

STROUD DISTRICT COUNCIL

HOUSING COMMITTEE

TUESDAY, 28 MARCH 2023

Report Title	BUDGET MONITORING REPORT 2022/23 QUARTER 3			
Purpose of Report	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.			
Decision(s)	The Committee RESOLVES to note the outturn forecast for the General Fund and HRA revenue budgets and the 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.			
Report Author	Jon Coldridge, Principal Accountant Tel: 01453 754030 Email: jon.coldridge@stroud.gov.uk			
Options	None			
Background Papers	None			
Appendices	None			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	Yes	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.

2. Summary

- 2.1 The General Fund revenue position shows an expected underspend of (£192k) below budget, as shown in Table 1. The General Fund capital forecast shows a net capital programme underspend of (£1,563k) as shown in Table 2.
- 2.2 The HRA is currently expected to have a revenue overspend of £46k and a net capital programme underspend of (£3,250k).

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 £1,122k.
- 3.2 The budget monitoring position for the service at Quarter 3 shows an underspend of (£192k), 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)
Housing Committee	Para Refs					
Housing Advice	3.3	562	569	438	0	(132)
Housing Strategy	3.4	166	336	234	43	(59)
Private Sector Housing		163	217	196	20	(1)
Housing General Fund Total		890	1,122	867	63	(192)

3.3 Housing Advice and Homelessness – (£132k) underspend

The cost of temporary accommodation is currently expected to be (£132k) lower than budget. (£70k) of this relates to reduced forecast Bed and Breakfast expenditure where it anticipated fewer referrals will be made within year and a forecast loss of income for reimbursement of housing benefit. The remaining (£62K) being additional grant funding received from the Department for Levelling up, Housing and Communities (DLUHC).

This cost could fluctuate up to the end of the year and will continue to be monitored closely.

3.4 Housing Strategy – (£59k) underspend

The (£59k) variance within Housing Strategy relates to work grant funded by the DLUHC including using previously received grants. Where DLUHC grants are awarded at short notice they are utilised in the first instance and the budgeted funds are used elsewhere. Any unspent grant funds will look to be carried forward in order to fund housing-related services in the next financial year. This is regarded as good practice in allowing flexibility in the face of unanticipated increases in demand for services, or improvement to commissioned services, such as rough sleeper outreach or target hardening works to properties for households experiencing domestic abuse.

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 £6,963k after slippage from 2021/22. This includes revised capital budgets due to reprofiling of capital programmes over financial years as included in the Budget Setting report.
- 4.2 The Disabled Facilities Grant scheme (£100k) underspend is due to a backlog of referrals for occupational therapists from the County Council for adaptations.
- 4.3 Green Homes Local Authority Delivery Scheme (LADS) 3 energy efficiency and heating improvements to homes on the gas network is reporting an underspend of (£245k), with

the underspend carried forward to 23/24. Any subsequent unspent funding will be returned to BEIS, however with the project extension to June 2023 it is now estimated that the funding will be fully committed.

4.4 Home Upgrade Grant energy efficiency and heating improvements to homes not on the gas network is also showing an underspend of (£1,223k), with the underspend carried forward to 23/24. Any subsequent unspent funding will be returned to BEIS. The project has now been extended to June 2023 and It is estimated that the underspend will be in the region of 30%.

4.5 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)
Housing Capital Schemes					
Better Care Fund Projects		0	0	15	15
Disabled Facilities Grant Scheme	4.2	350	350	250	(100)
Green Home LADS Park Homes		0	90	90	0
Green Homes LADS 3	4.3	1,030	945	700	(245)
Health through Warmth Grants		200	200	200	0
Home Upgrade Grant - Sustainable Warmth	4.4	4,218	4,133	2,900	(1,233)
Private Sector Housing Loans		15	15	15	0
Temporary Accommodation		0	190	190	0
Warm Homes		0	40	40	0
Warm Homes-Low Carbon Initiatives		0	1,000	1,000	0
Housing General Fund Capital Schemes TOTAL		5,813	6,963	5,400	(1,563)

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 3 shows a projected net overspend of £46k (0.0%) of gross spend against the current budget, following a proposed net transfer to earmarked reserves of (£90k), as shown in Table 3 (below).

5.3 The Forecast Outturn position includes estimates of the increased gas and electricity costs that have been calculated in response to the overall national utility price rises. These have been calculated based on a combination of actual usage rates / prices for the first 6 months of the year and historical usage rates at the new contract rate prices (capped for winter rates) for the second 6 months of the year, in line with the recent utility contract agreements. The actual impact of these rises within the HRA is an increase in Gas cost of £150k 530% and Electricity £195k 295%.

