



PEOPLE SCRUTINY COMMITTEE

Date: Thursday 7 March 2019

Time: 5.30 pm

Venue: Rennes Room, Civic Centre, Paris Street, Exeter

Members are invited to attend the above meeting to consider the items of business.

If you have an enquiry regarding any items on this agenda, please contact Howard Bassett, Democratic Services Officer (Committees) on 01392 265107.

Entry to the Civic Centre can be gained through the Customer Service Centre, Paris Street.

Membership -

Councillors Wardle (Chair), Foale (Deputy Chair), Foggin, Holland, Owen, Pattison, Pierce, Robson and Vizard N

Agenda

Part I: Items suggested for discussion with the press and public present

1 Apologies

To receive apologies for absence from Committee members.

2 Minutes

To approve and sign the minutes of the meeting held on 10th January 2019.

(Pages 5 - 8)

3 Declaration of Interests

Councillors are reminded of the need to declare any disclosable pecuniary interests that relate to business on the agenda and which have not already been included in the register of interests, before any discussion takes place on the item. Unless the interest is sensitive, you must also disclose the nature of the interest. In accordance with the Council's Code of Conduct, you must then leave the room and must not participate in any further discussion of the item.

Councillors requiring clarification should seek the advice of the Monitoring Officer prior to the day of the meeting.

4 Local Government (Access to Information) Act 1985 - Exclusion of Press and Public

It is considered that the Committee would be unlikely to exclude the press and public during consideration of the items on this agenda, but if it should wish to do so, the following resolution should be passed:-

RECOMMENDED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting of the particular item(s) on the grounds that it (they) involve(s) the likely disclosure of exempt information as defined in the relevant paragraphs of Part I of Schedule 12A of the Act.

5 Questions from the Public under Standing Order 19

Details of questions should be notified to the Corporate Manager Democratic and Civic Support at least three working days prior to the meeting. Further information and a copy of the procedure are available from Democratic Services (Committees) (Tel: 01392 265115) and also on the Council web site - <https://exeter.gov.uk/councillorsfaq/>

6 Questions from Members of the Council under Standing Order 20

To receive questions from Members of the Council to appropriate Portfolio Holders.

PRESENTATION TO COMMITTEE

7 Homelessness Strategy Update - Presentation

ITEMS FOR DISCUSSION

8 HRA Budget Monitoring to December 2018

To consider the report of the Chief Finance Officer. (Pages 9 - 26)

9 People Budget Monitoring to December 2018

To consider the report of the Chief Finance Officer. (Pages 27 - 36)

Date of Next Meeting

The next scheduled meeting of the People Scrutiny Committee will be held on **Thursday** 6 June 2019 at 5.30 pm in the Civic Centre.

Find out more about Exeter City Council services by looking at our web site <http://www.exeter.gov.uk>. This will give you the dates of all future Committee meetings and tell you how you can ask a question at a Scrutiny Committee meeting. Alternatively, contact the Democratic Services Officer (Committees) on (01392) 265107 for further information.

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Agenda Item 2

PEOPLE SCRUTINY COMMITTEE

Thursday 10 January 2019

Present:

Councillor

Councillors Foale, Foggin, Holland, Owen, Pattison, Pierce, Robson and Vizard N

Also present:

Director (BA), Service Lead Housing Tenancy Services, Principal Accountant Corporate, Technical Accounting Manager and Democratic Services Officer

In Attendance:

Councillor Emma Morse
Councillor Laura Wright
Councillor Phil Bialy

- Portfolio Holder for People
- Portfolio Holder for the Housing Revenue Account
- Portfolio Holder for Health and Wellbeing, Communities and Sport

1

MINUTES

The minutes of the meeting of People Scrutiny Committee held on 1 November 2018 were taken as read, approved and signed by the Chair as correct.

2

DECLARATION OF INTERESTS

No declarations of disclosable pecuniary interests were made.

3

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - EXCLUSION OF PRESS AND PUBLIC

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the next item on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of the Act.

ITEM FOR CONSIDERATION BY THE EXECUTIVE

4

MANAGEMENT ARRANGEMENTS FOR EXETER'S EXTRA CARE SCHEME

The Service Lead Housing Tenancy Services presented the report that set out the options available to the Council in relation to the management of Exeter City Council's Extra Care Scheme (Exeter's Extra Care Scheme) (EECS). The accommodation would comprise 53 self-contained flats with communal areas and facilities for older persons with care needs and would be held as an asset within the Housing Revenue Account (HRA).

Two options were presented, with option one requiring the housing management functions to be carried out in house by the City Council's Housing Service team to include repairs, maintenance, signing up new tenants and any other tenancy related matters and with all care elements to be provided on a commissioned basis and option two requiring the housing management function to be carried out by a care provider under a management agreement in addition to the care element.

