

# STROUD DISTRICT COUNCIL

## HOUSING COMMITTEE

### REPORT FOR INFORMATION

<b>Report Title</b>	<b>BUDGET MONITORING REPORT 2020/21 QUARTER 3</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 General Fund and HRA for 2020/21.
<b>Decision(s)</b>	<b>The Committee RESOLVES to note the outturn forecast for the General Fund and HRA Revenue budgets and 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

#### 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 overspend of £116k above budget, as shown in Table 1. The General Fund capital forecast shows net slippage of £498k, primarily on externally funded projects.
- 2.2 The HRA is currently expected to have a revenue underspend of £472k, after a transfer to earmarked reserves of £108k, and a net capital programme underspend/slippage of £1,360k.
- 2.3 This position does include the expected financial impact of Covid-19, with detail included in the narrative where necessary. This cost is likely to change as more information is known about the position and this will continue to be monitored and reported throughout the year. Some programmes of capital work have already been revised, but further changes to the programme may be necessary.

#### 3. General Fund Revenue Budget Position

- 3.1 Council approved the original General Fund revenue budget for 2020/21 in February 2020. The latest budget for Housing Committee, following carry forwards from 2019/20, is £811k.

- 3.2 The budget monitoring position for the service at Quarter 3 shows an overspend of £116k, as summarised in Table 1. This is a change of +£75k from Quarter 1.

Table 1: General Fund Revenue Budgets

Housing Committee	Para Refs	2020/21 Original Budget £k	2020/21 Revised Budget £k	2020/21 Forecast Outturn £k	2020/21 Reserve Transfers £k	2020/21 Outturn Variance £k
Housing Advice	3.3	348	348	512	0	164
Housing Strategy	3.4	135	302	100	167	(35)
Private Sector Housing		161	161	148	0	(14)
<b>Housing General Fund Total</b>		<b>644</b>	<b>811</b>	<b>760</b>	<b>167</b>	<b>116</b>

### 3.3 Housing Advice and Homelessness – £164k overspend

The cost of temporary accommodation is currently expected to be £183k higher than budget. There are also additional costs associated with Covid-19 that are not included here but are included on a central Covid-19 line reported to Strategy and Resources. As members will know the budget for 2021/22 has been increased to reflect the higher levels of temporary accommodation.

There have been a number of vacant posts during the first half of the year, but additional staffing has been put in place for the rest of the year. Any salaries funding remaining at the end of the year will be requested to be carried forward to continue supporting the team (subject to the overall position of the general fund).

### 3.4 Housing Strategy - £167k carry forward and £35k underspend

It is expected that a carry forward of £167k will be requested at the end of the year. This is to carry forward government grant funding. There is also an in year underspend of £35k that has not been able to be utilised in this year due to other priorities linked to response and recovery for Covid-19.

## 4. General Fund Capital Programme

4.1 The Housing General Fund Capital Programme was approved by Council in February 2020. This has subsequently been revised to £2.888m after slippage from 2019/20 and changes proposed as part of budget setting, as reported to Housing Committee in December 2020.

4.2 Spend is currently forecast at £2.390m, £0.498k less than the budget.

4.3 The following table gives a breakdown of the programme.

Table 2 – Housing Committee Capital Programme

Housing Capital Schemes	Para	2020/21 Original Budget (£'000)	2020/21 Revised Budget (£'000)	2020/21 Forecast Outturn (£'000)	2020/21 Outturn Variance (£'000)
Affordable Housing-Support to Registered Providers	4.4	0	39	0	(39)
Better Care Fund Projects	4.5	0	0	25	25
Disabled Facilities Grant Scheme	4.6	330	330	166	(164)
Green Home LADS Park Homes	4.7	0	1,094	1,094	0
Health through Warmth Grants	4.8	200	227	80	(147)
Park Homes	4.9	0	0	60	60
Private Sector Housing Loans	4.10	0	15	65	50
Temporary Accommodation	4.11	500	0	0	0
Warm Homes	4.12	1,000	1,183	900	(283)
<b>Housing General Fund Capital Schemes TOTAL</b>		<b>2,030</b>	<b>2,888</b>	<b>2,390</b>	<b>(498)</b>

