

STROUD DISTRICT COUNCIL

AGENDA
ITEM NO

HOUSING COMMITTEE

11 SEPTEMBER 2018

8

Report Title	Budget Monitoring Report 2018/19 Month 4
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 2018/19.
Decision(s)	The Committee RESOLVES: a) to note the outturn forecast for the General Fund and HRA Revenue budgets and Capital programmes for this Committee b) to approve the continuation of development at Southbank, Woodchester, providing 5 new homes at an estimated cost of up to £1.3m
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>This report sets out the latest budget monitoring position on General Fund housing and the Housing Revenue Account (HRA). HRA forecasts of income and expenditure, as provided by budget holders, show a significant revenue budget underspend and variation in planned capital expenditure.</p> <p>Given the level of revenue and capital variation, it is expected that the service undertakes a robust review of the 2019/20 budget (as it has largely been set at the same level), and takes this into account when reviewing the HRA 30 year financial plan.</p> <p>The Private Sector Housing Capital Programme will need to be updated as part of the revised budget setting process and recommended to Strategy and Resources and Council for approval.</p> <p>David Stanley, Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p>

Legal Implications	<p>As a local housing authority, the Council is under a duty to ensure that both the Housing Revenue Account (HRA) and General Fund are managed in accordance with proper accounting practices. The Council is also under a duty to prevent a debit balance on the HRA for each accounting year and in doing so must keep under review the proposals in place regarding the income and expenditure on its assets held for housing related purposes. The £91k committed against the contingency budget is subject to a separate report to this committee with separate legal implications.</p> <p>It is understood that the current approved budget for the development at Southbank, Woodchester is £1m and that this will not be exceeded in the current financial year; although, the committee can explore alternative options to continuing. The additional £300k required for the development at Southbank, Woodchester is within the approved medium term financial plan new homes contingency budget approved by Council in January 2018 (subject to re-profiling by Strategy and Resources Committee May 2018). The movement of this contingency fund into the budget for the Southbank development will go through the Council's budget setting process in due course.</p> <p>Craig Hallett, Solicitor & Deputy Monitoring Officer Tel: 01453 754364 Email: craig.hallett@stroud.gov.uk R22.08D28.08C22.08</p>
Report Author	<p>Lucy Clothier, Principal Accountant Tel: 01453 754343 Email: lucy.clothier@stroud.gov.uk</p>
Options	<p>None</p>
Performance Management Follow Up	<p>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 2018 and April 2019, with the outturn position to be reported to Strategy and Resources Committee in May 2019 and Housing Committee in June 2019.</p>
Background Papers/ Appendices	

Background

1. This report provides the first monitoring position statement for the financial year 2018/19. 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. **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

3. Council approved the General Fund Revenue budget for 2018/19 in January 2018.
4. The latest budget for Housing Committee is £507k. This includes an adjustment to align salary budgets to the 2% pay award (Original Budget was £503k). Indicative budgets for 2019/20 can be found in Appendix A.
5. The monitoring position for the service at 30 June 2018 shows a projected net **underspend of £1k (-0.2%)** 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 2018.
6. The position includes the transfer to earmarked reserves of an estimated £9k. This is grant funding received in 2018/19 that will be combined with the existing Homelessness earmarked reserve and used over the period 2018/19 to 2020/21. Further detail is included in paragraph 9. Any transfers would be subject to the overall position of the General Fund at Outturn.
7. The outturn position is mainly attributable to the major items outlined in Table 2 with an explanation of the significant variances that have arisen.

Table1 – General Fund Revenue budgets Housing Committee 2018/19

Housing Committee	Para Refs	2018/19 Original Budget (£'000)	2018/19 Revised Budget (£'000)	2018/19 Forecast Outturn (£'000)	2018/19 Outturn Variance (£'000)
Homelessness	9	261	263	263	0
Housing Strategy		90	91	90	(1)
Private Sector Housing		152	153	189	0
Housing (General Fund) TOTAL		503	507	553	(1)

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

Table 2 - Headline Budget variances

Housing Committee	Para Refs	Overspend / (Underspend) (£'000's)
Homelessness	9	
Salary overspend		26
Bed and breakfast expenditure		150
Bed and breakfast income		(91)
Grant income		(84)

9. Homelessness – £0k on target

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

Salary costs are expected to be £26k higher than budgeted. This relates to two new part time posts, employed for a fixed term and funded from the grant income.

