

HOUSING COMMITTEE

26 SEPTEMBER 2017

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Report Title	BUDGET MONITORING REPORT 2017/18 Q1
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 2017/18.
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	<p>There are significant levels of revenue underspends and capital slippage in the HRA, which will need to be considered as part of the budget setting process. The ongoing capital programme should be set at a realistic level, with the New Build programme reprofiled to reflect the deliverability of schemes.</p> <p>David Stanley – Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p>
Legal Implications	<p>Report for noting only; no legal implications to report on the information provided, beyond the need for the Council to effectively manage its finances both HRA and General Fund, an issue which is particularly pertinent at current time due to the strategic risks regarding the Council's budget position over the medium term. (Ref: r0709/c1209/d1209)</p> <p>K Trickey, Legal Services Manager Email: karen.trickey@stroud.gov.uk</p>
Report Author	<p>Lucy Clothier, Principal Accountant Tel: 01453 754343 Email: lucy.clothier@stroud.gov.uk</p>
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 2017 and April 2018, with the outturn position reported to Strategy and Resources Committee in May 2018.

Stroud District Council General Fund Medium Term Financial Plan (MTFP) position

Members should note that the following relates to the General Fund MTFP position only. The HRA MTFP will be included in the Budget Setting papers at Housing Committee in December.

1. The Committee has previously been advised that we are faced with a challenging financial climate.
 - Stroud will be the first council in Gloucestershire to lose all government Revenue Support Grant (RSG) and will pay more money back to government than other councils in Gloucestershire (£549,000 from our own resources will go to Whitehall in 2019/20. Cheltenham will pay £391,000 and Cotswold will pay £218,000. The other three districts - Gloucester, Tewkesbury and Forest of Dean will continue to receive small amounts of RSG.
 - The current MTFP has already built in council tax increases of £5 per annum – the maximum allowed under government rules before triggering the need for a referendum of council taxpayers.
 - Potential changes to New Homes Bonus will mean further reduction to this 'reward' payment and, as a result, our income will fall regardless of performance.
 - The Government has yet to decide on business rate retention by local government. The expected primary legislation has been abandoned.
2. **It is against this background that it is important that budgets are not overspent. In cases where an overspend is forecast, management action must be taken to minimise or mitigate the impact on the council's financial position of an overspend.**
3. The current MTFP, approved by Council in February 2017, anticipates that there will be a £3.5m gap between the Council's income and expenditure by 2020/21. At that point we will have used up all our reserves unless we take action before then.
4. **Generating income and creating even greater efficiencies remain as important as ever, but there are likely to be cuts to the committee's budgets to close the funding gap. The budget setting process during the autumn will need to focus on these, with the budget proposals being considered by Strategy and Resources Committee on 18th January 2018.**

Background

5. This report provides the first monitoring position statement for the financial year 2017/18. 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.

6. **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.**

General Fund Revenue Budget position

7. Council approved the General Fund Revenue budget for 2017/18 in February 2017 including budget proposals of the administration. This committee had previously considered the standstill budget at its meeting in December 2016.
8. The latest budget for Housing Committee taking into account the carry forwards is £583k (Original Budget was £562k).
9. The monitoring position for the service at 30 June 2017 shows a projected net **underspend of £30k (-5.1%)** against the latest budget, as summarised in Table 1. This underspend is stated net of transfers to reserves and carry forwards. The overall position on the General Fund will be considered by Strategy and Resources Committee at their meeting in October 2017.
10. The outturn position is mainly attributable to the major items outlined in Table 2 with an explanation of the significant variances that have arisen. (a significant variation is defined as being +/- £20,000 on each reporting line).

