

STROUD DISTRICT COUNCIL

AGENDA
ITEM NO

HOUSING COMMITTEE

10 SEPTEMBER 2019

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Report Title	BUDGET MONITORING REPORT 2019/20 QUARTER 1
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 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 in the report to explain differences between budgets and actual income and expenditure.
Financial Implications and Risk Assessment	This report highlights a number of variances across the General Fund and the HRA. Any potential ongoing impacts should be considered as part of budget setting and the MTFP. Lucy Clothier, Interim Accountancy Manager Tel: 01453 754343 Email: lucy.clothier@stroud.gov.uk
Legal Implications	There are no legal implications arising from this report. Patrick Arran, Interim Head of Legal Services Tel: 01453 754360 Email: patrick.arran@stroud.gov.uk
Report Author	Lucy Clothier, Interim Accountancy Manager Tel: 01453 754343 Email: lucy.clothier@stroud.gov.uk
Options	None
Performance Management Follow Up	Budgets will continue to be monitored on a regular basis by budget holders supported by Finance. Further finance reports will update the committee in December 2019 and April 2020, with the outturn position to be reported to Strategy and Resources Committee and Housing Committee in June 2020.

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. 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, is £708k.
- 2.2 The budget monitoring position for the service at 30 June 2019 (Quarter 1) shows an overspend of £55k, as summarised in Table 1, with commentary on the significant variances following the table.

Table 1: General Fund Revenue Budgets

Housing Committee	Para Refs	2019/20 Original Budget £k	2019/20 Revised Budget £k	2019/20 Forecast Outturn £k	2019/20 Outturn Variance £k
Homelessness	2.3	105	105	164	59
Homelessness Prevention		141	141	141	0
Housing Strategy		138	308	303	(4)
Private Housing		154	154	154	0
Housing General Fund Total		538	708	763	55

2.3 Homelessness – £59k overspend

Spend on temporary accommodation continues to increase, and despite an increase in budget in 2019/20, the current forecast is for net expenditure to exceed budget by £59k.

Further work will be undertaken to establish the temporary accommodation need and options for delivery, building on previous reports presented to Committee.

Since the introduction of the Homelessness Reduction Act, homelessness applications have increased 200% (from 93 in 2017/18 to 284 in 2018/19). This is causing significant pressure on the team and staffing would need to be included as part of the review.

There is some funding in the Homelessness earmarked reserve, but the potential ongoing cost of the statutory provision would need to be considered in the Medium Term Financial Plan (MTFP).

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 £1,998k after slippage from 2018/19.
- 3.2 Capital spend is currently expected to be on target, however it is likely that some of these schemes may change during the year.
- 3.3 The following table gives a breakdown of the programme.

Table 2 – Housing Committee Capital Programme

Housing Capital Schemes	Para Refs	2019/20 Original Budget £k	2019/20 Revised Budget £k	2019/20 Forecast Outturn £k	2019/20 Outturn Variance £k
Affordable Housing-Support to Registered Providers	3.5	0	39	39	0
Disabled Facilities Grant Scheme	3.6	330	330	330	0
Health through Warmth Grants	3.7	200	200	200	0
Park Homes	3.8	0	76	76	0
Warm Homes	3.9	1,000	853	853	0
Temporary Accommodation	3.10	0	500	500	0
TOTAL General Fund Capital		1,530	1,998	1,998	0

3.4 Further detail of the capital schemes can be found below.

3.5 Affordable Housing – Support to Registered Providers – on target

Remaining funds are due to be allocated during the year.

3.6 Disabled Facilities Grants – on target

Spend on Disabled Facilities Grants (DFGs) is currently expected to be on target. However, as this is a demand led service 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 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.

3.8 Park Homes – on target

This funding has been carried forward from 2018/19 and will allow grants to be awarded to residents living in park homes for improved heating and insulation.

3.9 Warm Homes – on target

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

3.10 Temporary Accommodation – on target

This budget has been included in the capital programme to purchase property suitable for temporary accommodation.

Although currently included on budget, spend will be dependent on suitable property becoming available. It may be necessary to carry the budget forward into next year.