- 4.4 Affordable Housing Capital Programme – (£39k) underspend  
This is funding to provide occasional grant assistance to housing associations. Any remaining budget from 2020/21 will be carried forward into 2021/22.
- 4.5 Better Care Fund Projects - £25k additional spend  
This is funding made available from the Better Care Fund (administered by Gloucestershire County Council)
- 4.6 Disabled Facilities Grants – £164k underspend  
This funding is provided through the Better Care Fund, with any underspends being returned to the countywide pot to fund other projects, such as those added to the programme this year.
- 4.7 Green Homes LADS Park Homes - on target  
A Department for Business, Energy and Industrial Strategy (BEIS) funded scheme to install insulation and air source heat pumps in park homes in off-gas rural areas. This scheme will cover Gloucestershire and South Gloucestershire.  
  
Any remaining funding at year end will carry forward into 2021/22, with an extended deadline of 30 June now in place. There is additional funding secured for the 2021/22 financial year.
- 4.8 Health Through Warmth Grants – (£147k) underspend  
This is funded by the Clinical Commissioning Group (CCG) and like Warm Homes covers the whole county. 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. Where possible this used in conjunction with the Warm Homes funding.  
  
A delay due to Covid-19 lockdowns has led to an underspend in this year. Subject to approval from the CCG, remaining funding would carry forward into 2021/22
- 4.9 Park Homes - £60k additional spend

Prior to the announcement of the Green Homes LADS scheme for park homes, funding had been agreed from the Better Care Fund. From the commencement of the Green Homes LADS scheme, that funding has been prioritised and no further spend is expected from the Better Care Fund in this year.

4.10 Private Sector Housing Loans Scheme - £50k additional spend

Higher levels of applications for loans have been received this year, including some applications for Empty Homes Loans. As the loans get repaid, the funding goes back in the pot to be recycled for further loans.

4.11 Temporary Accommodation – no spend

Approved budget to purchase property suitable for temporary accommodation. This budget has been reprofiled into 2021/22.

4.12 Warm Homes Fund – (£282k) underspend

This 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. The scheme is due to end in 2020/21, however, due to slippage because of Covid-19 discussions are underway to try and extend the scheme.

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

5.1 The original net Housing Revenue Account (HRA) budget for 2020/21 is a transfer to reserves of £181k, as approved by Council in February 2020.

5.2 The monitoring position for the service at Quarter 3 shows a projected net underspend of £472k (2.1% of gross spend) against the current budget, following a proposed transfer to earmarked reserves of £108k, as summarised in Table 3 on the following page. This is a change of -£237k compared to Quarter 2.

Table 3 – HRA Revenue Summary

Housing Committee	Para Refs	2020/21 Original Budget (£'000)	2020/21 Revised Budget (£'000)	2020/21 Forecast Outturn (£'000)	2020/21 Reserve Transfers (£'000)	2020/21 Outturn Variance (£'000)
Dwelling Rents and service charges		(22,424)	(22,424)	(22,290)	0	134
Other charges and income		(629)	(629)	(665)	0	(36)
Provision for Bad Debt		110	110	210	0	100
<b>Total Income</b>	5.3	<b>(22,943)</b>	<b>(22,943)</b>	<b>(22,745)</b>	<b>0</b>	<b>198</b>
Supervision and Management	5.4	4,153	4,155	3,723	0	(432)
Repairs and Maintenance	5.5	4,237	4,235	3,710	108	(417)
Sheltered Housing Service	5.6	630	630	607	0	(23)
Other Expenditure	5.7	542	542	575	0	33
Sheltered Housing Modernisation	6.25	329	329	447	0	118
<b>Total Expenditure</b>		<b>9,890</b>	<b>9,890</b>	<b>9,062</b>	<b>108</b>	<b>(721)</b>
Support Service Charges from the GF		1,995	1,995	1,995	0	0
Interest Payable/Receivable	5.8	3,309	3,309	3,360	0	51
Provision for repaying debt		918	918	918	0	0
Revenue Funding of Capital Programme (Depn & RCCO)		6,218	6,218	6,218	0	0
<b>Total Other Costs and Income</b>		<b>12,440</b>	<b>12,440</b>	<b>12,491</b>	<b>0</b>	<b>51</b>
<b>Total Net Expenditure</b>		<b>(612)</b>	<b>(612)</b>	<b>(1,192)</b>	<b>108</b>	<b>(472)</b>
Transfers to/from HRA Earmarked reserves	5.9	431	431	431	0	0
Transfers to/from General Reserves		181	181	181	0	0
<b>Total Housing Revenue Account</b>		<b>0</b>	<b>0</b>	<b>(580)</b>	<b>108</b>	<b>(472)</b>

