

STROUD DISTRICT COUNCIL

AGENDA

HOUSING COMMITTEE

ITEM NO

9 APRIL 2019

8

Report Title	BUDGET MONITORING REPORT 2018/19 MONTH 10
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: (1) to note the outturn forecast for the General Fund and HRA Revenue budgets and Capital programmes for this Committee To recommend to Strategy and Resources Committee: (2) that, subject to the overall position at outturn, the carry forwards and reserve transfers detailed in this report are approved
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	There are no direct financial implications arising from this report as it looks at current revenue and capital budget estimates. Final positions for 2018/19 will be reported as part of the year-end outturn process. Andrew Cummings, Head of Finance & Section 151 Officer Email: andrew.cummings@stroud.gov.uk
Legal Implications	There are no legal implications arising from this report Patrick Arran, Monitoring Officer Tel: 01453 754369 Email: patrick.arran@stroud.gov.uk
Report Author	Lucy Clothier, Principal Accountant Tel: 01453 754343 Email: lucy.clothier@stroud.gov.uk
Options	To recommend an alternative to the proposed reserve transfers

Performance Management Follow Up	Budgets will continue to be monitored on a regular basis by budget holders supported by Finance. The outturn position will be reported to Strategy and Resources Committee in May 2019, with the Outturn position of the HRA also being reported to Housing Committee in June 2019.
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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 2018/19 in January 2018, and approved a revised budget in January 2019. The latest budget for Housing Committee is £552k.
- 2.2 The budget monitoring position for the service at 31 January 2019 (month 10) shows an underspend of £211k, as summarised in Table 1.
- 2.3 This underspend is before a potential transfer to earmarked reserves of £33k for Homelessness, and carry forwards of £140k in Housing Strategy. Further detail is included in paragraphs 2.6 and 2.7.
- 2.4 This gives a net underspend of £38k (6.8%). Any transfers would be subject to the overall position of the General Fund at Outturn.

Table 1: General Fund Revenue Budgets

Housing Committee	Para Refs	2018/19 Original Budget £k	2018/19 Revised Budget £k	2018/19 Forecast Outturn £k	2018/19 Outturn Variance £k
Homelessness	2.6	261	263	230	(33)
Housing Strategy	2.7	90	136	(40)	(171)
Private Sector Housing		152	153	146	(7)
Housing (General Fund) TOTAL		503	552	381	(211)
Potential transfer to EMR – Homelessness (MHCLG grant)	2.6				33
Carry forward request – Self Build (MHCLG grant)	2.7				45
Carry forward request – Community Housing Fund (MHCLG grant)	2.7				95
Net outturn forecast					(38)

2.5 Commentary on the significant variances follows in paragraphs 2.6 - 2.7.

2.6 **Homelessness – (£33k) underspend**, £33k transfer to earmarked reserves (MHCLG grants)

As previously reported, spend on Bed and breakfast continues to be higher than budgeted. Corresponding income is being received through Housing Benefit, although as the cost of placements is higher than Housing Benefit levels not all of this is reimbursed by central Government, and so is being topped up by SDC. The budgets have been amended to reflect the increased use of temporary accommodation from 2019/20.

In line with 2017/18 additional grant income has been received from the Ministry of Housing, Communities and Local Government (MHCLG). These grants are being used to support additional posts within the team. Subject to the overall position of the General Fund, any remaining grant at the end of the year, currently estimated to be £33k, will be requested to transfer to the Homelessness earmarked reserve to fund these posts and other homelessness costs in future years.

2.7 **Housing Strategy - £171k underspend**, carry forwards of £140k (MHCLG grants)

Carry forwards are to be requested for two MHCLG grants - £45k for self build, and £95k for Community Housing. This will allow the external funding to be used in 2019/20, and into 2020/21 for the Community Housing Fund (for the three year Community Housing Enabler post as approved by Housing Committee in March 2017).

The remaining £31k underspend relates to additional budget of £45k that was approved during the year. Although this will be utilised in future years, it has only been partially allocated in 2018/19 as it was only approved by Council in January 2019.

3. General Fund Capital Programme

- 3.1 The Housing General Fund Capital Programme was approved by Council in January 2018. This has subsequently been revised to £1395k after slippage from 2018/19 and a revised budget in January 2019. Additional grant funding from MHCLG has also been made available since budget setting.
- 3.2 It is currently forecast that there will be an overall underspend of £297k, with expected slippage of £225k, returned capital grant of £250k, and funded overspends of £178k.
- 3.3 The following table gives a breakdown of the variances.