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 30 June 2019 (Quarter 1) shows a projected net underspend of £635k (-2.8% of gross spend) against the current budget, as summarised in Table 3 on the following page.
- 4.3 This is largely due to additional income from rents and investments for the year.
- 4.4 Depending on the overall position at the end of the financial year, Housing Committee could choose to recommend to Strategy and Resources Committee that any underspends are allocated for a specific purpose, such as for the repayment of debt.
- 4.5 As stated in paragraph 4.1 the 2019/20 budget now includes part of the implementation costs of insourcing the Housing Reactive Repairs and Maintenance Service. This will be reported throughout the project, as more is known about the expenditure. Currently some costs are expected to be in 2019/20 and some in 2020/21. Should some of these costs be brought forward (or pushed back) this would not necessarily affect the overall project, but may result in variances in the current financial year.
- 4.6 As part of the project the opportunity arose for the depot to be based in one of the Council owned units at Littlecombe Business Park, rather than leasing a depot.
- 4.7 This has led to the appropriation of unit 7A Littlecombe Business Park from the General Fund, to the HRA. The transfer has taken place at market value, in line with legislation. In practise this means that the HRA will take on the borrowing that the General Fund took out to build the unit.
- 4.8 The provision in the business case to pay a lease payment will instead be diverted to repay this debt, along with any interest payable, and the budgets will be amended at budget setting.

Table 3 – HRA Revenue Summary

Revenue Summary	Para Ref	2019/20 Original Budget £k	2019/20 Revised Budget £k	2019/20 Forecast Outturn £k	2019/20 Outturn Variance £k
Income					
Dwelling Rents and Service Charges		(21,855)	(21,855)	(22,364)	(510)
Other Charges and Income		(551)	(551)	(638)	(88)
Provision for Bad Debts		80	80	80	0
Total Income	4.9	(22,325)	(22,325)	(22,923)	(597)
Expenditure					
Supervision and Management	4.10	4,203	4,256	4,221	(34)
Repairs and Maintenance	4.11	3,733	3,793	3,918	125
Sheltered Housing Service	4.12	1,083	1,083	977	(107)
Other Expenditure	4.13	460	460	497	38
Sheltered Housing Modernisation Programme	4.14	470	470	486	16
Total Expenditure		9,948	10,061	10,099	37
Net Income and Expenditure		(12,377)	(12,264)	(12,824)	(560)
Other HRA Costs and Income					
Support Service Charges from GF		1,560	1,560	1,560	0
Revenue Funding of Capital Programme (Depreciation and RCCO)		6,687	6,687	6,687	0
Provision for Repaying Debt		900	900	900	0
Interest Payable/Receivable	4.15	3,354	3,354	3,279	(75)
Total Other Costs and Income		12,501	12,501	12,426	(75)
Total Housing Revenue Account		123	236	(399)	(635)
Transfers to/(from) Earmarked Reserves	4.16	(226)	(286)	(286)	0
Transfers to/(from) General Reserves		103	50	50	0
Total Transfers to Reserves		(123)	(236)	(236)	0

4.9 Income – (£597k) additional income

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.

This will, in the most part, be a one off year of additional income as the Medium Term Financial Plan (MTFP) assumes many of these changes in the base for 2020/21.

4.10 Supervision and Management – (£34k) underspend

Salaries underspends of £38k are currently expected, primarily in the Development Team (pending a review of the resource needed to support the ongoing programme), but this could change throughout the year.

4.11 Repairs and maintenance - £125k overspend

Maintenance spend is currently expected to be overspent over the year, with all of the variance within responsive works and planned works on target.

General maintenance accounts for all of the overspend (£215k overspend), offset by an expected £86k underspend on voids.

As these are responsive works the actual spend could vary throughout the year.

4.12 Sheltered Housing Service – (£107k) 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. As previously reported, the budget requirement will continue to be reviewed in line with the Older People's Housing Strategy and Sheltered Modernisation Programme.

The lower spend relates to a reduced staffing cost compared to the budget (£59k), and significant savings made on services (£48k).

4.13 Other expenditure - £38k overspend

In line with 2018/19 the cost of grounds maintenance, including fly tipping, is higher than anticipated. This will continue to be monitored and ways of reducing occurrences and cost considered.

4.14 Sheltered Housing Modernisation - £16k overspend

There is a small overspend expected in the revenue cost of Sheltered Modernisation largely due to the cost of Council Tax on decanted properties.

