



AGENDA ITEM: 6
SUMMARY

Report for:	Housing and Community Overview and Scrutiny Committee
Date of meeting:	23 November 2016
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 2 2016/17
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources David Skinner, Assistant Director (Finance & Resources) Richard Baker, Group Manager (Financial Services)
Purpose of report:	To provide details of the projected outturn for 2016/17 as at Quarter 2 for the: <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
Recommendations	1) 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	There are no equality implications.

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. Introduction

1.1 The purpose of this report is to outline the Council's forecast outturn for 2016/17 as at 30 September 2016. The report covers the following budgets:

- General Fund
- Housing Revenue Account (HRA)
- Capital Programme

2. General Fund Revenue Account

2.1 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) (see Section 4).

2.2 Appendix A provides an overview of the General Fund provisional outturn position, separating expenditure into controllable and non-controllable categories in order to focus scrutiny on those areas that officers are able to influence, i.e. the controllable.

2.3 The majority of non-controllable costs result from year-end accounting adjustments, e.g. depreciation charges. These are required to show the true value of resources used to provide the Council's services, but do not result in a cash charge to taxpayers.

2.4 Variances on non-controllable and corporate items

The charge made to the HRA for properties owned by the General Fund, but utilised by the HRA for dwelling purposes is forecast to be £80k higher. This is due to a lower amount of repairs and improvements at these properties.

Additional new burdens grants totalling £85k, along with an adjustment of £6k to prior year New Homes Bonus grants provide an additional £91k of unallocated grants. Included in these grants is £73k towards the cost of meeting welfare reforms and benefit cap changes. It is unknown at this stage how much of these grants may need to be utilised. The remaining grants are small in value and it is not anticipated that additional budgets will need to be given to services. Section 31 grants are retained corporately unless there is evidence of a significant new burden.

2.5 The current budget is the original budget approved by Cabinet in February 2016, plus the following approved amendments:

Amendments	£000	Approved
2016/17 Original budget	16,946	
Corporate Graduates	18	Council July 2016
Reserve Funded Staff Costs	(46)	Council September 2016
Digitalisation of Planning Microfiche data	100	Council September 2016
2015/16 Current Budget	17,018	

2.6 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	7,773	7,693	(80)	-1.0%
Strategic Planning & Environment	7,479	7,845	366	4.9%
Housing & Community	1,766	1,765	(1)	-0.1%
Total	17,018	17,303	285	1.7%

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

3 Housing and Community

Housing & Community	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	2,549	2,630	81	3.2%
Premises	805	777	(28)	-3.5%
Transport	16	20	4	25.0%
Supplies & Services	2,079	2,173	94	4.5%
Third Parties	758	758	0	0.0%
Income	(4,441)	(4,593)	(152)	3.4%
	1,766	1,765	(1)	-0.1%

3.1 Employees - £81k over budget (3.2%)

Pressure of £81k – There is a pressure of £81k across services linked to the vacancy provision, which has been set at 5% across all services. This will be closely monitored as the year goes on.

3.2 Supplies and Services - £94k over budget (4.5%)

Pressure of £40k – A pressure of £40k has arisen in the People and Performance service from a strategic review of sports and leisure facilities across the borough. It is proposed that this expenditure be funded from the Management of Change reserve. This will be proposed in the 29 November Cabinet report.

Pressure of £15k – This pressure has arisen in the Community Partnerships service, from reserve funded Arts support which was agreed in the budget setting round for 2015/16 but not spent until 2016/17. It is proposed that this expenditure be funded from the Management of Change reserve. This will be proposed in the 29 November Cabinet report.

3.3 Income - £152k over-achieved (3.4%)

Over-achievement of income £150k – the income from the rental of Garages is expected to exceed budget by £150k. This is due to the level of voids being lower than anticipated.

4 Housing Revenue Account (HRA)

4.1 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.

4.2 The projected HRA balance at the end of 2016/17 is in line with the budgeted balance of £2.9m.

4.3 Dwelling Rents - £117k under-achievement of income (0.2%)

Following a review of the changes implemented as part of the statutory reform to housing rents, the Supported Housing budget requirement has been checked, and an adjustment of £115k is required. A correction will be made for the budget 2017/18.