Table1 – General Fund Revenue budgets Housing Committee 2017/18

Housing Committee	Para Refs	2017/18 Original Budget (£'000)	2017/18 Revised Budget (£'000)	2017/18 Forecast Outturn (£'000)	2017/18 Outturn Variance (£'000)
Homelessness	12	259	259	233	(26)
Housing Strategy		89	110	106	(4)
Private Sector Housing		214	214	214	0
Housing (General Fund) TOTAL		562	583	553	(30)

11. The table below outlines the key variances for this Committee.

Table 2 - Headline Budget variances

Housing Committee	Para Refs	Overspend / (Underspend) (£'000's)
Homelessness	12	
Salary underspend		(25)
Bed and breakfast expenditure		50
Bed and breakfast income		(51)

12. Homelessness – (£26k) underspend

(Phil Bishop extn 4063, phillip.bishop@stroud.gov.uk)

Salary savings of £25k have been identified across Housing Advice and Homelessness Prevention. This is largely due to delays in recruiting to vacant posts.

Spend on bed and breakfast continues to be higher than budgeted, however this is currently offset by income from corresponding Housing Benefit claims. With the rollout of full Universal Credit in the district from October 2017, the income received is likely to reduce, which could create an ongoing pressure within the service.

General Fund Capital Programme

13. The Housing General Fund Capital Programme of £389k was approved by Council in January 2017. This has subsequently been revised to £489k following the approval of the carry forwards/slippage and profiling changes by Strategy and Resources Committee at their meeting in June 2017.

14. Table 3, below, shows the General Fund Capital Outturn forecast for the Housing Committee 2017/18, projecting slippage of £119k at this stage of the financial year.

Table 3 – Housing Committee Capital Programme

Housing Capital Schemes	2017/18 Revised Budget (£'000)	2017/18 Spend to date (£'000)	2017/18 Projected Outturn (£'000)	2017/18 Outturn Variance (£'000)
Affordable Housing – Support to Registered Providers	239	0	120	(119)
Private Sector Housing Strategy (see paragraph 16)	250	72	250	0
TOTAL General Fund Capital	489	72	370	(119)

15. The Councils Capital programme for 2017/18 is reported and updated regularly throughout the year by the responsible officers.
16. The Private Sector Housing Strategy is primarily used for Disabled Facilities Grants and is funded (via the County Council) through the Better Care Fund. Although the approved budget is £250k, the full allocation for the Stroud District Council area is substantially higher (over £500k) and funding will be provided by Gloucestershire County Council for all spend up to this higher allocation amount.
17. Further detail on the capital programme can be found in the Capital Project Monitoring Report.

Housing Revenue Account Budget position

18. The original net Housing Revenue Account budget for 2017/18 is a transfer from reserves of £3.088m, as approved by Council at their meeting in January 2017. This has now been revised to a transfer from reserves of £3.578m taking into account the additional capital budget as approved by Strategy and Resources in June 2017.
19. The monitoring position for the service at 30 June 2017 shows a projected net underspend of £1.149m (-5.0% of gross spend) against the latest budget, as summarised in Table 4.
20. Table 5 shows the HRA Capital spend and projected outturn for 2017/18.

Table 4 – HRA Revenue Summary

	Para Refs	2017/18 Original Budget (£'000)	2017/18 Latest Budget (£'000)	Forecast Outturn (£'000)	Outturn Variance (£'000)
Income					
Dwelling Rents and Service Charges	21	(22,269)	(22,269)	(22,480)	(211)
Other Charges and Income	22	(661)	(661)	(638)	23
Total Income		(22,930)	(22,930)	(23,118)	(188)
Expenditure					
Supervision and Management	23	5,301	5,311	5,021	(290)
Repairs and Maintenance	24-28	3,658	3,658	3,112	(546)
Sheltered Housing Service	29	1,441	1,441	1,365	(76)
Other Expenditure	30	552	552	552	0
Sheltered Housing Modernisation	31	425	425	333	(92)
Revenue Funding of Capital Programme (Depreciation and RCCO)	32	10,562	11,052	11,052	0
Provision for Bad Debts	33	100	100	100	0
Total Expenditure		22,039	22,539	21,535	(1,004)
Other Costs and Income					

