

# STROUD DISTRICT COUNCIL

## HOUSING COMMITTEE

18 OCTOBER 2022

<b>Report Title</b>	<b>BUDGET MONITORING REPORT 2022/23 QUARTER 1</b>			
<b>Purpose of Report</b>	To present the 2022/23 forecast outturn position against the General Fund and Housing Revenue Account (HRA) revenue budgets and Capital Programme that the Committee is responsible for, in order to give an expectation of possible variances against budget.			
<b>Decision(s)</b>	<b>The Committee RESOLVES to note the outturn forecast for the General Fund and HRA revenue budgets and the Capital Programmes for this Committee.</b>			
<b>Consultation and Feedback</b>	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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<b>Options</b>	None			
<b>Background Papers</b>	None			
<b>Appendices</b>	None			
<b>Implications (further details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	Yes	Yes	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.

### 2. Summary

- 2.1 The General Fund revenue position shows an expected underspend of (£162k) below budget, as shown in Table 1. The General Fund capital forecast shows an overspend of £1,132k.
- 2.2 The HRA is currently expected to have a revenue overspend of £269k and a net capital programme overspend of £3,582k.

### 3. General Fund Revenue Budget Position

- 3.1 Council approved the original General Fund revenue budget for 2022/23 in February 2022. The latest budget for Housing Committee, following carry forwards from 2021/22, is £1,107k.

- 3.2 The budget monitoring position for the service at Quarter 1 shows an underspend of (£162k), as summarised in Table 1.

Table 1: General Fund Revenue Budgets

		2022/23 Original Budget (£'000)	2022/23 Revised Budget (£'000)	2022/23 Forecast Outturn (£'000)	2022/23 Reserve Transfers (£'000)	2022/23 Outturn Variance (£'000)
<b>Housing Committee</b>	<b>Para Refs</b>					
Housing Advice	3.3	562	562	399	0	(162)
Housing Strategy		166	333	333	0	0
Private Sector Housing		163	213	213	0	0
<b>Housing General Fund Total</b>		<b>890</b>	<b>1,107</b>	<b>945</b>	<b>0</b>	<b>(162)</b>

### 3.3 Housing Advice and Homelessness – (£162k) underspend

The cost of temporary accommodation is currently expected to be (£162k) lower than budget. The bulk of this (£100k), relates to reduced forecast Bed and Breakfast expenditure where it anticipated fewer referrals will be made within year. The remaining (£62K) being additional grant funding of received from the Ministry of Housing Communications and Local Government.

This cost could fluctuate throughout the year and will continue to be monitored closely.

## 4. General Fund Capital Programme

- 4.1 The Housing General Fund Capital Programme was approved by Council in February 2022. This has subsequently been revised to £5,833k after slippage from 2021/22.

- 4.2 Spend is currently forecast at £6,965k, with a small overspend of £3k on Better Care Fund projects which will be funded in full by Gloucestershire County Council.

### 4.3 Green Homes LADS scheme for park homes - £90k Overspend

The Green Homes LADS for park homes scheme to provide insulation to Park Homes has now completed with all outstanding fund balances being repaid to the Department for Business, Energy and Industrial Strategy. The overspend relates to slippage where the project was extended to a renewed deadline of April 2022.

### 4.4 Warm Homes £40k overspend

The Warm Homes partnership project to provide first time central heating is in the final stages of completion, having been extended until May 2022 as a result of Covid. The overspend relates to slippage costs in respect of the delivery agent Severn Wye Energy for which funding will be received from the National Grid Warm Homes Fund.

#### 4.5 Warm homes Low Carbon Initiatives £1,000k pressure

The overspend for Warm homes Low Carbon Initiatives is due to the project becoming active after the last round of budget setting. This new project has been set up to provide first time renewable central heating to off gas homes with funding provided from the National Grid Warm Homes Fund. The budget will be brought into line with the overall budget allocation at the next budget setting and reported in Q2 2022.