The Director (BA) and Service Lead Housing Tenancy Services responded to Members' queries:-

- the Portfolio Holder for the Housing Revenue Account and the Director responsible for Housing would have delegated powers to agree the terms of the management agreement and the final agreement would be reported to this Scrutiny Committee for information;
- to ensure that employee terms and conditions were of the highest standards only reputable companies would be invited to tender with detailed assessment of all aspects of the bids. It was expected that employee terms and conditions would closely follow those of existing council contracts and there would be robust monitoring of employee conditions through the contract term;
- the management agreement included a nomination panel comprising representatives of the City Council, Devon County Council and the care provider and preference would be given to Exeter residents;
- the length of the contract would be negotiated and it was anticipated would be a minimum of five years and could be as much as 30 years to include at least a six month period for notice of termination; and
- the City Council had neither the experience nor capacity to run a care facility of this nature and therefore officers' recommendation that option two be supported was in an effort to recognise this and minimise the risk to the Council while working to ensure high quality provision for prospective residents of EECS.

Scrutiny Committee - People noted the report and requested Executive to:-

- (1) agree the preferred option two, as set out in the report, in relation to the management of Exeter's Extra care Scheme (EECS);
- (2) grant delegated authority to the Director responsible for Housing, in consultation with the Portfolio Holder for the Housing Revenue Account, to agree the eligibility criteria for allocations to EECS in negotiation with Devon County Council and the nominated care and housing management provider; and
- (3) following the appropriate procurement, agree to the engagement of specialist consultants to provide expert advice on the agreements with Devon County Council and a care/management provider.

Members felt that the Council should, longer term, develop a philosophy and approach that in-house provision was largely a default position and that the Council should begin to prepare for this by developing its workforce accordingly. It was therefore agreed by Members of this Committee that Executive be asked to ensure that its objectives for the City and the prioritisation of Council resources reflected such an ambition and invited Executive to discuss this issue with a wider group of Members.

The meeting returned to Part I

ITEM FOR CONSIDERATION BY THE EXECUTIVE

5

HOUSING RENTS AND SERVICE CHARGES : 2019/20

The Technical Accounting Manager presented the report setting out proposed changes to council dwelling rents, garage rents and service charges with effect from 1 April 2019.

The Director (BA) updated Members on the impact on the Council of the Universal Credit roll out advising that budget provision had been made to reflect the experience of other areas in terms of the impact on rent arrears and that the Council was working with the Department of Work and Pensions and the Citizens Advice Bureau to ensure a smooth handover of responsibility for Universal Support for April.

People Scrutiny Committee noted and supported the report and recommended Executive to approve:-

- (1) a reduction in rents for Council dwellings of 1% from 1 April 2019;
- (2) garage rents increasing by 3% from 1 April 2019; and
- (3) service charges to remain at their existing levels, with the exception of the charges specified below from 1 April 2019:-
 - 10% increase in emergency lighting testing in line with routine testing costs and additional installations;
 - 20% decrease in respect of the Older Persons' property service charges reflecting a frozen post; and
 - 5% reduction in respect of door entry systems in line with system maintenance costs.

ESTIMATES, CAPITAL PROGRAMME AND FEES AND CHARGES

6

HOUSING REVENUE ACCOUNT - ESTIMATES/NEW CAPITAL BIDS/FEES : 2019/20

The Technical Accounting Manager presented the report on the Housing Revenue Account Estimates and Fees and Charges, which outlined the strategic framework within which the estimates had been prepared, changes in accounting practices which affected all budgets and gave detailed reasons for major changes in the Management Unit estimates. A detailed schedule of the capital programme for Housing was also attached to the report together with details of the Council Own Build programme. She highlighted key changes.

Members welcomed the lifting of the HRA borrowing cap. They noted that work on site was about to start on the Rennes House lifts and, at the same time, the wider refurbishment procurement work would also be carried out.

People Scrutiny Committee supported the draft Revenue Estimates for 2019/20, the proposed Capital Programme, Fees and Charges and Council Own Build for further consideration by Executive on 12 February 2019 and Council on 26 February 2019.

PEOPLE - GENERAL FUND - ESTIMATES/NEW CAPITAL BIDS/FEES AND CHARGES : 2019/20

The Principal Accountant presented the report on the People Revenue Account Estimates and Fees and Charges, which outlined the strategic framework within which the estimates had been prepared; changes in accounting practices which affected all budgets and gave detailed reasons for major changes in the Management Unit estimates. A detailed schedule of the capital programme for People was also attached to the report.

People Scrutiny Committee supported the draft Revenue Estimates for 2019/20, the proposed Capital Programme and Fees and Charges for further consideration by Executive on 12 February 2019 and Council on 26 February 2019.