Table 2 – Housing Committee Capital Programme

Housing Capital Schemes	Para Refs	2018/19 Revised Budget £k	2018/19 Spend to date £k	2018/19 Projected Outturn £k	2018/19 Outturn Variance £k
Affordable Housing – Support to Registered Providers	3.5	149	0	0	(149)
Disabled Facilities Grants	3.6	330	45	80	(250)
Park Homes	3.7	76	0	0	(76)
Private Sector Housing Loans	3.8	0	8	28	28
Warm Homes	3.9	500	248	650	150
Health through Warmth Grants	3.10	340	(8)	340	0
TOTAL General Fund Capital		1,395	293	1,098	(297)

- 3.4 Further detail of the capital schemes can be found below.
- 3.5 **Affordable Housing – Support to Registered Providers – (£149k) carry forward**

There are no approved grants payable in 2018/19, and so it will be requested that this funding is carried forward into 2019/20.

- 3.6 **Disabled Facilities Grants – (£250k) underspend**

Spend on Disabled Facilities Grants (DFGs) has reduced across the county, and is particularly low for Stroud this year. This is partly due to an increase in reablement, with physiotherapy and equipment being offered rather than an adaptation. There have been some delays due to Occupational Therapist capacity at the County Council (GCC), but all grants have been processed by SDC in a timely manner once received.

Any remaining funding at the end of the year will return to the Better Care Fund, held by GCC, to be reallocated at a later date.

- 3.7 **Park Homes – (£76k) carry forward**

Additional funding has been made available from MHCLG, which has allowed the programme to be widened to include park homes. This

budget would allow grants to be awarded to residents living in park homes for improved heating and insulation. As this is a new programme it is not expected that this will be in place by the end of the financial year, and so a carry forward of the budget will be requested.

3.8 Private Sector Housing Loans - £28k overspend

Loans are offered to owner occupiers to complete repairs on their homes to ensure they remain healthy at home. These funds are recycled, and this spend will be funded from the repayment of previous loans.

3.9 Warm Homes - £150k overspend

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.

Additional spend of £150k is currently expected in 2018/19, and this would be fully funded by Affordable Homes Solutions and so wouldn't affect the outturn position of SDC.

3.10 Health Through Warmth Grants – on target

Health Through Warmth Grants are funded by the 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.

4. Housing Revenue Account Budget Position

- 4.1 The original net Housing Revenue Account (HRA) budget for 2018/19 was a transfer from reserves of £125k, as approved by Council in January 2018. This has now been revised to a transfer to general reserves of £518k, as approved by Council in January 2019.
- 4.2 The monitoring position for the service at 31 January 2019 (month 10) shows a projected net underspend of £114k (-0.5% of gross spend) against the current budget, as summarised in Table 3. This is before a carry forward request of £60k (para 4.6), giving a net underspend of £54k which would mean a total transfer to general reserves of £573k.
- 4.3 As in 2017/18, the tight deadlines for closing the accounts mean that it will not be possible for the outturn position to go through Housing Committee before being approved by Strategy and Resources Committee in May 2019. It is therefore proposed that any variance (currently estimated at £54k) is initially transferred to HRA General Reserves at Outturn, with the opportunity for Housing Committee to propose a later course of action. This would allow Housing Committee to properly discuss the position in June and, if required, propose a transfer to take place in 2019/20. This could include setting up a debt repayment earmarked reserve, as indicated by Housing Committee in December 2018.

