



**AGENDA ITEM:
SUMMARY**

Report for:	Housing and Community Overview and Scrutiny Committee
Date of meeting:	15 March 2017
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 3 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 3 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 December 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 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
Sports Review	40	Council January 2017
Arts Funding	15	Council January 2017
2016/17 Current Budget	17,073	

2.3 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.

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

	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Finance & Resources	7,773	6,895	(878)	-11.3%
Strategic Planning & Environment	7,479	7,560	81	1.1%
Housing & Community	1,821	1,733	(88)	-4.8%
Total	17,073	16,188	(885)	-5.2%
Non-controllable budgets	(9,913)	(10,155)	(242)	2.4%
Earmarked Reserve movements	(7,160)	(6,295)	865	-12.1%
Contribution (to)/from General Fund Working Balance	0	(262)	(262)	

2.5 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 £130k, along with an adjustment of £6k to prior year New Homes Bonus grants, provide an additional £136k of unallocated grants. Included in these grants is £73k towards the cost of meeting welfare reforms and benefit cap changes. The work involved with these reforms has been absorbed within the Revenues and Benefits service, with no additional budget having been required.

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.

The Contribution from Earmarked Reserves line shows a reduced contribution of £865k. This is predominantly due to an under-spend of £900k following the triennial review of pensions, in which the one off payment that was forecast to be made, is no longer required. The corresponding funding from the Pensions Reserve is also no longer required.

2.6 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	Forecast Outturn	Variance	
	£000	£000	£000	%
Employees	2,549	2,641	92	3.6%
Premises	805	777	(28)	-3.5%
Transport	16	15	(1)	-6.3%
Supplies & Services	2,134	2,157	23	1.1%
Third Parties	758	765	7	0.9%
Income	(4,441)	(4,622)	(181)	4.1%
	1,821	1,733	(88)	-4.8%

3.1 Employees - £92k over budget (3.6%)

Pressure of £92k – A pressure of £92k is forecast across services linked to the vacancy provision, which has been set at 5% across all services. This will continue to be monitored closely for the remaining 3 months of the financial year.

3.2 Income - £181k over-achievement (4.1%)

Over-achievement of income £180k – The income from the rental of Garages is expected to exceed budget by £180k. 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 - £170k under-achievement of income (0.3%)

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 has been made for the draft budget 2017/18. In addition the level of Right to Buy sales has been higher than anticipated, which has led to a further decrease in rental income.

4.4 Non-Dwelling Rents - £40k over-achievement of income (50%)

This income stream relates to rental income on telecommunications aerials around the borough. New leases are being negotiated which is expected to generate an additional £40k of income

4.5 Contribution towards Expenditure - £136k under-achievement of income (20.8%)

There is a deficit of £145k in leaseholder charges for repairs work, due to the estimate for works carried out in 2015/16 being £95k higher than the amount to be billed. A deficit of £50k is expected in year for the 2016/17 leaseholder income.

There is a deficit of £90k in income expected from the Recharges Officer, as the post was not filled for a full financial year (started October) and the income generated to date has been modest. These pressures are offset by an increase in minor capital receipts of £86k for legal work carried out, such as deed of variation and lifting of restrictive covenants.

4.5 Repairs and Maintenance - £273k over budget (2.6%)

The pressure in repairs reported at Quarter 2 was £453k. During the last quarter a close review of expenditure has been carried out, and c. £200k of repairs work has been re-classified from revenue expenditure to capital. This has reduced the forecast pressure on the revenue budget to £273k.

There has been a slight downturn in the scope of work required in voids that were returned in Quarter 2, however there are currently pressures within a number of demand-led areas including responsive repairs, minor aids and adaptations, drainage, and asbestos testing and removal.

The forecast also 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 to align budgets with planned activities between capital and revenue, should this prove to be necessary.

4.6 Supervision & Management - £193k under budget (1.6%)

The projected underspend has arisen in 3 main areas:

£100k underspend in the Tenants and Leaseholders section from vacancies in the Supporting People service.

£85k underspend in the Housing Cleaning service from vacancies in the service and a reorganisation of the management team.

£75k underspend in the Under Occupation Incentive Scheme due to lower volume of moves in the scheme this financial year.

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, see paragraph 2.4).

4.7 Transfer to Housing Reserves - £345k under budget (2.5%)

The overall variance on the HRA is currently forecast to reduce balances by £345k.

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 may 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	1,742	1,721	0	(21)	-1.2%
G F Total	1,742	1,721	0	(21)	-1.2%
HRA Total	27,390	21,221	(5,668)	(501)	-1.8%
Grand Total	29,132	22,942	(5,668)	(522)	-1.8%

5.2 General Fund Major Variances

There is an overall projected underspend of £21k 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 £6,169k.

- Line 185: underspend of £535k on the Property and Place budgets for planned capital works. The programme is being reviewed as set out in paragraph 6.7. These budgets also contain a contingency of 5%.
- Line 193 and 194: underspend of £148k 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 195: underspend of £665k 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 Stationer's Place line. The underspend on this line will therefore be re-allocated to Stationer's Place.
- Line 196: slippage of £1.3m on New Build General. This reflects re-phasing of a number of schemes to align with revised timescales.
- Line 197: slippage of £2,600k on Wood House. The project timescales have been revised due to the complexity of the tender process. The build is now expected to commence in spring 2017.
- Line 198: slippage of £1,251k on Stationers Place. The contract for the build has recently been awarded, with start on site expected now in financial year 2017/18.
- Line 200: slippage of £493k on Able House. This scheme is now expected to be finished early 2017/18.