(The meeting commenced at 5.30 pm and closed at 6.15 pm)

Chair

Agenda Item 8

REPORT TO: PEOPLE SCRUTINY COMMITTEE
DATE OF MEETING: 7 March 2019
REPORT OF: Chief Finance Officer
TITLE: 2018/19 HRA Budget Monitoring Report – Quarter 3

Is this a Key Decision?

No

Is this an Executive or Council Function?

No

1. What is the report about?

To advise Members of any major differences, by management unit, between the approved budget and the outturn forecast at the third quarter stage of the financial year in respect of the Housing Revenue Account and the Council's new build schemes.

A budget monitoring update in respect of the HRA Capital Programme is also incorporated into this report in order to help provide a comprehensive financial update in respect of the Housing Revenue Account.

In addition to the budgetary over/under-spends reported to this committee, Appendix 1 also highlights further areas of risk, so that Members are aware that certain budgets have been identified as being vulnerable to factors beyond the control of the Council, which may result in potential deviations from budget, and are therefore subject to close monitoring, by officers.

2. Recommendations:

That Members of People Scrutiny Committee assure themselves that satisfactory actions are being undertaken by Officers to address the key areas of budgetary pressure, as highlighted in this report.

3. Reasons for the recommendation:

The Housing Revenue Account is a statutory account and local housing authorities have a duty to keep an HRA in accordance with proper accounting practices and to review the account throughout the year. This is the third quarterly financial update in respect of the HRA for 2018-19.

4. What are the resource implications including non financial resources

The financial resources required to deliver both housing services to Council tenants and to invest in new and existing housing stock during 2018-19 are set out in the body of this report.

5. Section 151 Officer comments:

There is a significant underspend now anticipated for the HRA. However, this is due to the timing of expenditure, which will now fall in 2019-20 rather than this financial year. There are no other significant issues to highlight to Members at this time.

6. What are the legal aspects?

The Housing Revenue Account is framed by the Local Government and Housing Act 1989. This Act created the ring-fence and the structure within which the HRA operates and covers

the detailed operation of the HRA, including the credits (income) and debits (expenditure) which make up the account.

7. Monitoring Officer Comments:

The report raises no issues for the Monitoring Officer.

8. Report Details:

HRA BUDGET MONITORING – QUARTER 3

8.1 Background to the HRA

The Housing Revenue Account (HRA) records expenditure and income relating to council dwellings and the provision of services to tenants. Housing authorities have a statutory duty to maintain a HRA account, which is primarily a landlord account, in order to account to their tenants for income and expenditure on council housing separately from other functions and services of the Council.

8.2 Projected Surplus/Deficit

At Quarter 3, the forecast budget variances indicate that there will be a net deficit of £396,482 in 2018-19. This represents a significant movement of £3.7m compared to the revised budgeted deficit of £4.1m for 2018-19 with, most notably, £3.2m relating to a reduction in the revenue contribution required to finance in-year capital expenditure due to the extent of slippage in the programme. Delays with the Extra Care scheme and LAINGS refurbishment account for a large part of this year's capital slippage.

This means that the HRA is forecast to take out £0.4m from its Working Balance, rather than taking £4.1m out of its Working Balance, at the end of the financial year, in order to balance its revenue account.

The key budget deviations are explained below. Please also refer to Appendix 2.

Budget Heading	Forecast Outturn Budget Variance at Quarter 2 (Under)/Overspend	Forecast Outturn Budget Variance at Quarter 3 (Under)/Overspend
Approved Budgeted Deficit		£4,097,145
Forecast Budget Variances by Management Unit:		
Management Costs	£39,000	(£57,000)
Officer Responsible: Service Lead – Housing Tenancy Services & Service Lead – Housing Assets		
<ul style="list-style-type: none">• £130K additional consultancy costs in respect of procurement, as part of a Council-wide action plan to strengthen procurement arrangements. A temporary HRA Procurement Manager has developed a procurement strategy focused on housing assets including full compliance of all contracts and contract management capacity building within existing teams.• (£30K) Forecast savings in employee costs, partly due to two 23 month fixed term IT System Officers starting in August, in order to help implement the new Housing Management system and a vacant Older Persons Property Services		

Officer post.

- (£48k) Reduced legal services recharge to Housing General Management. However, this is offset by an additional legal services recharge to Housing Customers in accordance with timesheet information.
- (£30k) Staff training on the new Housing Management System will be deferred until next financial year, ahead of its planned implementation in November '19.
- (£30k) Budgets in respect of resident involvement are not expected to be fully spent this financial year, as significant spend has been pending a review of the existing Resident Involvement Strategy. The appointment of a temporary Resident Involvement Officer from mid-February will support the co-ordination, development and delivery of both resident involvement and community development services.
- (£15k) A saving in the cost of updating a range of tenant and leaseholder handbooks is forecast as the work will be undertaken in-house, rather than by external consultants
- (£20k) Additional income from solar panel installations and letting of community rooms.