Interest Payable/Receivable	34	3,476	3,476	3,426	(50)
Transfers to/(from) Earmarked Reserves	35	503	493	586	93
Transfers to/(from) General Reserves	36	(3,088)	(3,578)	(3,578)	0
Total Other Costs and Income		891	391	434	43
Total Housing Revenue Account		0	0	(1,149)	(1,149)

Further detail of this breakdown is as follows:

21. Dwelling Rents and Service Charges – (£211k) additional income

This includes rents and charges received for dwellings from tenants and leaseholders.

Income is expected to be £211k (0.9%) higher than budget.

22. Other Charges and Income – £23k reduced income

This includes all other income such as garages and shops, as well as the contribution from the General Fund for shared areas (e.g. grounds maintenance) and income from renewable energy schemes.

Income from garages is reducing as garages are taken out of use pending disposal/redevelopment.

23. Supervision and Management – (£290k) underspend

This includes staffing and tenancy management costs.

An underspend of £290k is currently expected in this area due to there being no planned drawdown on the contingency budget (£185k), and also some staffing vacancies in the Systems Team and Asset Management.

24. Repairs and Maintenance – (£546k) underspend

This includes planned and responsive maintenance, including void costs.

25. Planned Maintenance – (£168k) underspend

There was a delayed start for the new contractor on external decorating that will result in some of the programme slipping into next year. Some other planned areas, such as smoke detector servicing is now being undertaken by the In-house Gas Team, providing additional savings to the planned maintenance budget.

26. Gas In-house Provider – (£24k) underspend

Savings of £24k are currently expected.

27. Voids – (£272k) underspend

Void spend is currently low, and if this continues, it is expected that a saving of £272k will be made against budget. This will be monitored throughout the year as the level or cost of voids could fluctuate.

28. Responsive Maintenance – (£82k) underspend

Due to the reactive nature of works, it is difficult to predict the works required during the year and the forecast will be continually monitored.

Sheltered Housing Service – (£76k) underspend

This includes the expenditure on sheltered housing, not including the Sheltered Housing Modernisation project.

A salary underspend of £72k is expected due to a number of posts being vacant for part of the year.

29. Other Expenditure – on budget

This includes the cost of maintaining communal areas and grounds maintenance.

30. Sheltered Housing Modernisation – (£92k) slippage

This is the cost of the Sheltered Housing Modernisation programme, which is funded from Transfers to and from Earmarked Reserves.

A reduced number of decants have occurred during the year. The balance of £92k will remain in the Earmarked reserve in order to contribute towards funding the decanting of residents from Cambridge House and Glebelands which will begin in 2018/19.

31. Capital Financing – on budget

This is the revenue funding of the capital programme and includes Depreciation charge (which in the HRA must be spent on capital works) of £5,156k, and Revenue Contribution to Capital Outlay (RCCO) of £5,896k, which is used to top up the funding in order to support the approved capital programme.

32. Provision for Bad Debt – on budget

This is the provision for non payment of rent and charges.

33. Interest Payable/Receivable – (£50k) underspend

This is the net amount of interest payable on borrowing, less interest received on investments.

The budget includes an amount of £50k for payment of interest on Right To Buy (RTB) receipts to be repaid to Government. It is currently hoped that this won't be necessary, but is dependant on both the HRA capital programme and the use of RTB receipts by a Registered Provider in the area, being delivered within the timescales. Any slippage would result in RTB receipts needing to be repaid, which would incur interest costs.

34. Transfers to/from Earmarked Reserves – £93k reduced transfers from Earmarked Reserves

This is the net position of transfers to and from Earmarked Reserves for projects such as Sheltered Housing Modernisation.

The current forecast in Sheltered Housing Modernisation means that £93k of the budgeted transfer will not be needed in 2017/18. This amount will therefore remain in the reserve and can be allocated in a future year.