Spend on bed and breakfast continues to be higher than budgeted, however this is partially offset by income from corresponding Housing Benefit claims.

As reported last year, two additional grants have been received in 2018/19. Grant funding of £22k has been received as new burdens funding for the Homelessness Reduction Act (second year of three year grant). This will be used to fund a part time post to support the additional duties of the Homelessness Reduction Act.

A £63k Flexible Homelessness Support Grant (final year of two year grant) will be used to fund an additional post for the length of the grant funding. The grant is also being used in year to partially offset the additional cost of Bed & Breakfast and towards homelessness prevention.

It is currently expected that there will be £9k remaining of these grants, and any surplus at the end of the year will be requested to be transferred to the Homelessness earmarked reserve. Any transfers would be subject to the overall position of the General Fund.

General Fund Capital Programme

10. The Housing General Fund Capital Programme of £449k was approved by Council in January 2018. This has subsequently been revised to £619k following the approval of the carry forwards/slippage by Strategy and Resources Committee at their meetings in May 2018.
11. Table 3, below, shows the General Fund Capital Outturn forecast for the Housing Committee 2018/19, projecting an overspend of £330k at this stage of the financial year. It should be noted that all of this variation relates to externally funded schemes and does not affect the position of the General Fund.

Table 3 – Housing Committee Capital Programme

Housing Capital Schemes	2018/19 Revised Budget (£'000)	2018/19 Spend to date (£'000)	2018/19 Projected Outturn (£'000)	2018/19 Outturn Variance (£'000)
Affordable Housing – Support to Registered Providers	149	0	149	0
Disabled Facilities Grants	330	25	100	(230)
Warm Homes	0	0	500	500
Health through Warmth Grants	140	(8)	200	60
TOTAL General Fund Capital	619	(17)	949	330

12. The Councils Capital programme for 2018/19 is reported and updated regularly throughout the year by the responsible officers.

Support to Registered Providers – £0k on target

13. A grant payment of £30k has been agreed with a Registered Provider for a four unit rural site at Stagholt Standish. There are further commitments for the Full Moon site at Wotton Under Edge, but the timing is not yet known.

Disabled Facilities Grants – (£230k) underspend

14. Disabled Facilities Grants are funded (via the County Council) through the Better Care Fund.
 An underspend of £230k is currently forecast due to low demand, but this could easily change if demand grows, or if a number of larger grants (which can be up to £30k per person) awarded. There are no delays in processing in SDC.
 Any underspend must return to the County Council, to be returned to the county pool.

Warm Homes – £500k spend

15. This 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, and all spend up to the allocated balance of £500k will be covered at no additional cost to SDC.

Health Through Warmth Grants – £60k additional spend

16. This is funded by the CCG and like the Warm Homes covers the county and is available up to £200k in this year. 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.

Housing Revenue Account Budget position

17. The original net Housing Revenue Account budget for 2018/19 is a transfer from reserves of £0.125m, as approved by Council at their meeting in January 2018. Indicative budgets for 2019/20 can be found in Appendix A.

18. The monitoring position for the service at 31 July 2018 shows a projected net underspend of £1.117m (-5.0% of gross spend) against the latest budget, as summarised in Table 4.

19. Table 6 shows the HRA Capital spend and projected outturn for 2018/19.

Table 4 – HRA Revenue Summary

	Para Refs	2018/19 Original Budget (£'000)	2018/19 Latest Budget (£'000)	Forecast Outturn (£'000)	Outturn Variance (£'000)
Income					
Dwelling Rents and Service Charges	20	(21,826)	(5,585)	(22,171)	(345)
Other Charges and Income		(564)	(125)	(587)	(23)
Total Income		(22,390)	(5,710)	(22,758)	(368)
Expenditure					
Supervision and Management	21	5,408	2,333	5,100	(308)
Repairs and Maintenance	22-26	3,767	914	3,521	(246)
Sheltered Housing Service	27	1,452	422	1,376	(76)
Other Expenditure	28	519	200	474	(45)
Sheltered Housing Modernisation	29	579	98	501	(78)
Revenue Funding of Capital Programme (Depreciation and RCCO)		7,153	0	7,153	0
Provision for Bad Debts		200	0	200	0
Total Expenditure		19,078	3,967	18,325	(753)
Other Costs and Income					
Interest Payable/Receivable	30	3,488	14	3,354	(134)
Transfers to/(from) Earmarked Reserves	31	(50)	0	28	78
Transfers to/(from) General Reserves		(126)	0	(126)	0
Total Other Costs and Income		3,312	14	3,256	(56)
Total Housing Revenue Account		0	(1,729)	(1,177)	(1,177)

