning permission and a decision is awaited on Broadfield Road, Eastington and Summersfield Road, Minchinhampton. These schemes have taken a substantial time to go through the planning process due to third party consultees, which has impacted on the programming and hence the profiling of the budget. These three schemes are due to be tendered together as one package and this process can't commence until planning permission has been received on all three to give interested parties confidence in the procurement process. The reprofiling of the programme also impacts on the timing of spend on right to buy receipts.

5.15 Purchase of Property - £143k overspend

As previously reported, an opportunity arose to buyback a property in the Chalford Ward, where there is currently limited Council owned housing. Following a review of the suitability of the housing by Tenant Services, Property Services and Housing Advice, the property has been purchased and the two bedroom maisonette has been returned to our rented stock.

This will be funded from Right to Buy receipts (up to 30%), along with capital receipts from the sale of garage sites.

5.16 Opportunity Land Acquisition Pot – no budget in 2019/20

As detailed in the 2019/20 budget setting papers, a £3 million budget was included in the 2019/20 capital budget which would allow site/s to be purchased should any site/s of interest become available. It was stated in the reports that as this was very much an opportunistic pot, there was no guarantee that site/s would be purchased in 2019/20 and so the budget would need to remain available in any subsequent years. The budget has subsequently been reprofiled into 2020/21.

A site search has taken place across the district for suitable sites but none have been assessed as being capable of delivering a viable scheme for the Council. All options will continue to be explored as they come on to the market and the Council's land holdings will continue to be explored for any further regeneration and land assembly options.

Work has commenced on a New Councils Homes Strategy for the development of new homes over the next five years, which will set out the priorities for this pot. The strategy will be presented to Housing Committee in the new Civic year.

5.17 Sheltered Modernisation – £45k underspend

The Sheltered Modernisation Programme is on target for 2019/20, with works at Concord completed and works at George Pearce House due to complete very early in the new financial year.

There is an underspend of £45k in capital works, but as reported in paragraph 4.11 this is only a movement between revenue and capital spend and is not a variance against the programme as a whole.

6. In House Repairs Service - Finance Update

- 6.1 At the time of writing this report the set up of the new in house repairs and maintenance service, Property Care, is well underway and due to start, as planned, on 1 April.
- 6.2 As expected with any major project there have been some additional unforeseen costs, however these have been met where savings have been made against the initial budget.
- 6.3 One area that has seen a significant pressure on the project cost is the sourcing of a depot. The initial business case assumed the ongoing leasing of a depot, however the service has been able to utilise a unit at Littlecombe that was already in the Council's ownership, having completed the business park last year.
- 6.4 As the industrial unit was held in the General Fund, it has been appropriated to the HRA. This doesn't involve a transfer of money, but has meant that the HRA will take on the borrowing that the General Fund undertook in order to build the business park. This has to be at market value, which was deemed to be £525k.
- 6.5 There have also been substantial works, including the adding of a mezzanine floor, and as the unit was merely a shell, heating and electrics have been added. An office suite has also been installed which will allow the team to work from Littlecombe and will also allow for other Council staff to use the depot as a drop in base to access council systems. These additional works are expected to be in the region of £180-£200k.

- 6.6 This total cost of £725k can be funded, initially from the Major Repairs Reserve and so will not increase borrowing in the HRA.
- 6.7 Although a substantial outlay, this depot is a custom fit to the new service, and as it is owned rather than leased, will allow the new service to make changes as the service evolves. This initial investment will be 'repaid' from the ongoing rental budget included within the business plan, which would be in the region of 26 years.
- 6.8 Future costs will be reported against both the approved budget and the original business case to ensure full visibility of the financial position.
- 6.9 As reported as part of Budget Setting 2020/21 there are no savings assumed in base budget for 2020/21.

7. Right to Buy Receipts Update

- 7.1 As reported in the New Build section (paragraph 5.14), there have been delays in securing planning for our potential sites, largely been due to external, third party consultantees.
- 7.2 These revised timings may impact on our ability to fully utilise Right to Buy receipts within the strict three year deadline.
- 7.3 Where possible alternative options will be sought, such as the use of Right to Buy receipts, for the Purchase of Replacement Housing in 2020/21
- 7.4 This will be further monitored and an update will be included within the Outturn 2019/20 report in June 2020.

8. Implications

8.1 Financial Implications

There are no financial implications arising from this report as it reports on previous financial activities, and expected forecasts.

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8.2 Legal Implications

There are no legal implications arising from the recommendation in this report

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8.3 Equality Implications

There are not any specific changes to service delivery proposed within this decision.

8.4 Environmental Implications

There are no significant implications within this category.