Table 3 – HRA Revenue Summary

	Para Refs	2018/19 Original Budget £k	2018/19 Latest Budget £k	Forecast Outturn £k	Outturn Variance £k
Income					
Dwelling Rents and Service Charges	4.4	(21,826)	(22,144)	(22,193)	(49)
Other Charges and Income	4.4	(564)	(625)	(666)	(41)
Total Income		(22,390)	(22,769)	(22,859)	(90)
Expenditure					
Supervision and Management		5,222	5,084	5,070	(14)
Repairs and Maintenance	4.5 - 4.8	3,767	3,795	3,828	33
Sheltered Housing Service	4.9	1,452	1,270	1,199	(71)
Other Expenditure	4.10	519	494	547	53
Sheltered Housing Modernisation	4.11	579	365	410	45
Revenue Funding of Capital Programme (Depreciation and RCCO)	4.11	7,153	6,273	6,228	(45)
Provision for Bad Debts		200	80	80	0
Total Expenditure		18,892	17,361	17,362	1
Other Costs and Income					
Interest Payable/Receivable	4.12	3,488	3,395	3,370	(25)
Transfers to/(from) Earmarked Reserves	4.13	136	1,494	1,494	0
Transfers to/(from) General Reserves		(126)	519	519	0
Total Other Costs and Income		3,498	5,408	5,383	(25)
Total Housing Revenue Account		0	0	(114)	(114)
Carry Forward Request	4.6				60
Net Outturn Forecast					(54)

4.4 Income – (£90k) additional income

Dwelling rents and income is currently expected to be £49k over budget. This represents a variance of 0.2%.

Garage rents, which are expected to continue to reduce as the small sites programme continues, are also expected to be higher than budget in 2018/19 by £25k.

4.5 Repairs and maintenance - £33k overspend

4.6 Planned maintenance – £91k underspend, £60k carry forward request

The cyclical decoration programme is expected to spend to budget. There is an underspend of £21k against asbestos surveys. Surveys are only required where there are gaps in information and dependant on programme progress. There is also an underspend of £60k for Fire Risk

Assessments, which have slipped into 2019/20. Therefore a £60k carry forward is requested to allow the Fire Risk Assessments to be delivered in early 2019/20. Gas in-house provider – on budget

4.7 Voids - £41k overspend

Works on void properties are expected to be over budget by £41k.

4.8 Responsive maintenance - £83k overspend

This overspend represents a variance of 5.7% and relates to general maintenance and electrical remedial works. Responsive works are monitored for trends and where appropriate re-addressed through planned programmes of works.

4.9 Sheltered Housing Service – (£71k) 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. It should be noted that although spend is expected at the lower level of £1,199k in 2018/19, the forecasted service charge income for Sheltered Housing for the year is £920k, and so there is still a forecasted subsidy of £279k towards the service from the wider HRA.

4.10 Other expenditure - £53k overspend

The cost of grounds maintenance is higher than anticipated, with fly tipping an increasing issue in some of our estates.

4.11 Sheltered Housing Modernisation - £45k overspend

Works at Sherborne House completed in 2018, and planning is underway for works at Concord and George Pearce House which are due to be undertaken in 2019/20. There is a £45k overspend on revenue which represents an offset between revenue and capital works - there were slightly more revenue works, and less capital works than in the budget. Therefore the Revenue Contribution to Capital Outlay (RCCO) for Sheltered Modernisation will reduce by a corresponding £45k and there is no overall impact on the Sheltered Modernisation budget.

4.12 Interest payable/receivable – (£25k) underspend

It is expected that due to the level of reserves held by the HRA the investment income will be higher than budgeted by £25k in this year. These reserves have been taken into account over the Medium Term Financial Plan period.

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

Earmarked Reserve	Opening balance £k	Transfers in £k	Transfers out £k	Closing balance £k
Sheltered Modernisation	1,976	1,390	(816)	2,550
Estate Redevelopment	350	820	0	1,170
Staffing	250	0	0	250
HRA General Contingency	0	100	0	100
	2,576	2,310	(816)	4,070

5. HRA Capital Programme

- 5.1 The HRA has a budgeted capital programme of £10,153k for 2018/19, as approved by Council in January 2019. The current forecast is spend of £8,491k, with slippage of £1,539k into 2019/20 to be requested.
- 5.2 The following table give a breakdown of the capital programme.