Further detail of this breakdown is as follows:

20. Dwelling Rents and Service Charges – (£368k) additional income

Income is currently expected to be £368k more than budget. This is largely due to void loss (excluding dwellings intended for redevelopment) being lower than the budgeted void rate of 2%, and is in line with income received in 2017/18. This budgeted rate will be reviewed as part of budget setting.

21. Supervision and Management – (£308k) underspend

Salary underspends are currently forecasted to total £119k due to vacant posts during the year, and actively managing areas in a different way over a short term fixed period. There is a currently uncommitted staffing contingency of £135k, and a general contingency of £50k which has no known draw downs. This position could change and will be updated in future reports.

22. Repairs and Maintenance – (£246k) underspend

23. **Planned Maintenance – (£247k) underspend**
This is largely due to the cyclical maintenance programme for this year containing fewer revenue works than capital. This is dependent on what revenue cyclical works are needed on the dwellings in the programme, for example repainting of exterior walls that not every dwelling will require, and will vary considerably year on year.
24. **Gas In-house Provider – £0k on target**
Heating services provided by the in house team are currently on target.
25. **Voids – (£117k) underspend**
Void spend has been lower than budgeted so far this year on minor voids, but spend has been higher than budgeted on capital major voids (as reported in paragraph 37).
26. **Responsive Maintenance – £118k overspend**
Due to the reactive nature of works, it is difficult to predict the works required during the year and a small overspend is forecasted. This includes the extension of the Handyperson service to reduce the works passed to a third party contractor.
27. **Sheltered Housing Service – (£76k) underspend**
Salary underspends of £65k are currently expected due to the reduction in the number of schemes (as planned in the Sheltered Housing Modernisation Programme). This budget will be reviewed as the Sheltered Modernisation Programme continues.
28. **Other Expenditure – (£45k) underspend**
An underspend of £45k is currently expected relating to communal areas, including the cost of maintaining wider estate areas and trees. This will be continually monitored throughout the year.
29. **Sheltered Housing Modernisation – (£78k) underspend**
The cost of decanting tenants is expected to be lower than budgeted, however this is partially offset by the cost of keeping properties void, largely council tax.
30. **Interest Payable/Receivable – (£134k) underspend**
Interest payments are expected to be lower than budgeted as higher HRA balances mean that some borrowing can be internally borrowed over the short term. This reduces investment income to the HRA, as it reduces cash balances, but gives an overall saving as interest is not payable on the borrowing.
31. **Transfers to/from Earmarked Reserves – £78k reduced transfers from Earmarked Reserves**
- The current forecast in Sheltered Housing Modernisation means that £78k of the budgeted transfer will not be needed in 2018/19. This amount will therefore remain in the reserve and will be allocated to the project in the future.

The following table shows the budgeted transfer to and from earmarked reserves.

Table 5:

Earmarked reserve	Budgeted transfer into the reserve £000s	Forecasted transfer into the reserve £000s	Budgeted transfer from the reserve £000s	Forecasted transfer from the reserve £000s	Variation £000s
Sheltered Modernisation	1,390	1,390	(2,260)	(2,182)	78
Estate Works	820	820	0	0	0
Total	2,210	2,210	(2,260)	(2,182)	78