Note: table may contain rounding differences

### 5.3 Income – £198k loss of income

Dwelling rents are lower than budgeted. This is primarily due to new tenancies not starting during the lockdown period, except in exceptional circumstances, which has increased the number of void properties. Empty properties are now being let in line with capacity for repair works to be undertaken and tenancy management to start tenancies.

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.

There is also an expectation that arrears will be higher in 2020/21, also due to the Covid-19 pandemic. 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.

#### 5.4 **Supervision and Management – (£432k) underspend**

A number of posts have been vacant during the year, with total staffing underspend of £237k. £123k of this relates to Contract Services (excluding Property Care which is included in Repairs and Maintenance).

Some areas currently have underspends in running costs, primarily where work or programmes have been delayed or changed due to Covid-19, such as consultancy work or estate works. Some of this may 'catch up', but some may slip into 2021/22. Office costs and mileage have also reduced due to the change in working arrangements.

#### 5.5 **Repairs and maintenance – (£417k) underspend, with £108k transfer to earmarked reserves**

All operational staff were kept on call during the lockdown period, with no staff being furloughed. However, as access to properties was only allowed for emergency repairs or compliance reasons such as gas servicing, a backlog of non urgent maintenance remains. The extra resource needed for this additional work is being managed within existing budgets as a number of posts have not yet been recruited. The net underspend expected within Property Care is £108k which relates to the lower salary costs. It is proposed that any underspends within Property Care would transfer to an earmarked reserve at the end of the year to hold a buffer to mitigate against any unexpected future costs. This is in line with the financial implications in the business case.

A further underspend of £307k is expected within cyclical maintenance, with communal areas being prioritised in this year. Remaining works will be rescheduled and the ongoing programme updated.

There are also smaller underspends across the service such as on asbestos testing, remedial works and on consultancy costs.

Voids costs are expected to be higher than budget due to an increase in council tax because of the higher void rates.

#### 5.6 **Sheltered Housing – (£23k) underspend**

Running costs are expected to be lower than budget, primarily due to an expected underspend on electricity in communal areas. The budgets have been rebased for 2021/22 and so this isn't expected to continue.

#### 5.7 **Other expenditure - £33k overspend**

An increase in fly tipping was experienced during the lockdown period.

#### 5.8 **Interest payable/receivable – £51k pressure**

It is expected that the investment income will be lower than budgeted this year as investment rates have reduced significantly due to Covid-19.

#### 5.9 **Transfers to/from Earmarked reserves**

Existing earmarked reserve transfers are expected to be in line with the budgeted position. An additional transfer is forecast due to an underspend in Property Care. In line with the

proposals included with the business case any underspends in the early years will be transferred to an earmarked reserve. This will help mitigate against any unexpected costs in future years, or be released back to general reserves if unused.