Table 5 – HRA Capital Summary

Capital Summary	Para Ref	2018/19 Revised Budget £k	Spend to date (to end Jan 19) £k	2018/19 Projected Outturn £k	2018/19 Outturn Variance £k	Anticipated Slippage Request £k
Central Heating	5.4	624	420	652	28	0
Disabled Adaptations		143	88	149	6	0
Kitchens and Bathrooms	5.5	1,506	706	1,065	(441)	430
Major Void Works	5.6	570	640	710	140	0
Compliance	5.7	337	360	401	64	0
Doors and Windows	5.8	791	425	546	(245)	100
Electrical Works		212	148	212	0	0
Damp Works/Insulation	5.9	127	34	34	(93)	93
Non-Traditional Properties		595	450	597	2	0
Door Entry	5.10	352	111	190	(162)	0
External Works		2,793	1,403	2,790	(3)	0
Suited Locks	5.11	74	0	0	(74)	74
Total - Major Works	5.3	8,124	4,785	7,346	(778)	697
Southbank, Woodchester	5.13	300	1	1	(299)	299
Former Ship Inn Site, Bridgend		15	13	13	(2)	2
Tanners Piece, Nailsworth	5.14	1,345	567	815	(530)	530
Broadfield Road, Eastington	5.15	0	0	10	10	
Ringfield Close, Nailsworth	5.15	0	0	2	2	
Summersfield Road, Minchinhampton	5.15	0	0	6	6	
Gloucester St and Bradley St, WuE	5.15	0	0	12	12	
Completed schemes (retention payments)	5.15	0	(121)	9	9	
New Homes Contingency	5.15	50	12	0	(50)	11
Total - New Build		1,710	472	868	(842)	842
Sheltered Housing Modernisation	5.16	319	446	277	(42)	
Total Capital Expenditure		10,153	5,703	8,491	(1,662)	1,539

5.3 Major Works – (£778k) underspend/slippage

Total spend of £7,346k is forecast across major works on existing dwellings. Although lower than the current budget by £778k, it should be noted that this is above the original budgeted amount of £6,657k and so still represents an increase in works delivered in year.

Based on the current forecast, slippage of £697k would be requested at outturn.

5.4 Central Heating - £28k overspend

Central heating upgrades are largely on target, with a small variance to budget.

5.5 Kitchens and bathrooms – (£441k) underspend/slippage

Kitchen and bathroom installs have progressed throughout the year. Some issues with contractor performance have been encountered. To ensure the correct standard is achieved works have been reallocated. Therefore a carry forward of £430k is forecasted to allow the slipped installations to be delivered next year, on top of the 2019/20 programme.

5.6 Major works - £140k overspend

Major works on void properties are higher than budgeted. This could change further if more, or less, major voids are experienced before the end of the financial year.

5.7 Compliance - £64k overspend

The cost of asbestos removal has been higher than budgeted. Removal of asbestos is done in line with planned works and will vary each financial year.

5.8 Doors and Windows – (£245k) underspend/slippage

Difficulty in obtaining certain doors as a result of the Grenfell tragedy has led to delays, and a carry forward of £100k is being requested. The new contract is due to be in place early in 2019/20.

5.9 Insulation – (£93k) slippage

Although insulation works have been undertaken as part of the external works contract, additional insulation is being procured under a framework in order to be delivered early in 2019/20. Therefore it will be requested that the remaining budget is slipped into next year.

5.10 Door entry – (£162k) underspend

Performance issues with the contractor, and long lead in times for door manufacture, have led to the programme unfortunately being delayed.

5.11 Suited locks – (£74k) slippage

Suited locks are reforecast to commence in April 2019, and so the budget will need to be slipped into 2019/20.

5.12 **New Build and Regeneration – (£842k) slippage**

The slippage detailed below, is due to re-profiling of these schemes to reflect various factors affecting start on site.

5.13 Southbank – (£299k) slippage

This scheme was originally forecast to start on site in January this year. A contractor is in place and works are now due to start on site in April 2019.

5.14 Tanners Piece – (£530k) slippage

Tanners Piece is now well underway, with 11 new dwellings due for completion in May/June 2019. Due to a later start than anticipated, more spend has fallen in 19/20 than originally forecast.

5.15 Other Schemes – (£11k) carry forward

Initial scoping works and planning applications are starting for some of the new sites approved by Council in January 2019. These works are currently being funded by the New Homes Contingency budget, but will all have an individual budget in place from 2019/20.

There are also some small costs on completed schemes which are to be funded from the contingency.

5.16 **Sheltered Modernisation – (£42k) underspend**

Three ex scheme warden property conversions, and modernisation works at Sherborne House have been completed during the year.

As reported in paragraph 4.11 there has been a variance between revenue and capital works at Sherborne, but this does not affect the overall financial position of the programme.

Works are due to start at Concord, the next scheme in the modernisation programme, in the new financial year.