



Report for:	Housing and Community Overview and Scrutiny Committee
Date of meeting:	8 November 2017
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 2 2017/18
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 2 for the: <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
Recommendations	That Committee note the forecast outturn position.
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 £196k 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.
- 1.2 Projected Housing Revenue Account outturn – a deficit of £431k is forecast. This deficit will need to be met from earmarked reserves.
- 1.3 Projected Capital forecast General Fund – slippage of 7%.
- 1.4 Projected Capital forecast HRA – slippage of 1.8%.
- 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

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

3. General Fund Revenue Account

- 3.1 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).
- 3.2 The current budget is the original budget approved by Cabinet in February 2017, plus the following approved amendments:

Amendments	£000	Approved
2017/18 Original budget - cost of services	20,968	
Funding to support creation of Development Company	200	Council July 2017
Legal costs Regulatory Services	95	Council September 2017
Brownfield Register employees costs	60	Council September 2017
Increased budget recharged to HRA	44	Council September 2017
2017/18 Current Budget - cost of services	21,367	

3.3 Appendix A provides an overview of the General Fund provisional outturn position.

3.4 Variations on corporate items

The forecast for Investment Income is showing a deficit of £115k. 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 £105k due to additional new burdens grants which have been received. Included in this is £70k of funding relating to the revenues and benefits service, and an adjustment of £7k to prior year new homes bonus.

3.5 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	11,470	11,433	(37)	-0.3%
Housing & Community	1,744	1,650	(94)	-5.4%
Strategic Planning & Environment	8,153	8,276	123	1.5%
Total	21,367	21,359	(8)	0.0%
Investment Property	(3,736)	(3,798)	(62)	1.7%
Non-controllable budgets	(16,651)	(16,662)	(11)	0.1%
Earmarked Reserve movements	(981)	(1,095)	(114)	11.6%
Contribution (to)/from General Fund Working Balance	(1)	(196)	(195)	

3.6 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	Forecast Outturn	Variance	
	£000	£000	£000	%
Employees	3,164	3,271	107	3.4%
Premises	789	815	26	3.3%
Transport	17	14	(3)	(17.6%)
Supplies & Services	1,865	1,880	15	0.8%
Third Parties	245	245	0	0.0%
Transfer Payments	5	5	0	0.0%
Income	(4,341)	(4,580)	(239)	5.5%
	1,744	1,650	(94)	(5.4%)

4.1 Employees - £107k over budget (3.4%)

Pressure of £50k – A pressure has arisen in Strategic Housing due to a member of staff being seconded to The Elms homeless hostel. This is being recovered with no overall cost to the Council as set out below.

There are other minor items within this area but this is the main driver for the variance.

4.2 Income - £239k over-achievement of budget (5.5%)

Over-achievement 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.

Overachievement of £50k – Salary costs of a member of staff seconded to The Elms hostel are being recovered as set out above.

5. Housing Revenue Account (HRA)

5.1 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.

5.2 The projected HRA balance at the end of 2017/18 is £431k under the budgeted balance of £2.9m, at £2.5m.

5.3 Dwelling Rents - £126k under budget (0.2%)

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

5.4 Tenants' Charges - £100k under budget (18.9%)

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.

5.5 Contribution towards Expenditure - £125k overachievement of income (19.1%)

Additional income is being received for legal work carried out, such as issuing a deed of variation and lifting of restrictive covenants. This relates to certain properties in the borough, where there are restrictions over the land owned by the Housing Revenue Account, and charges are made for the lifting of these restrictions.

5.6 Supervision and Management - £254k over budget (0.9%)

A pressure of £425k 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.

A pressure of £100k is forecast for anticipated feasibility works on the new build programme. This is essential preparatory work in order to identify viable new build sites.

A pressure of £90k is forecast in the Tenants and Leaseholders service in two particular areas: firstly legal costs are higher than anticipated due to a high volume of legal cases; in addition bank charges have exceeded the budgeted position due to the council's provider changing their charging mechanism for debit cards from a flat fee to a percentage basis.

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 Property and Place service (£100k), in the Supporting People service (£100k) and also in the Housing Cleaning service (£40k).

5.7 Transfer to Housing Reserves - £431k under budget

The overall variance on the HRA is currently forecast to reduce balances by £431k. This will need to be funded from HRA earmarked reserves.

6. Capital Programme

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

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

The current budget is the original budget approved by Cabinet in February 2017, plus approved amendments, including re-phasing of the slippage identified at Quarter 1 into 2018/19.

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.

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.

	Current Budget £000	Projected Outturn £000	Rephasing £000	Variance	
				£000	%
Housing & Community	647	3,181	(44)	2,578	398.5%
G F Total	647	3,181	(44)	2,578	398.5%
HRA Total	34,028	33,311	(603)	(114)	-0.3%
Grand Total	34,675	36,492	(647)	2,464	7.1%

6.2 General Fund Major Variances

There is an overall increase in projected spend of £2.53m on the General Fund. This is a combination of forecast overspend of £2.57m, and slippage of £44k into 2018/19.

The projected net overspend of £2.58m includes:

- Line 122: Affordable Housing Development fund. A grant of £2.57m has been made to Hightown Praetorian and Churches Housing Association to contribute towards the provision of affordable homes in the borough. This is to be funded from receipts from the sale of council houses under the Right to Buy policy, known as "One for One" receipts. A supplementary budget funded from One for One receipts will be requested in the Quarter 2 Budget Monitoring report to Cabinet.

6.3 HRA Major Variances

There is an underspend on the HRA capital programme of £0.7m.

- Line 181: slippage of £400k Planned Fixed Expenditure (DBC Commissioned Capital Works). This is due to the re-profiling of budget priorities in year to safeguard ongoing compliance works following the Grenfell Tower tragedy.
- Line 187: overspend of £135k on Aspen Court. A further payment to the contractor is due in 2017/18 and additional work to improve security has been carried out.

- Line 190: accelerated spend of £1.2m on Wood House. As part of the re-phasing of the budget which took place at Q1, £2.4m was re-profiled into 2018/19. The latest forecasts indicate that £1.2m will in fact be required in 2017/18.
- Line 191: slippage of £1.1m on Stationers Place. Although budget of £2.7m was re-profiled into 2018/19 at Q1, a further £1.1m is now expected to be incurred later than expected. This is due to ongoing issues which are being worked through, concerning existing utilities, bore holes, culvert repairs, aquifer layers, foul drainage connections and rights of way.
- Line 193: underspend of £250k on Able House. The scheme has been delivered within the overall project budget as the full contingency sum was not required.
- Line 195: slippage of £331k on Swing Gate Lane. £450k, which was earmarked for the conversion part of the project, was re-profiled into 2018/19 as part of the re-phasing which took place at Q1. A further £331k is now forecast to slip into 2018/19. This is due to additional time taken to mobilise the ground works due to planning requirements.