4.15 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.

4.16 Transfers to/from Earmarked reserves – on budget

Earmarked reserve transfers are expected to be in line with the budgeted position, as per Table 4 below.

Table 4: Earmarked reserve transfers

Earmarked Reserves	Opening balance £k	Transfers in £k	Transfers out £k	Closing balance £k
Sheltered Modernisation	2,514	1,000	(1,226)	2,288
Estate Redevelopment	1,170	0	0	1,170
Staffing	250	0	0	250
HRA General Contingency	100	0	0	100
Carry forward – Fire Risk Assessments	60	0	(60)	0
	4,094	1,000	(1,286)	3,808

5. HRA Capital Programme

- 5.1 The HRA has a budgeted capital programme of £14,753k for 2019/20, as approved by Council in January 2019, with a revised budget of £14,944k (including slippage from 2018/19 and a reprofiled new build programme) approved in June 2019.
- 5.2 The current forecast is spend of £15,023, an overall overspend of £78k. It should be noted, however, that this includes the Opportunity Land Acquisition Pot of £3m.
- 5.3 The following table gives a breakdown of the capital programme.

Table 5 – HRA Capital Summary

Capital Summary	Para Ref	2019/20 Original Budget £k	2019/20 Revised Budget £k	2019/20 Forecast Outturn £k	2019/20 Outturn Variance £k
Central Heating		1,021	1,049	1,049	0
Disabled Adaptations		200	200	200	0
Kitchens and Bathrooms		1,389	1,819	1,819	0
Major Void Works		464	464	464	0
Compliance		422	422	422	0
Doors and Windows		1,022	1,122	1,122	0
Electrical Works		218	218	218	0
Door Entry		218	218	218	0
Suited Locks		76	150	150	0
External Works		3,519	3,519	3,519	0
Total - Major Works	0	8,549	9,274	9,274	0
IT Systems		0	175	175	0
Depot – Fit out costs		0	0	150	150
Total – Other Capital Works	5.5	0	175	325	150
Broadfield Road, Eastington		31	31	31	0
Gloucester St and Bradley St, WuE		28	28	28	(0)
Orchard Road, Ebley		20	20	20	0
Purchase of Properties/Miscellaneous		0	0	143	143
Queens Drive, Cashes Green		27	10	10	0
Ringfield Close, Nailsworth		55	55	55	0
Former Ship Inn Site, Bridgend		1,000	0	3	3
Southbank, Woodchester		902	954	962	8
Summersfield Road, Minchinhampton		28	28	28	0
Tanners Piece		449	705	489	(216)
New Homes Contingency		50	50	39	(11)
Opportunity Land Acquisition Pot		3,000	3,000	3,000	0
Completed Schemes (Retention Payments)		0	0	0	0
Total - New Build	5.6	5,590	4,881	4,808	(73)
Sheltered Housing Modernisation	5.10	614	614	615	1
Total Capital Expenditure		14,753	14,944	15,023	78

5.4 **Major Works – on target**

There are no known variances to the major works delivery in 2019/20. However it is likely that as the year progresses there may be reasons why programmes need to change. These will be reported to Housing Committee throughout the year.

5.5 **Other Capital Works - £150k 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 (see paragraphs 4.5 - 4.8) means that the cost can be capitalised. A revised budget will need to be requested from Council as part of the budget setting process.

5.6 **New Build and Regeneration – (£73k) underspend**

Many schemes are now being worked up, with any small additional spends in year being funded from the contingency.

5.7 **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.

5.8 **Purchase of Property - £143k overspend**

An opportunity has arisen 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, it is intended to purchase the two bedroom maisonette and return to our rented stock.

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

5.9 **Opportunity Land Acquisition Pot – on target**

Opportunities for the purchase of land for the building of new homes are being explored.

Although showing as on target, due to its nature this budget may not be spent in 2019/20. It would be the intention that any remaining funding is carried forward.

5.10 **Sheltered Modernisation – £1k overspend**

The Sheltered Modernisation Programme is on target for 2019/20, with works at Concord and George Pearce House to be finalised.

A full update on the Sheltered Modernisation Programme is being presented as a separate agenda item.