HRA Capital Programme

32. The following table shows the full capital programme for 2018/19

Table 6 – HRA Capital Summary

Capital Summary	2018/19 Revised Budget (£'000)	Spend to date (£'000) (to end Jul 18)	2018/19 Projected Outturn (£'000)	2018/19 Outturn Variance (£'000)
Central Heating	710	98	680	(30)
Disabled Adaptations	315	31	150	(165)
Kitchens and Bathrooms	1,590	56	1,470	(120)
Major Works	424	130	570	146
Compliance	257	100	314	57
Doors and Windows	530	153	615	85
Electrical Works	212	29	212	0
Damp Works/Insulation	127	0	127	0
Non-Traditional Properties	350	0	350	0
Door Entry	212	103	352	140
External Works	1,750	53	2,525	775
Lifts	32	0	0	(32)
Suited Locks	148	0	74	(74)
Total - Major Works	6,657	753	7,439	782
Southbank, Woodchester	650	(11)	300	(350)
Ship Inn	333	0	15	(318)
New Homes Contingency	50	1	91	41
Completed schemes (retention payments)	0	(174)	0	0
Total - New Build	1,033	(184)	406	(627)
Tanners Piece - New Build	1,700	21	1,345	(355)
Amber/Green schemes	364	142	285	(79)
Ex warden conversions	0	17	28	28
Total – Sheltered Modernisation	2,064	180	1,658	(406)
Total Capital Expenditure	9,754	749	9,503	(251)

33. Major Works – £782k overspend

Areas of additional spend are largely where works have slipped from 2017/18 and are being delivered on top of the 2018/19 programme.

A full revised capital programme is being worked on, and will be included in the December committee report.

34. Central Heating – (£30k) underspend

Spend on heating systems is slightly lower than budgeted. This is due to one commercial boiler in a sheltered housing scheme being delayed because of the complexities involved. Some of this funding has been reallocated in year and the position will be monitored throughout the year.

35. Disabled Adaptations – (£165k) underspend

Based on current demand, total spend on disabled adaptations is expected to be £150k. Many of the level access bathrooms that would previously have been installed as a disabled adaptation are now being included in the main bathroom installation programme.

36. Kitchens and Bathrooms – (£120k) underspend

Validation of works, and tenant refusal of works has meant that fewer kitchens and bathrooms are needed than originally estimated. There is therefore an underspend of £120k against budget.

37. Major Voids – £146k overspend

Spend on major voids is in nature responsive and the numbers of major voids have varied greatly throughout the year. An overspend of £146k is currently expected, which includes some major voids brought forward from 2017/18 pending the start of the new contractor.

38. Compliance – 57k overspend

Asbestos removal is directly linked to other major works as the removal happens in conjunction with the other contracts. It is estimated to cost £57k more than budget in this year, but will ultimately depend on asbestos levels in properties undergoing major works.

39. Doors and Windows – £85k overspend

The replacement of doors and windows is largely on target for the year, with additional works planned to catch up on works slipped from 2017/18.

40. Electrical Works – £0k on target

It is currently expected that electrical works will be on target, but this will depend on the outcomes of electrical tests through the year.

41. Insulation – £0k on target

Some works such as replacement cavity wall insulation are underway and a full programme of works is being formulated to ensure available grants utilised, and ensuring the most beneficial use of the available funding.

42. Non Traditional Properties – £0k on target

External wall insulation planned in this financial year, is subject to receiving planning permission. Further detail will be included in the December Committee report.

43. Door Entry – £140k overspend

The installation of door entry systems in communal blocks is ongoing, with additional blocks being fitted with new door entry systems this year in order to catch up with works slipped from late 2017/18.

44. External Works – £775k overspend

Full programme worked up, and all works, including those delayed in 2017/18, are due to be completed in year.

45. New Build and Development – (£627k) slippage

The slippage is due to delays on two schemes, namely The Former Ship Inn site and Southbank. Both schemes are actively being progressed but will start later than planned and so the spend profile has changed with more spend falling in 2019/20.

The Former Ship Inn site has experienced some delays in the planning process due to the difficult planning history on the site. These have been resolved and a planning application is to be presented to Development Control Committee on the 16th October. As potential contractors are unlikely to be interested in the site prior to planning being received, the tenders will be published immediately after the 16th October, subject to approval to our proposed scheme. There are also various ecological issues which need addressing which impacts on when works can commence and so all of the spend for this project will now fall into 2019/20.