Table 4 – HRA Earmarked Reserves

<b>Earmarked Reserves</b>	<b>Opening Balance (£'000)</b>	<b>Transfer in (£'000)</b>	<b>Transfers out (£'000)</b>	<b>Closing Balance (£'000)</b>
Sheltered Modernisation	2,405	1,380	(949)	<b>2,836</b>
Estate Redevelopment	1,170	0	0	<b>1,170</b>
Staffing	250	0	0	<b>250</b>
HRA General Contingency	100	0	0	<b>100</b>
Provision for repayment of debt	0	918	0	<b>918</b>
Property Care Reserve	0	108	0	<b>108</b>
	<b>3,925</b>	<b>2,406</b>	<b>(949)</b>	<b>5,382</b>

## 6. HRA Capital Programme

- 6.1 The HRA capital programme has been revised to £12,115k for 2020/21, including slippage from 2019/20 and after changes as part of the budget setting process representing the impact of Covid-19 on the Major Works and New Build programmes.
- 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>2020/21 Original Budget (£'000)</b>	<b>2020/21 Revised Budget (£'000)</b>	<b>2020/21 Forecast Outturn (£'000)</b>	<b>2019/20 Outturn Variance (£'000)</b>
Central Heating	6.6	745	403	113	(290)
Disabled Adaptations	6.7	150	130	90	(40)
Kitchens and Bathrooms	6.8	589	177	38	(140)
Major Works	6.9	450	450	800	350
Compliance	6.10	271	271	421	150
Doors and Windows	6.11	884	744	795	51
Electrical Works	6.12	200	194	150	(44)
Environmental Works	6.13	150	170	150	(20)
Door Entry	6.14	242	212	231	19
External Works	6.15	2,387	2,197	2,000	(197)
Lifts		21	21	23	2
<b>Total Major Works</b>	<b>6.3</b>	<b>6,089</b>	<b>4,969</b>	<b>4,810</b>	<b>(159)</b>
Depot	6.16	0	0	30	30
<b>Total Other Capital Works</b>		<b>0</b>	<b>0</b>	<b>30</b>	<b>30</b>
Southbank, Woodchester	6.20	495	660	656	(4)
Purchase of Properties	6.22	1,320	2,000	1,101	(899)
New Homes Contingency		80	50	50	0
Canal side: Corner of A419/Downton Rd (Former Ship Inn site)		50	15	15	0
Glebelands		50	45	45	0
Cambridge House		0	21	33	12
Broadfield Road, Eastington		1,126	11	11	0
Orchard Road, Ebley		686	23	23	0
Queens Drive, Cashes Green		876	12	12	0
Ringfield Close, Nailsworth	6.21	2,897	14	401	387
Summersfield Road, Minchinhampton		1,086	50	65	15
Gloucester St and Bradley St, WuE		20	2	2	0
Opportunity Land Aquisition Pot	6.23	3,000	3,000	3,000	0
Next Steps Accommodation Project	6.24	0	600	108	(492)
<b>Total New Build and Development</b>	<b>6.17</b>	<b>11,686</b>	<b>6,503</b>	<b>5,522</b>	<b>(981)</b>
Sheltered Housing Modernisation	6.25	475	643	393	(250)
<b>Total Capital Expenditure</b>		<b>18,250</b>	<b>12,115</b>	<b>10,755</b>	<b>(1,360)</b>

### 6.3 Major Works – (£159k) underspend/slippage

6.4 Major works have been significantly impacted by Covid-19. As reported in the [Budget Setting report](#) at Housing Committee in December 2020, the Major Works Programme has been realigned and a new programme has been set. Since that time there have been additional local and national developments and further changes have been made to the programme.