5.4 The Forecast Outturn position also includes an increase in respect of the pay award (which is determined nationally). This has been agreed with an additional £1,925 applied to all grades and backdated to 01 April 2022.

Table 3 – HRA Revenue Summary

		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)
Housing Committee	Para Refs					
Dwelling rents and service charges		(23,615)	(23,615)	(23,684)	0	(69)
Other charges and income		(644)	(644)	(666)	0	(22)
Provision for bad debt		200	200	100	0	(100)
Total Income	5.5	(24,058)	(24,058)	(24,250)	0	(192)
Supervision and management	5.6	4,538	4,642	4,088	0	(553)
Repairs and maintenance	5.7	5,294	5,362	5,894	60	592
Independent Living service	5.8	692	711	836	0	126
Other expenditure	5.9	575	575	648	0	73
Independent Living Modernisation	5.10	452	452	368	0	(84)
Total Expenditure		11,551	11,741	11,834	60	153
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	7,240	7,070	0	(170)
Total Other Costs and Income		14,673	14,019	13,849	0	(170)
Total Net Expenditure		2,166	1,702	1,433	60	(209)
Transfers to/(from) HRA earmarked reserves		(1,158)	(90)	164	0	254
Transfers to/(from) HRA general reserves		(1,008)	(1,612)	(1,612)	0	0
Total Housing Revenue Account		0	0	(15)	60	46

Note: table may contain rounding differences

5.5 Income – (£192k) additional 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 three quarters of 2022/23, further reducing the figure to 35-40, 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.

As a result of the reduction in the voids there has been an increase in let properties and therefore rental income.

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 non payment of rents is included in the Provision for Bad Debt line. The amount is not yet known, however through proactive support for tenants including sustainable payment arrangements to maintain tenancies the figure has decreased at Q3, reporting a (£100K) variance.

Income levels will continue to be monitored.

5.6 Supervision and Management – (£553k) underspend

During 2021/22 and early 2022/23 a number of posts became vacant and are actively being recruited for through the due process. The bulk of the variance relate to role changes and vacancies within the Tenant Management team (£130K), maternity adjustments and officer reduced working hours within the Housing Asset management team (£81K), secondment adjustments within the Systems team (£38K) and Senior housing management officers vacating within the year (£21K). There is also a (£120k) reduction in respect of IT software purchase and upgrades.

5.7 Repairs and maintenance – £592k 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 (£207k).

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. The estimated variance of for sub-contractors is £374k which is a combination of current working sub-contractor requirements and also cover for vacant trade posts.

There is a (£36k) variance in respect of radon works as a result of delays in contractor procurement and a (£24k) variance relating to fire risk assessments fire doors & compartmentalisation works which were also delayed. It is unlikely these works will complete prior to year-end and therefore will be £60k slippage and carried forward into 2023/24.

Capacity for delivering voids remains high as a result of which the variance has increased by £162k. A further £75k variance relates to council tax on voids predominantly in the early part of the year and which will reduce as the number of voids decrease.

There is also 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.

5.8 Independent Living Service - £126k overspend

£192k of the overspend is due to the high increased costs of both Gas and electric supply within the independent living properties for which tenants have been protected against in 2022/23. There is a (£54k) vacancy saving in respect of site officers, for which the posts are currently being recruited.

5.9 Other Expenditure - £73K overspend

£46k of the overspend is due to the high increased costs of electric supply within the communal areas of flat blocks for which tenants have been protected against in 2022/23. There is also a forecast £27k overspend relating to grounds maintenance costs.

5.10 Independent Living Modernisation – (£84k) underspend

Council Tax charges in respect of buildings at Glebelands and Cambridge House, which are due to be demolished, report a £33k overspend. Phase 1 extension of time costs, increase in build costs, Covid and Brexit have all contributed to delays in the programme. Demolition at the sites started in January 2023. There is also an estimated slippage of (£120k) on the independent living modernisation project where the practical completion is expected to start 22/23 but complete 23/24.

5.11 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

Earmarked Reserves	Opening Balance (£'000)	Transfer in (£'000)	Transfers out (£'000)	Closing Balance (£'000)
Independent Living Modernisation	2,987	1,000	(846)	3,141
Estate Redevelopment	1,170	0	(1,170)	0
HRA General Contingency	100	0	0	100
HRA Carry Forwards	100	0	(100)	0
Provision for repayment of debt	1,885	1,012	0	2,897
Transformation	377	39	(39)	377
Retrofit	168	0	(168)	0
	6,787	2,051	(2,323)	6,515

