

## STROUD DISTRICT COUNCIL

AGENDA  
ITEM NO

## HOUSING COMMITTEE

10 DECEMBER 2019

6

<b>Report Title</b>	<b>BUDGET MONITORING REPORT 2019/20 QUARTER 2</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 2019/20
<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.
<b>Financial Implications and Risk Assessment</b>	There are no financial implications arising from this report as it looks at current revenue and capital forecasts for this committee's budgets.  Lucy Clothier, Interim Accountancy Manager Tel: 01453 754343 Email: <a href="mailto:lucy.clothier@stroud.gov.uk">lucy.clothier@stroud.gov.uk</a>
<b>Legal Implications</b>	There are no legal implications arising from this report.  Patrick Arran, Interim Head of Legal Services & Monitoring Officer Tel: 01453 754369 Email: <a href="mailto:patrick.arran@stroud.gov.uk">patrick.arran@stroud.gov.uk</a>
<b>Report Author</b>	Lucy Clothier, Interim Accountancy Manager Tel: 01453 754343 Email: <a href="mailto:lucy.clothier@stroud.gov.uk">lucy.clothier@stroud.gov.uk</a>
<b>Options</b>	None
<b>Performance Management Follow Up</b>	Budgets will continue to be monitored on a regular basis by budget holders supported by Finance. A further finance report will update the committee in April 2020, with the outturn position to be reported to Strategy and Resources Committee and Housing Committee in June 2020.
<b>Background Papers/ Appendices</b>	None

**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 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 30 September 2019 (Quarter 2) shows an overspend of £64k, as summarised in Table 1, with commentary on the significant variances following the table.
- 2.3 This is a net increase of £9k from the Quarter 1 position reported in September.

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	2.4	105	105	200	95
Homelessness Prevention		141	141	134	(7)
Housing Strategy		138	309	292	(16)
Private Housing		154	154	147	(7)
Housing General Fund Total		538	710	774	64

Note: tables may contain rounding differences

### 2.4 Homelessness – £95k 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 £95k. This is an increase of £36k from the Quarter 1 position.

Work has started 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 hoped that this provision can be extended in 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.

It is thought that the pressure on this service will continue and the Medium Term Financial Plan (MTFP) has been updated as reported in the Revised Estimates 2020/21 report.

## 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.
- 3.2 Capital spend is currently expected to be overspent by £211k. £27k relates to the SDC funded Housing Loans, which are funded from recycled repayment of previous loans. The remaining £184k relates to schemes funded from the County Council managed,

Better Care Fund. Therefore it is not expected that this will affect the overall position of the General Fund.

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	86	10
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	1,027	174
<b>TOTAL General Fund Capital</b>		<b>1,530</b>	<b>1,498</b>	<b>1,709</b>	<b>211</b>

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

It is currently expected that an additional £10k will be given in grants, which will be funded by the Better Care Fund, held by Gloucestershire County Council.

### **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**

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

As reported in the Estimates 2020/21 report, also presented to this committee, this funding has been reprofiled into 2020/21.

### **3.11 Warm Homes – on target**

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.

It is forecasted that an additional £174k will be spent during the year. This will be funded through Affordable Homes Solutions and so won't affect the overall position.

## **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 September 2019 (Quarter 2) shows a projected net underspend of £666k (-3.0% of gross spend) against the current budget, as summarised in Table 3 on the following page.
- 4.3 This is a net change of £30k from Quarter 1, although there are significant movements within Supervision and Management (-£199k), Repairs and Maintenance (+£56k) and Sheltered Housing (+£95k) which are contained within the narrative after Table 3.
- 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, or funding towards Energy Strategy works.
- 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.

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
Dwelling Rents and Service Charges		(21,855)	(21,855)	(22,364)	(509)
Other Charges and Income		(551)	(551)	(623)	(73)
Provision for Bad Debts		80	80	80	0
<b>Total Income</b>	4.6	<b>(22,325)</b>	<b>(22,325)</b>	<b>(22,907)</b>	<b>(582)</b>
Supervision and Management	4.7	4,203	4,256	4,022	(233)
Repairs and Maintenance	4.8	3,733	3,793	3,974	181
Sheltered Housing Service	4.9	1,083	1,083	1,071	(12)
Other Expenditure	4.10	460	460	497	38
Sheltered Housing Modernisation Programme	4.11	470	470	487	17
<b>Total Expenditure</b>		<b>9,948</b>	<b>10,061</b>	<b>10,052</b>	<b>(9)</b>
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	4.12	3,354	3,354	3,279	(75)
<b>Total Other Costs and Income</b>		<b>12,501</b>	<b>12,501</b>	<b>12,426</b>	<b>(75)</b>
<b>Total Housing Revenue Account</b>		<b>123</b>	<b>236</b>	<b>(430)</b>	<b>(666)</b>
Transfers to/(from) Earmarked Reserves	4.13	(226)	(286)	(286)	0
Transfers to/(from) General Reserves		103	50	50	0
<b>Total Transfers to Reserves</b>		<b>(123)</b>	<b>(236)</b>	<b>(236)</b>	<b>0</b>

Note: table may contain rounding differences

#### **4.6 Income – (£582k) 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.

There is no significant movement from Quarter 1.