- 6.5 Overall there is a reduction in spend of £159k, with slippage being experienced in the heating, kitchens and bathrooms, environmental works and external works contracts. It is expected that more works than expected can be delivered on doors and windows, door entry and asbestos removal (compliance). Unfortunately spend on voids is also increased.
- 6.6 Central Heating – (£290k) slippage  
Critical failures will continue to be replaced across all heating types, with the main contract due to start early in the next financial year to limit heating replacement over the colder months.
- 6.7 Disabled Adaptations – (£40k) underspend/slippage  
Assessments and works have been delayed due to Covid-19
- 6.8 Kitchens and Bathrooms – (£140k) slippage  
Due to Covid-19 the pilot for the new contract has been moved to the 2021/22 programme.
- 6.9 Major Works (Voids) - £350k overspend  
A number of void properties were carried forward from last year adding to the voids being completed in this year. Some voids are being returned in poor condition, further adding to the spend needed in order to relet them. Additional work will be undertaken to investigate spend on voids.
- 6.10 Compliance - £150k additional spend  
Asbestos removal continues across planned, repairs and void work streams. This includes works at Willow Road. Although higher than budget, spend on asbestos removal can't always be fully planned as the level of works is not known until the assessments are made prior to the main works starting.
- 6.11 Doors and Windows - £51k additional spend  
More window installations have been programmed this year compared to what was expected in the revised budget
- 6.12 Electrical works – (£44k) slippage  
Slippage into 2021/22
- 6.13 Environmental works – (£20k) slippage  
Slippage into 2021/22, partially due to weather delays for cavity wall insulation.
- 6.14 Door entry - £19k additional works  
Some works which had been reprofiled into 2021/22 have been brought forward and delivered in this year.
- 6.15 External works – (£197k) slippage  
Slippage into 2021/22.
- 6.16 **Other Capital Works – £30k additional spend**  
£30k has been spent on the depot finishing the interior for use as a depot and office. These costs will be included in the financial position of Property Care and are being funded from underspends within its revenue budget.
- 6.17 **New Build and Regeneration**
- 6.18 The New Build programme has been adversely affected by Covid-19, with works on site stopping during lockdown, and hold ups to the receipt of planning approval due to delays

in responses from third party consultees and also delays to statutory responses to some planning conditions affecting the commencement of a number of schemes.

6.19 The budgets have been reset in line with an information sheet published in November 2020 ([link](#)).

6.20 Southbank, Woodchester – on target

The building of five new homes at Southbank has completed. The budget has been revised down £25k which represents an expected saving on the original budget.

6.21 Ringfield Close - £387k brought forward

The demolition of the existing buildings is being done earlier than expected and so some spend will be brought forward from 2021/22. This is positive news and reduced the spend on council tax on the empty building.

6.22 Purchase of Property

The budget set aside in order to replace HRA properties has so far added 6 properties to the council's stock in 2021/21. This will help house additional households in affordable housing in the district. Properties have been selected on cost and availability. If possible additional properties will be purchased.

6.23 Opportunity Land Acquisition Pot

Searches remain ongoing to find suitable sites, but there are currently no fixed allocations against this budget. Any remaining budget at the end of the year will be carried forward. This funding remains an opportunity led pot and is it not timebound.

6.24 Next Steps Accommodation Project

One property is due to complete in February and it is hoped that others will be found that are suitable.

6.25 Sheltered Modernisation – (£250k) underspend

The Sheltered Modernisation Programme is on target for 2020/21, with a small variance between revenue and capital. This doesn't affect the programme.

The works at George Pearce House, which were delayed due to Covid-19, have been completed. The modernisation works at Willow Road, Stonehouse have also been completed, and works at Springfield Court, Cam started as planned in Jan 2021. These works are due to complete in April 2021.

## **7. Right to Buy receipts**

7.1 As previously reported, based on current forecasts it is likely that some Right to Buy receipts would need to be repaid to Government. This is due to uncontrollable delays in the programme (para 6.18).

7.2 An extension for the use of Right to Buy receipts has been in place for 2020/21, with the rule that receipts must be used within three years being relaxed to the end of the financial year. This is due to end on 31 March 2021, and at this point it is expected that new build would have 'caught up' to the pre-Covid position. This is not the case for our schemes, with the delays to the start expecting to remain in place for the build period.

7.3 If there are no further amendments to the three year rule for Right to Buy receipts it is expected that approximately £400k capital receipts plus interest of £60k will need to be paid to Government.