4.6 The following table gives a breakdown of the programme.

Table 2 – Housing Committee Capital Programme

	Para Refs	2022/23 Original Budget (£'000)	2022/23 Revised Budget (£'000)	2022/23 Forecast Outturn (£'000)	2022/23 Outturn Variance (£'000)
<b>Housing Capital Schemes</b>					
Better Care Fund Projects		0	0	3	3
Disabled Facilities Grant Scheme		350	350	350	0
Green Home LADS Park Homes	4.3	0	0	90	90
Green Homes LADS 3		1,030	945	945	0
Health through Warmth Grants		200	200	200	0
Home Upgrade Grant - Sustainable Warmth		4,218	4,133	4,133	0
Private Sector Housing Loans		15	15	15	0
Temporary Accommodation		0	190	190	0
Warm Homes	4.4	0	0	40	40
Warm Homes-Low Carbon Initiatives	4.5	0	0	1,000	1,000
<b>Housing General Fund Capital Schemes TOTAL</b>		<b>5,813</b>	<b>5,833</b>	<b>6,965</b>	<b>1,132</b>

#### 5. Housing Revenue Account Budget Position

- 5.1 The original net Housing Revenue Account (HRA) budget for 2022/23 is a transfer to reserves of £1,008k, as approved by Council in February 2022.
- 5.2 The monitoring position for the service at Quarter 1 shows a projected net overspend of £269k (1.0%) of gross spend) against the current budget, following a proposed net transfer to earmarked reserves of (£1,158k), as shown in Table 3 (below).
- 5.3 It should be noted that there are still many uncertainties around costs for 2022/23, and it can be expected that the costs will rise by more than the inflationary amounts included in the base budget. It is therefore expected that this could cause further pressure on the financial position. Many of these costs are not yet known, for example staffing costs, utilities and ongoing costs of materials and labour. Additional information is included in paragraph 5.13, and further information will be reported as these costs become clearer.

Table 3 – HRA Revenue Summary

Housing Committee	Para Refs	2022/23 Original Budget (£'000)	2022/23 Revised Budget (£'000)	2022/23 Forecast Outturn (£'000)	2022/23 Reserve Transfers (£'000)	2022/23 Outturn Variance (£'000)
Dwelling rents and service charges		(23,615)	(23,615)	(23,442)	0	173
Other charges and income		(644)	(644)	(644)	0	0
Provision for bad debt		200	200	200	0	0
<b>Total Income</b>	<b>5.4</b>	<b>(24,058)</b>	<b>(24,058)</b>	<b>(23,885)</b>	<b>0</b>	<b>173</b>
Supervision and management	5.5	4,538	4,538	4,337	0	(201)
Repairs and maintenance	5.6	5,294	5,294	5,512	0	218
Independent Living service		692	692	692	0	0
Other expenditure		575	575	579	0	4
Independent Living Modernisation	5.7	452	452	527	0	75
<b>Total Expenditure</b>		<b>11,551</b>	<b>11,551</b>	<b>11,647</b>	<b>0</b>	<b>96</b>
Support Service Charges from the GF		2,408	2,408	2,408	0	0
Interest payable/receivable		3,359	3,359	3,359	0	0
Provision for repaying debt		1,012	1,012	1,012	0	0
Revenue funding of capital programme (Depn & RCCO)		7,894	7,894	7,894	0	0
<b>Total Other Costs and Income</b>		<b>14,673</b>	<b>14,673</b>	<b>14,673</b>	<b>0</b>	<b>0</b>
<b>Total Net Expenditure</b>		<b>2,166</b>	<b>2,166</b>	<b>2,435</b>	<b>0</b>	<b>269</b>
Transfers to/(from) HRA earmarked reserves		(1,158)	(1,158)	(1,158)	0	0
Transfers to/(from) HRA general reserves		(1,008)	(1,008)	(1,008)	0	0
<b>Total Housing Revenue Account</b>		<b>0</b>	<b>0</b>	<b>269</b>	<b>0</b>	<b>269</b>

Note: table may contain rounding differences

#### 5.4 Income – £173k loss of income

During the course of the last financial year the number of empty council house properties undergoing works to make them ready to be let significantly reduced from 164 at the start of 2021/22 to 71 at the year end. The Property Care team have worked exceptionally hard over this period and during the first quarter of 2022, and have reduced the figure further to 41, which is now in line with pre pandemic levels.

The hard work of the Property Care team and its contractors assisted through additional targeted resources has meant we are continuing to reduce the recent historical backlog. Material and labour supply chains still remains uncertain, and we will continue monitor how this may impact on workstreams.

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.

An allowance for this non payment of rents is included in the Provision for Bad Debt line. The amount is not yet known and it is hoped that this can be reduced during the year through proactive support for tenants including sustainable payment arrangements to maintain tenancies.

Income levels will continue to be monitored.

## 5.5 Supervision and Management – (£201k) underspend

During 2021/22 and early 2022/23 a number of posts became vacant and are actively being recruited for through the due process. While these posts are in the process of recruitment, performance of the service has been strong. Taking into account vacancy and recruitment across the quarter the underspend is estimated to be (£201k).