#### **4.7 Supervision and Management – (£233k) 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.

#### **4.8 Repairs and maintenance - £181k overspend**

Maintenance spend is currently expected to be £181k overspent over the year, an increase of £56k on Quarter 1.

An overspend in General maintenance of £142k 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 £89k overspent, £33k of which relates to paying council tax on void properties.

Planned maintenance is forecast to include savings of £47k, largely due to a lower than anticipated cost for assessments. Planned works on properties are expected to be completed within budget.

#### **4.9 Sheltered Housing Service – (£12k) underspend**

As reported in Quarter 1, there is a reduced staffing cost compared to the budget (-£59k), and significant savings made on services (-£47k). This has however been 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.

#### **4.10 Other expenditure - £38k overspend**

As reported in Quarter 1 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 - £17k 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.

#### 4.12 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, as per Table 4 below.

Table 4: Earmarked reserve transfers

<b>Earmarked Reserves</b>	<b>Opening balance £k</b>	<b>Transfers in £k</b>	<b>Transfers out £k</b>	<b>Closing balance £k</b>
Sheltered Modernisation	2,514	1,000	(1,226)	<b>2,288</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>
Carry forward – Fire Risk Assessments	60	0	(60)	<b>0</b>
	<b>4,094</b>	<b>1,000</b>	<b>(1,286)</b>	<b>3,808</b>

### 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 spend of £9,924k, an overall underspend of £86k.
- 5.2 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	849	849	0
Disabled Adaptations		200	200	200	0
Kitchens and Bathrooms		1,389	1,400	1,399	(1)
Major Works		464	464	464	0
Compliance		422	422	256	(166)
Doors and Windows		1,022	702	702	0
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		3,519	2,713	2,713	0
<b>Total - Major Works</b>	<b>5.3</b>	<b>8,549</b>	<b>7,581</b>	<b>7,414</b>	<b>(168)</b>
IT Systems		0	175	175	0
Depot – Fit out costs		0	0	150	150
<b>Total – Other Capital Works</b>	<b>5.4</b>	<b>0</b>	<b>175</b>	<b>325</b>	<b>150</b>
Southbank, Woodchester		902	707	707	0
Purchase of Properties/Miscellaneous	5.7	0	0	143	143
New Homes Contingency		50	50	50	0
Former Ship Inn Site, Stonehouse		1,000	0	3	3
Tanners Piece, Nailsworth	5.6	449	705	489	(216)
Broadfield Road, Eastington		31	31	31	0
Orchard Road, Ebley		20	20	20	0
Queens Drive, Cashes Green		27	16	16	0
Ringfield Close, Nailsworth		55	55	55	(0)
Summersfield Road, Minchinhampton		28	28	28	0
Gloucester St and Bradley St, WuE		28	28	28	(0)
Opportunity Land Aquisition Pot	5.8	3,000	0	0	0
Completed Schemes		0	0	0	0
<b>Total - New Build</b>	<b>5.5</b>	<b>5,590</b>	<b>1,640</b>	<b>1,570</b>	<b>(70)</b>
Sheltered Housing Modernisation	5.9	614	614	615	1
<b>Total Capital Expenditure</b>		<b>14,753</b>	<b>10,010</b>	<b>9,924</b>	<b>(86)</b>

Note: table may contain rounding differences

### 5.3 Major Works – (£168k) underspend

Following a revised capital budget for Major Works, the only significant variance is in asbestos works (Compliance). This is because it is a responsive budget, and so this does

not represent works being delayed, rather less works than budgeted being needed in the year.

However it is possible that as the year progresses there may be reasons why the Major Works programmes need to change. These will be reported to Housing Committee at Quarter 3 and Outturn.

#### **5.4 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 means that the cost will be capitalised.

This position has not changed from Quarter 1.

#### **5.5 New Build and Regeneration – (£70k) underspend**

##### **5.6 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.

##### **5.7 Purchase of Property - £143k overspend**

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

##### **5.8 Opportunity Land Acquisition Pot – no budget in 2019/20**

Opportunities for the purchase of land for the building of new homes are being explored. This budget was reprofiled into 2020/21 as part of budget setting.

##### **5.9 Sheltered Modernisation – £1k overspend**

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