



**AGENDA ITEM:  
SUMMARY**

<b>Report for:</b>	<b>Housing and Community Overview and Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>6 September 2017</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Budget Monitoring Quarter 1 2017/18</b>
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources David Skinner, Assistant Director (Finance & Resources) Caroline Souto, Team Leader Financial Planning & Analysis
Purpose of report:	To provide details of the projected outturn for 2017/18 as at Quarter 1 for the: <ul style="list-style-type: none"> <li>• General Fund</li> <li>• Housing Revenue Account</li> <li>• Capital Programme</li> </ul>
Recommendations	<ol style="list-style-type: none"> <li>1) That Committee note the forecast outturn position.</li> <li>2) That Committee note the savings identified following outturn 2016/17, which will be transferred to earmarked reserves subject to Cabinet approval.</li> <li>3) That Committee note the re-phasing of the capital programme to move slippage identified at Quarter 1 into financial year 2018/19.</li> </ol>
Corporate objectives:	Delivering an efficient and modern council
Implications:	Financial and Value for Money implications are included within the body of the report.

Risk Implications	Risk implications are included within the body of the report.
Equalities Implications	There are no equality implications.
Health And Safety Implications	There are no health and safety implications.
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account

## 1. Executive Summary

- 1.1 Projected General Fund revenue outturn - a surplus of £322k is forecast on the General Fund revenue account. This includes £400k of ongoing savings identified at outturn 2016/17, which have been factored into base budgets going forward. A budget adjustment to transfer this surplus to earmarked reserves in financial year 2017/18 will be requested at Cabinet 19 September.
- 1.2 Projected Housing Revenue Account outturn – a deficit of £233k is forecast. This deficit will be need to be met from earmarked reserves.
- 1.3 Projected Capital forecast General Fund – variance of £1.2m under budget. A proposal to rephase capital schemes into 2018/19 will be made to 19 September Cabinet meeting.
- 1.4 Projected Capital forecast HRA – variance of £9.6m under budget on new build schemes. Schemes will be rephased into 2018/19 as above.
- 1.5 The report pack contains the following documents:
  - Appendix A – General Fund Summary Spreadsheet
  - Appendix B – HRA Summary Spreadsheet
  - Appendix C – Capital Programme

## 2. Introduction

- 1.6 The purpose of this report is to present the Council's forecast outturn for 2017/18 as at 30 June 2017. The report covers the following budgets:
  - General Fund
  - Housing Revenue Account (HRA)
  - Capital Programme

### 3. General Fund Revenue Account

1.7 The General Fund revenue account records the income and expenditure associated with all Council functions except management of the Council's own housing stock, which is accounted for within the Housing Revenue Account (HRA).

1.8 The current budget is the original budget approved by Cabinet in February 2017, plus the following approved amendments:

Amendments	£000	Approved
<b>2017/18 Original budget - cost of services</b>	<b>20,968</b>	
Funding to support creation of Development Company	200	Council July 2017
<b>2017/18 Current Budget - cost of services</b>	<b>21,168</b>	

1.9 Appendix A provides an overview of the General Fund provisional outturn position. This is in a new format following financial reporting requirement changes for the 2016/17 accounts. The key differences from the previous reporting format are as follows:

- Recharges are no longer included within a “non-controllable” section of the service reporting; instead these are shown on one line in the Transfers between Reserves / Funds section at the foot of the report.
- Capital charges are no longer included in a “non-controllable” section. These do not result in a cash charge to taxpayers.
- Housing Benefit payments and grant income are now shown within Finance and Resources income and expenditure (Transfer Payments and Other Income).
- Investment Property income and expenditure is shown separately on one line of the report. Variances will be reported to Finance and Resources Scrutiny Committee, in line with reporting responsibilities.

#### 1.10 Variances on corporate items

The forecast for Investment Income is showing a deficit of £137k. This is due to the reduction in the Bank of England base rate during 2016/17. This has been amended for future years in the Medium Term Financial Strategy presented to Cabinet in July 2017.

The forecast for grant income is showing a surplus of £60k due to additional new burdens grants which have been received. Included in this is £53k of funding relating to the revenues and benefits service, and an adjustment of £7k to prior year new homes bonus.

1.11 The table below provides an overview by Scrutiny area of the current forecast outturn for controllable budgets within the General Fund.

	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Finance & Resources	11,377	11,302	(75)	-0.7%
Strategic Planning & Environment	8,047	8,063	16	0.2%
Housing & Community	1,744	1,632	(112)	-6.4%
<b>Total</b>	<b>21,168</b>	<b>20,997</b>	<b>(171)</b>	<b>-0.8%</b>
Investment Property	(3,736)	(3,843)	(107)	2.9%
Non-controllable budgets	(16,607)	(16,541)	66	-0.4%
Earmarked Reserve movements	(826)	(936)	(110)	13.3%
<b>Contribution (to)/from General Fund Working Balance</b>	<b>(1)</b>	<b>(323)</b>	<b>(322)</b>	

1.12 The following sections provide an analysis of the projected outturn and major budget variances shown by Scrutiny area.

#### 4. Housing and Community

Housing & Community	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	2,698	2,741	43	1.6%
Premises	789	801	12	1.5%
Transport	16	18	2	12.5%
Supplies & Services	1,786	1,827	41	2.3%
Third Parties	578	578	0	0.0%
Transfer Payments	5	5	0	0.0%
Income	(4,128)	(4,338)	(210)	5.1%
	<b>1,744</b>	<b>1,632</b>	<b>(112)</b>	<b>(6.4%)</b>

##### 4.1 Income - £210k over budget (5.1%)

Overachievement of income £120k - An additional £120k of income is forecast from Temporary Accommodation due to ongoing increases in demand. This follows a surplus achieved last financial year from Council owned properties managed by commercial assets, which are being used to maximise occupancy and to minimise expensive bed and breakfast provision for Housing. This increase will be factored into the base budget going forward.