## 5.6 Repairs and maintenance – £218k overspend

There were also a number of posts that became vacant in 2021/22 within Property Care. These vacancies are currently actively being recruited for in order to maintain service delivery. Taking into account vacancy and recruitment across the quarter the underspend is estimated to be (£45k).

Where trade posts have remained vacant additional costs are being recorded for sub-contractors in order to maintain work patterns. Further work is being undertaken by the property care team to establish the impact of inflation as well as the costs of labour and materials in respect of the overall service position.

Additional slippage expenditure of £140k where costs exceeded the insured value are carried forward from 2021/22. Predominantly this relates to exceptional costs of making safe, rebuilding the property and reinstating surrounding properties following an incident in Newport.

## 5.7 Independent Living Modernisation - £75k overspend

The overspend relates to Council Tax charges in respect of buildings at Glebelands and Cambridge House which are due to be demolished. Phase 1 extension of time costs, increase in build costs, Covid and Brexit have all contributed to delays in the programme however it is anticipated that a clearer picture of the timeline for the demolitions should emerge for Q2 reporting.

## 5.8 Transfers to/from Earmarked reserves

The earmarked reserve transfers included in the budget are shown in the table below.

The transfer from the Independent Living Modernisation is in line with the approved budget.

Further changes to this position are likely, including for the Transformation and Retrofit reserves. This will be reported in later budget monitoring reports.

Table 4 – HRA Earmarked Reserves – budgeted transfers

<b>Earmarked Reserves</b>	<b>Opening Balance (£'000)</b>	<b>Transfer in (£'000)</b>	<b>Transfers out (£'000)</b>	<b>Closing Balance (£'000)</b>
Independent Living Modernisation	2,987	1,039	(2,197)	<b>1,829</b>
Estate Redevelopment	1,170	0	0	<b>1,170</b>
Staffing	227	0	0	<b>227</b>
HRA General Contingency	100	0	0	<b>100</b>
HRA Carry Forwards	100	0	(100)	<b>0</b>
Provision for repayment of debt	1,885	1,012	0	<b>2,897</b>
Transformation	179	0	0	<b>179</b>
Retrofit	139	0	0	<b>139</b>
	<b>6,787</b>	<b>2,051</b>	<b>(2,297)</b>	<b>6,541</b>

## 5.9 Additional Inflationary Costs

As reported in paragraph 5.3 there are still many uncertainties around costs for this year, and it is expected that cost forecasts will increase significantly. Three major areas of expected increase are salaries, utilities and labour and materials for repairs and maintenance.

### Salaries

An increase of 2.5% has been allowed in the budget. The pay award (which is determined nationally) has not yet been agreed, but it is expected to be higher than this budgeted increase.

### Utilities

The Council's fixed cost contract for gas and electricity ends in September. The cost is expected to increase significantly, in line with the costs experienced nationally and globally. The base budget assumes an increase of 40-50% on gas and electricity, but it is currently expected to be substantially higher than this.

This will impact on the cost of lighting and heating Independent Living schemes and communal areas of blocks. The biggest impact will be for Independent Living schemes with a district heating system, where the heating and hot water for individual tenant's homes is supplied through a communal boiler, with the cost initially being paid by SDC and then recharged to tenants through a service charge. There are five Independent Living Schemes that have a district heating system.

As these arrangements are classed as commercial gas supply, these tenants are not eligible for the energy price cap on the gas supply, as this is only for domestic gas supply. However, as approved by Council in February 2022 (having been recommended by Housing Committee), the expected additional cost increases have not yet been on to tenants through service charges and so these tenants are currently completely protected from these increases over winter 2022/23, since the service charges are fixed and can only change with Committee approval. This means that the additional cost will need to be subsidised by the wider HRA. Members could choose to increase service charges to tenants with 28 days notice required.

### Labour and materials

The cost of labour and materials has risen and remains difficult to predict, with some costs increasing much faster than others. More will be known about these costs throughout the year, with cost pressures expected, particularly across revenue repairs and maintenance and capital major works and new build.

## 6. HRA Capital Programme

- 6.1 The HRA capital programme has been revised to £26,603k for 2022/23. This includes revised capital budgets due to reprofiling of capital programmes over financial years as included in the Budget Setting report.
- 6.2 The following table gives a breakdown of the current capital programme.