35. Transfers to/from General Reserves

Funding approved from HRA General Reserves

HRA Capital Programme

36. The following table shows the full capital programme for 2017/18

Capital Summary	2017/18 Revised Budget (£'000)	Spend to date (£'000)	2017/18 Projected Outturn (£'000)	2017/18 Outturn Variance (£'000)	Slippage (£'000)
Central Heating	690	(100)	690	0	0
Disabled Adaptations	308	(77)	120	(188)	0
Estate Works	0	12	0	0	0
Kitchens and Bathrooms	1,545	(36)	1,052	(493)	0
Major Voids	515	5	379	(136)	0
Asbestos/Radon and Compliance	453	22	175	(278)	0
Doors and Windows	515	(13)	515	0	0
Electrical Works	206	77	200	(6)	0
Damp Works/Insulation	124	0	100	(24)	0
Renewable Heating 1	0	(572)	0	0	0
Non-Traditional Properties	340	0	340	0	0
Door Entry	206	0	206	0	0
External Works	1,700	199	1,638	(62)	0
Total - Major Works	6,602	(483)	5,415	(1,187)	0
Woolaways - Minchinhampton	0	0	3	3	0
Woolaways-Leonard Stanley (New Build)	0	(89)	0	0	0
Woolaways-Top of Town (New Build)	0	4	4	4	0
The Corriett	0	(39)	1	1	0
Berkeley	0	(5)	3	3	0
Hillside, Coaley	0	(85)	2	2	0
Southbank, Woodchester	578	2	0	(578)	1,000
Chapel Street, Cam	574	294	533	(41)	3
Littlecombe	0	(28)	2	2	0
New Homes Contingency	250	0	0	(250)	562
Fountain Crescent	0	2	0	0	0
Woolaways-Top of Town Phase 2	0	(35)	5	5	0
Woolaways-Top of Town Phase 3	168	175	203	35	1
Ship Inn	1,510	5	25	(1,485)	1,434
Woolaways-Top of Town Phase 4	1,191	138	489	(702)	1
Miscellaneous Properties	700		700	0	0
Total - New Build	4,971	339	1,970	(3,001)	3,001
Sheltered Housing Modernisation	1,542	53	971	(571)	571
Queens Court	0	15	0	0	0
Total Capital Expenditure	13,115	(76)	8,356	(4,759)	3,572

37. Major Works – (£1,187k) underspend/slippage

Spend on Major Works is expected to be £1,187k below budget. This is a combination of reduced spend in areas such as Major Voids, Asbestos and Disabled Facilities Grants, as well as reprogramming of the kitchens and bathrooms contract and slippage in external works. Any slippage in contracts at this point in the year will lead to a revised programme for the following year as part of the budget setting process and so has not been included in the slippage figures. The programme will continue to vary through the year due to uncontrollable variables such as the weather and tenant refusals.

38. New Build and Development – (£3,001k) slippage

2017/18 will see the completion of the final phases at Top of Town and the completion of the mixed tenure scheme at Chapel Street, Cam. Some final consultant fees a number of our completed schemes are also due during the year.

As reported in June, in the New Homes Information Sheet, the New Homes and Regeneration budget will need to be reprofiled. Funding to deliver The Ship Inn, Southbank, Woodchester and the balance of the programme is now expected to fall into 2018/19. The reprofiling of funding in order to complete the programme will be brought to members in December as part of the budget setting process.

39. Sheltered Housing Modernisation– (£571) slippage

Capital expenditure has been adversely affected by the planning delays and ecology issues relating to the new build scheme at Tanners Piece. Budgeted expenditure was £750k for this year and anticipated spend is in the region of £45k. Slippage has been reduced by increased costs incurred for the conversion of the ex-warden properties, as well as the provision of a new laundry facility for residents at Dryleaze Court.

40. Further detail on the capital programme can be found in the Capital Project Monitoring report.