A £120k increase to the 2017/18 temporary accommodation income budget will be proposed in 19 September Cabinet, with a corresponding contribution to earmarked reserves.

#### 5. Housing Revenue Account (HRA)

4.2 The HRA is a ring-fenced account relating to the Council's Landlord functions. A guiding principle of the HRA is that revenue raised from rents and service charges must be sufficient to fund expenditure incurred. The forecast outturn position for the HRA is shown at Appendix B.

4.3 The projected HRA balance at the end of 2017/18 is in line with the budgeted balance of £2.9m.

**4.4 Dwelling Rents - £120k under budget (0.2%)**

A pressure is forecast due to properties owned by the General Fund being used for Temporary Accommodation, rather than as budgeted for secured tenancies.

**4.5 Tenants' Charges - £80k under budget (15.2%)**

A deficit is expected in relation to the newly de-pooled service charges. Detailed calculations for setting rent and de-pooled charges have now been performed, and a shortfall is anticipated.

**4.6 Contribution towards Expenditure - £90k overachievement of income (13.7%)**

Additional income has been received for legal work carried out, such as issuing a deed of variation and lifting of restrictive covenants.

**4.7 Supervision and Management - £105k over budget (0.9%)**

A saving of £140k is expected in premises expenditure in Supported Housing, on building repairs, maintenance and utilities for Elderly Persons Dwellings. This is in line with a surplus reported in this area for the previous financial year.

Underspends are anticipated in salaries due to vacancies within the Housing Cleaning Service (£60k) and Supporting People (£80k).

A pressure of £374k is forecast on the Osborne pension liability, following the triennial pensions review. This is as a result of changes to pension regulations to consolidate bonus payments into pensionable pay.

**4.8 Transfer to Housing Reserves - £233k under budget (0.9%)**

The overall variance on the HRA is currently forecast to reduce balances by £233k. This will need to be funded from HRA earmarked reserves.

**6. Capital Programme**

4.9 Appendix C shows the projected capital outturn in detail by scheme.

The table below summarises the overall capital outturn position by Scrutiny area.

The 'Rephasing' column refers to those projects where expenditure is still expected to be incurred, but it will now be in 2018/19 rather than 2017/18, or conversely, where expenditure planned initially for 2018/19 will now be in 2017/18.

A revised capital programme for 2017/18 is being taken to Cabinet, and schemes that are being rephased into 2018/19 will be re-profiled into the correct financial year.

The 'Variance' column refers to those projects which are now complete, but have come in under or over budget and those projects which are no longer required.

	<b>Current Budget</b> £000	<b>Projected Outturn</b> £000	<b>Rephasing</b> £000	<b>Variance</b>	
				£000	%
Housing & Community	1,876	671	(1,205)	0	0.0%
<b>G F Total</b>	<b>1,876</b>	<b>671</b>	<b>(1,205)</b>	<b>0</b>	<b>0.0%</b>
<b>HRA Total</b>	<b>43,310</b>	<b>33,694</b>	<b>(9,282)</b>	<b>(334)</b>	<b>-0.8%</b>
<b>Grand Total</b>	<b>45,186</b>	<b>34,365</b>	<b>(10,487)</b>	<b>(334)</b>	<b>-0.7%</b>

#### 4.10 General Fund Major Variances

There is an overall variance of £1.205m on the General Fund from projects being rephased into the correct financial year as follows:

- Line 120: accelerated spend of £100k on the Verge Hardening Programme. With the future sites having been identified and agreed, the project team have the capacity to deliver more of the programme in this financial year.
- Line 125 and 126: slippage of £1.06m on the Garage Development scheme. It has not been possible to move as quickly as intended on this project, due to a need to carry out a full re-scoping of the project following feedback from Planning.
- Line 127: slippage of £250k on Wood House fit out. As per section 6.3 below, there is a delay to the new build scheme at Wood House, which means that the site will not be complete in 2017/18 to allow for the fit out to take place.

#### 4.11 HRA Major Variances

There is an underspend on the HRA capital programme of £9.6m.

- Line 193: slippage of £2.3m on New Build General. This budget has been set up for the purchase of land for future developments. It is expected that £4m of the budget will be spent this financial year, with slippage of £2.3m.
- Line 194: slippage of £1.5m on Martindale. This project is approximately 12 months delayed, mainly due to extensive consultation and feedback from residents which resulted in significant changes to the design and layout of the scheme before resubmitting for planning approval. The planning application has now been submitted against an original plan to have it submitted last year.
- Line 195: slippage of £2.4m on Wood House. Work did not start on site in November 2016 as originally planned but started May 2017. This was largely due

to two reasons: firstly, protracted contract negotiations and agreeing amendments to satisfy insurance requirements and secondly, the contractor requested further time to check ground conditions and undertake soil testing, to mitigate against the possibility of sink holes. This resulted in a requirement to enhance the foundation design which delayed the start on site.

- Line 196: slippage of £2.7m on Stationers Place. Works have not started on site yet against a planned date of October 2016. This was due to an extensive amount of unforeseen issues in the ground and requirements of the Environment Agency. There are ongoing issues which are being worked through concerning existing utilities, bore holes, culvert repairs, aquifer layers, foul drainage connections and rights of way.
- Line 198: underspend of £334k on Able House. The scheme has been delivered within the overall project budget as the full contingency sum was not required.
- Line 200: slippage of 457k on Swing Gate Lane. This scheme is in 2 parts: firstly, the build of new housing units, and secondly, the conversion of existing buildings into housing. The conversion work will be procured separately once the new build element is complete, and there will be no spend on this element in financial year 2017/18.