Table 5 – HRA Capital

<b>Capital Summary</b>	<b>Para Refs</b>	<b>2022/23 Original Budget (£'000)</b>	<b>2022/23 Revised Budget (£'000)</b>	<b>2022/23 Forecast Outturn (£'000)</b>	<b>2022/23 Outturn Variance (£'000)</b>
Central Heating		1,181	1,381	1,381	0
Disabled Adaptations		155	155	155	0
Kitchens and Bathrooms		1,446	1,696	1,696	0
Major Works		464	464	464	0
Compliance		434	434	434	0
Doors and Windows		509	644	644	0
Electrical Works		499	499	499	0
Environmental Works		515	515	515	0
Door Entry		217	217	217	0
External Works		2,415	2,415	2,415	0
Fire Risk Assessments		490	490	490	0
Decarbonisation Project	6.4	0	141	2,883	2,742
Minor External Works		100	100	100	0
<b>Total Major Works</b>		<b>8,425</b>	<b>9,151</b>	<b>11,893</b>	<b>2,742</b>
IT Systems		0	435	435	0
<b>Total Other Capital Works</b>		<b>0</b>	<b>435</b>	<b>435</b>	<b>0</b>
Southbank, Woodchester		0	0	0	0
New Homes Contingency		50	50	50	0
Canal side: Corner of A419/Downton Rd (Former Ship Inn site)		284	297	297	0
Glebelands		4,508	4,532	4,532	0
Cambridge House		2,764	2,751	2,751	0
Broadfield Road, Eastington	6.6	0	0	27	27
Orchard Road, Ebley		762	867	868	1
Queens Drive, Cashes Green		488	497	497	0
Ringfield Close, Nailsworth	6.7	0	540	1,342	802
Summersfield Road, Minchinhampton		0	0	0	0
Gloucester St and Bradley St, WuE		1,665	1,785	1,795	10
Completed Schemes		50	50	50	0
<b>Total New Build and Development</b>	<b>6.5</b>	<b>10,571</b>	<b>11,369</b>	<b>12,209</b>	<b>840</b>
Independent Living Modernisation		648	648	648	0
<b>Total Independent Living Modernisation</b>		<b>648</b>	<b>648</b>	<b>648</b>	<b>0</b>
Acquisitions		2,000	2,000	2,000	0
Opportunity Land Acquisition Pot		0	3,000	3,000	0
<b>Total Acquisitions</b>		<b>2,000</b>	<b>5,000</b>	<b>5,000</b>	<b>0</b>
<b>Total Capital Expenditure</b>		<b>21,644</b>	<b>26,603</b>	<b>30,185</b>	<b>3,582</b>

### 6.3 Major Works – £2,742k pressure

With exception of the Decarbonisation Project no variances are being forecast for Q1 2022/23. A full review of projects is underway to determine what is deliverable with the resources available, with staff and materials resourcing pressures and the current financial climate.

### 6.4 Decarbonisation Project £2,742 pressure

The successful bid process for Wave 1 of the decarbonisation project following completion of the demonstrator scheme, was secured following the last round of budget setting. With council approval the budget will look to be set for this project at the next budget setting

and reported in Q2 2022. The Decarbonisation project will be grant funded from the Department for Business, Energy and Industrial Strategy (BEIS).

#### **6.5 New Build and Regeneration – £840k overspend**

Construction is complete at Broadfield Road and Ringfield Close and an assessment of closure costs and the outturn position is underway. These sites have delivered a total of 29 affordable properties (24 affordable rent, 3 shared ownership and 2 Older person's shared ownership). The final project costs and outturn position will be reported in a future budget monitoring report when the assessment of closure costs is complete.

6.6 Broadfield Road, Eastington reports a £27k overspend which relates to completion date slippage of works from 2021/22

6.7 Ringfield Close, Nailsworth reports a £802k overspend which predominantly relates to completion date slippage from 2021/22.

#### **6.8 Independent Living Housing Modernisation – no variance reported**

The Independent living modernisation programme is on target for 2022/23.

Work has commenced at Grange View with completion expected in October 2022.

#### **6.9 Acquisitions – on target**

No properties were purchased in quarter one however further properties have been identified to add to the general needs housing stock and work will continue to find properties and/or land to increase housing offered by the council.

This budget is opportunity led, and may not be used in full in each financial year.

### **7. IMPLICATIONS**

#### **7.1 Financial Implications**

This report is of a financial nature, reporting on previous financial activities and expected forecasts. Potential financial pressures are detailed in the report.

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#### **7.2 Legal Implications**

As the report and recommendations concern budget monitoring there are no specific legal implications. More generally, the authority is required to set a balance budget having given regard to the advice of its Chief Finance Officer (Section 151 Officer). Section 25 of the 2003 Local Government Act requires the Section 151 Officer to comment on the robustness of the estimates and the adequacy of reserves.

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#### **7.3 Equality Implications**

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

#### **7.4 Environmental Implications**

There are no significant implications within this category.