6. HRA Capital Programme

6.1 The HRA capital programme has been revised to £16.389k 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

Capital Summary	Para Refs	2022/23 Original Budget (£'000)	2022/23 Revised Budget (£'000)	2022/23 Forecast Outturn (£'000)	2022/23 Outturn Variance (£'000)
Central Heating		1,181	648	648	(0)
Disabled Adaptations		155	155	155	0
Kitchens and Bathrooms	6.5	1,446	1,696	970	(726)
Major Works		464	515	515	0
Compliance		434	344	344	0
Doors and Windows		509	644	644	0
Electrical Works		499	471	471	(0)
Environmental Works		515	515	515	0
Door Entry	6.6	217	217	250	33
External Works	6.7	2,515	2,515	3,214	699
Fire Risk Works		490	490	490	0
Decarbonisation Projects		0	2,883	2,883	0
Total Major Works	6.3	8,425	11,093	11,098	5
Depot		0	0	0	0
IT Systems		0	435	162	(273)
Total Other Capital Works	6.8	0	435	162	(273)
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	0	0	0
Glebelands	6.10	4,508	358	193	(165)
Cambridge House	6.11	2,764	198	125	(74)
Broadfield Road, Eastington		0	95	89	(6)
Orchard Road, Ebley		762	0	6	6
Queens Drive, Cashes Green		488	26	27	1
Ringfield Close, Nailsworth	6.12	0	1,342	806	(536)
Summersfield Road, Minchinhampton		0	0	0	0
Gloucester St and Bradley St, WuE	6.13	1,665	94	55	(39)
Completed Schemes		50	50	50	0
Total New Build and Development	6.9	10,571	2,213	1,401	(812)
Independent Living Modernisation		648	648	478	(170)
Total Independent Living Modernisation	6.14	648	648	478	(170)
Acquisitions		2,000	2,000	0	(2,000)
Opportunity Land Acquisition Pot		0	0	0	0
Total Acquisitions	6.15	2,000	2,000	0	(2,000)
Total Capital Expenditure		21,644	16,389	13,139	(3,250)

6.3 **Major Works – £5k Overspend**

- 6.4 Most major works programmes are expected to deliver to budget with the exceptions below being affected by increased costs, slippage or delayed programmes.
- 6.5 Due to a late start in the Kitchens and Bathrooms programme there is a (£726k) underspend. As a result, the full programme of works for bathrooms will not be delivered in year and will look to be carried forward into next year whilst the smaller kitchens target will be met.
- 6.6 Door entry reports a £33k overspend which relates to the increase in costs to those that were originally quoted.
- 6.7 External works reports a £699k overspend which is due to a predicted 28% increase from original budget coupled with a 10-15% increase in the costs of materials. The overspend also includes additional work on properties that have slipped since last year as well as work brought in line to reduce future costs and property referrals from other areas of the business.

6.8 **Other Capital Works – (£273K) Slippage**

£435k has been allocated for the implementation of a new Housing IT system with a current forecast of (273K) slippage.

6.9 **New Build and Regeneration – (£868k) Underspend**

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).

- 6.10 Glebelands reports a (£165k) underspend relating to enabling works costs and slippage. Spend has been delayed due to an additional procurement exercise which was required for market testing due to pricing volatility within the construction industry. Overall programme remains on target, with demolition due to complete in May 2023 and construction estimated to begin in Q2 2023.
- 6.11 Cambridge House reports a (£74k) underspend relating to slippage on construction payments for soft strip & enabling works. Spend has been delayed due to an additional procurement exercise which was required for market testing due to pricing volatility within the construction industry. Overall programme remains on target, with demolition due to complete in June 2023 and construction estimated to begin in Q2 2023.
- 6.12 Ringfield Close, Nailsworth reports a (£536k) underspend which predominantly relates to completion date slippage from 2021/22.
- 6.13 Gloucester and Bradley Street reports a (£39k) underspend relating to enabling works costs due to slippage. Start on site now estimated to begin in Q2 2023. Spend has been delayed due to an additional procurement exercise which was required for market testing due to pricing volatility within the construction industry. Overall programme remains on target, with demolition due to complete in July 2023 and construction estimated to begin in Q2 2023.
- 6.14 **Independent Living Housing Modernisation – (£170k) Underspend**

The (£170k) underspend is due to the forecast estimated slippage in the programme. The final scheme practical completion is expected to start in 2022/23 and complete in 2022/24.

6.15 **Acquisitions – (2,000) underspend**

No properties were purchased in quarter three 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.

The previously reported purchase of three properties build under section 106 obligations in Wotton-under-Edge is nearing completion. It is likely that this will be early in the next financial year and the relevant funding would be requested to be carried forward at year end in order to support this.

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.

Lucy Clothier, Accountancy Manager

Tel: 01453 754343 Email: lucy.clothier@stroud.gov.uk

7.2 **Legal Implications**

There are no specific legal implications arising from the recommendation of this report.

One Legal

Tel: 01684 272017 Email: legalservices@onelegal.org.uk

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.