As members are aware from the New Homes and Regeneration updates in the regular Capital Monitoring reports to Housing Committee, the Council has been in the process of reaching agreement to terminate the contract with the original contractor for the scheme at Southbank, Woodchester, for some time. This is due to the fact that they had not pursued a solution to the drainage of the site and had not fully appreciated the difficult ground conditions, which require piling and retaining walls to be constructed. The termination has now been completed. Council officers engaged an engineer directly to work with Severn Trent to resolve the drainage issues and the scheme has been re tendered. All tenderers this time have considered the ground conditions in detail and this is now reflected in their figures. The tendered prices are close together and so it is felt that the figures are a true reflection of the cost of delivering this scheme in the current market. Prior to appointing the preferred tenderer a revised budget figure needs to be agreed to allow for the fact that all tenders received are over the current approved budget. A revised budget of £1.3 million is requested to allow for analysis and approval of a preferred tenderer. This is significantly above the original budget of £950K.

Whilst it is an expensive scheme to deliver the scheme will provide 5 new affordable homes in a village that has very little remaining affordable housing and has very few other options in terms of land supply to deliver further homes.

The Parish Council and Ward Councillor have been kept informed about progress.

Spend of £91k is committed against the Contingency budget. This relates to spend on schemes that have been included in the bid for additional borrowing. Should the bid be approved by Council, these schemes will be included in the 2019/20 budget.

46. Sheltered Housing Modernisation– (£348k) slippage

The Sheltered Housing Modernisation Programme for 2018/19 includes the start on site of new units at Tanners Piece, the completion of major works on the communal areas at Sherborne House, and the start of major works at Concord. It also includes the final works of the conversion of three ex warden's properties into six flats.

47. Tanners Piece – (£355k) slippage

Tanners Piece is on site and due to deliver 11 new dwellings on the red scheme site. The build is due to complete early in 2019/20, with £1,345k of the £1,700k budget needed in 2018/19. The project started on site in August. It had been planned to commence work earlier in the financial year. However, a badger license was required which delayed the start and hence some of the spend will fall into 2019/20.

48. Amber/Green Schemes – (£79k) underspend

Works are expected to complete at Sherborne House in September 2018, and works due to start at Concord in the new year.

49. Ex Warden Conversions – £28k overspend

Works are now complete on the ex warden conversions, with the final three schemes (six flats) handed over in April. This represents slippage in spend from 2017/18.

Indicative 2019/20 Budgets

General Fund

Housing Committee	2018/19 Revised Budget (£'000)	2019/20 Indicative Budget (£'000)
Homelessness	263	270
Housing Strategy	91	93
Private Sector Housing	153	156
Housing (General Fund) TOTAL	507	519

HRA

	2018/19 Original Budget (£'000)	2019/20 Indicative Budget (£'000)
Income		
Dwelling Rents and Service Charges	(21,826)	(21,428)
Other Charges and Income	(564)	(450)
Total Income	(22,390)	(21,878)
Expenditure		
Supervision and Management	5,408	5,484
Repairs and Maintenance	3,767	3,795
Sheltered Housing Service	1,452	1,502
Other Expenditure	519	608
Sheltered Housing Modernisation	579	457
Revenue Funding of Capital Programme (Depreciation and RCCO)	7,153	5,750
Provision for Bad Debts	200	200
Total Expenditure	19,078	17,796
Other Costs and Income		
Interest Payable/Receivable	3,488	3,504
Transfers to/(from) Earmarked Reserves	(50)	394
Transfers to/(from) General Reserves	(126)	184
Total Other Costs and Income	3,312	4,082
Total Housing Revenue Account	0	0

The base budget for 2018/19 shown in the table above are based on:

- Original Budget 2018/19 as reported to Council in January 2018
- Addition of 1% Pay inflation to service budgets recognising the increased pay award of 2%

The base budget for 2018/19 will not tie-back to the original/revised budget for the committee as shown in this report. Budget changes concerning the Workforce Plan have not been reflected in these tables, as all changes will be reported through Strategy and Resources committee in October 2018.

The Indicative budget for 2019/20 is based on:

- Base budget 2018/19
- Addition of 2% pay inflation in recognition of the agreed pay award
- Addition of non-pay inflation on contracts/IT services where the council is contractually obliged to uprate the contract cost
- Known changes to service budgets as reflected in the MTFP presented to Council in January 2018.

No other budget changes have been reflected at this stage.