4.4 Contribution towards Expenditure - £152k under-achievement of income (23.2%)

There is a deficit of £140k in leaseholder charges for repairs work, due to the estimate for works carried out in 2015/16 being £140k higher than the amount to be billed. There is also a deficit of £50k in income expected from the Recharges Officer, as the post was not filled for a full financial year (started October). These pressures are partially offset by an increase in minor capital receipts of £40k for legal work carried out, such as deed of variation and lifting of restrictive covenants.

4.5 Repairs and Maintenance - £453k over budget (4.2%)

At Q1 the volumes of repairs and voids were consistent with those experienced last year, however there has been a slight downturn in the scope of work required in voids that were returned in Q2. Overall the profile of the revenue spend is being closely monitored and currently there are pressures within a number of

demand led areas including, responsive repairs, minor aids and adaptations, drainage, and asbestos testing and removal. The pressure is being offset by a reduction in small works, however currently the forecast position of £453k is still expected.

The forecast includes a £50k underspend for a reduction to the performance related profit (PRP) for 2015/16. Following a challenge from officers, Osborne have agreed to reduce the amount of PRP payable for the year.

The capital programme is currently being reviewed, and it is proposed that a virement request will be raised in Quarter 3 to align budgets with planned activities between capital and revenue.

4.6 Supervision & Management - £46k under budget (0.4%)

The projected underspend has arisen in 2 main areas:

£60k underspend in the Tenants and Leaseholders section from vacancies in the Supporting People service.

£75k underspend in the Housing Cleaning service from vacant posts.

These are offset by a forecast pressure of £80k relating to rent received on properties that are used to house Council tenants but are owned by the General Fund. (The corresponding entry is shown in the General Fund as a decrease in non-controllable costs).

4.7 Transfer to Housing Reserves - £689k under budget (5.1%)

The overall variance on the HRA is currently forecast to reduce balances by £689k.

The Capital Programme is being reviewed to ensure that components are not replaced before they are required (an example of which is delaying roof replacements that had previously been scheduled in, based upon property conditions surveys). Due to these changes in the programme, an underspend in capital expenditure is forecast. As set out in paragraph 6.5, a virement will be proposed to align the capital and revenue budgets with planned works, and during the process the contribution to the Housing Reserve will be examined.

5. Capital Programme

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

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

The 'Rephasing' column refers to those projects where expenditure is still expected to be incurred, but it will now be in 2017/18 rather than 2016/17, or conversely, where expenditure planned initially for 2017/18 will now be in 2016/17.

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.

The current budget is the original budget approved by Cabinet in February 2016, plus approved amendments, including re-phasing of the slippage identified at Quarter 1 into 2017/18.

	Current Budget £000	Projected Outturn £000	Rephasing £000	Variance	
				£000	%
Housing & Community	1,727	1,697	0	(30)	-1.7%
G F Total	1,727	1,697	0	(30)	-1.7%
HRA Total	27,390	24,652	(2,231)	(507)	-1.9%
Grand Total	29,117	26,349	(2,231)	(537)	-1.8%

5.2 General Fund Major Variances

There is an overall projected underspend of £30k on the General Fund arising from minor underspends on various projects.

5.3 HRA Major Variances

There is a projected underspend on the HRA capital programme of £2,738k.

- Line 183: underspend of £507k on the Property and Place budgets for planned capital works. The programme is being reviewed as set out in paragraph 4.7. These budgets also contain a contingency of 5%.
- Line 191 and 192: underspend of £149k and £140k respectively on Farm Place and St Peter's Court. Although these schemes are complete, budget was slipped forward from 2015/16, which will be reallocated by virement to the New Build General line to fund other schemes in the programme.
- Line 193: underspend of £684k on Aspen Court, London Road Apsley. At the time of setting the budgets, an additional allocation of £600k was allowed for to cover previously unforeseen costs. This was incorrectly allocated to the Aspen Court, London Road budget, however it should have been allocated to the New Build General Line. The underspend on this line will therefore be re-allocated to the New Build General line.
- Line 194: slippage of £1.8m on New Build General. This reflects re-phasing of a number of schemes to align with revised timescales.
- Line 196: slippage of £484k on Able House. This scheme is now expected to be finished early 2017/18.