Housing Customers	(£62,000)	(£23,000)
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Officer Responsible: Service Lead – Housing Tenancy Services

- (£35k) Forecast savings in employee costs due to vacant posts and reduced working hours of a Neighbourhood Housing Assistant.
- (£25k) A £40k supplementary budget was approved for decanting tenants from flats to enable asbestos removal works to be undertaken. A saving is reported, as two flats have been set up to enable a rolling decant to take place in-line with planned works, rather than decanting all tenants simultaneously.
- £62k Additional recharge from legal services in respect of right-to-buy applications and tenancy management matters, which is partially offset by a reduction in time recharged to Housing General Management.
- (£25k) An amalgamation of various minor forecast savings including bank charges, communal cleaning costs and income from leaseholders.

Sundry Land Maintenance	(£65,000)	(£81,000)
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Officer Responsible: Service Lead – Housing Tenancy Services & Service Lead – Housing Assets

- (£60k) Following the restructure of Public Realm, a new Tree Manager and Technical Officer (Trees) have been appointed and started in August. It is anticipated that slippage will occur in respect of works to HRA trees, whilst works are prioritised and access issues resolved.
- (£21k) Savings are expected in respect of the Garden Assistance Scheme following lower inflationary rises in contract costs, a review of eligibility and a lower level of initial cultivations to prepare gardens in advance of moving to the scheme.

Repairs and Maintenance Programme	(£200,000)	(£360,000)
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Officer Responsible: Service Lead – Housing Assets

This represents a combination of forecast under/overspends, most notably due to:

- (£184k) Planned asbestos removal works to flats have been delayed, as two flats made available to temporarily decant tenants were required for other urgent tenant decants, including those affected by fire damage. A lower level of asbestos surveys have also been undertaken as they are largely driven by the kitchen and bathroom replacements programmes, which have been placed on hold for part of the year due to contractor issues.
- (£90k) Forecast savings in respect of routine service and maintenance contracts, which predominantly relates to savings in the gas servicing contract. Servicing and associated boiler repair costs have been saved, due to the extent of boiler replacements and that servicing will be due in 12 months' time.
- (£350k) A new contractor for external painting and low maintenance works in respect of flats was appointed from 1 October. Slippage in the programme is forecast to reflect a transition period between the main contractors and mobilisation of the new contractor, for this reason a supplementary budget will be requested to carry forward the budget into 2019/20.
- £250K Forecast overspend in respect of general reactive repairs, which is predominantly due to a targeted reduction in overdue jobs (from 800 down to less than 200) and additional repairs identified by the Housing Customer Relation Officers following routine property inspections; both assisted by the recruitment to Surveyor posts to oversee the repairs.

Revenue Contribution to Capital	£0	(£3,196,550)
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Officer Responsible: Service Lead – Housing Assets

- The estimated amount of revenue monies required towards financing the HRA Capital Programme in 2018-19 has reduced by £3.2m, from £7.2m to £4m.

In March 2014 Executive approved a £2.7m contribution towards the St Lorges Extra Care scheme, which was profiled to be required in 2018-19 but delays to the scheme will mean that significant spend will not take place until 2019/20.

Planned investment in existing stock is also lower than anticipated, predominantly due to delays in the LAINGS project, contractor issues and new contractor mobilisation.

Rents	£100,000	£100,000
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Officer Responsible: Service Lead – Housing Tenancy Services & Service Lead Revenues, Benefits and Customer Access

- A £70k forecast reduction in rents relates to delays in letting the new units at Chester Long Court. It was anticipated that the units would be fully let during 2018/19. However, rental income will only be receivable in the late part of the financial year, as 8 units were let before Christmas and the remaining units are currently being let. The final Building Control inspection highlighted additional fire safety works, resulting in delays in commencing the lettings process.
- A £30k reduction in rents relates to garages that have been cleared in

readiness of the sites being sold to Exeter City Living Ltd. To date, the sale of two sites have completed; Thornpark Rise and Anthony Road. The sale of Bovemoors Lane is expected to complete in the new financial year.

Capital Charges	£173,887	£173,887
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Officer Responsible: not applicable (statutory accounting charge)

- Depreciation charges are higher than budgeted due to a rise in the valuation of council dwellings.

Depreciation is a real cost to the HRA as it represents the amount of money which needs to be set aside in the Major Repairs Reserve to provide for future capital works or to repay debt.

Housing Assets	(£145,000)	(£147,000)
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Officer Responsible: Service Lead – Housing Assets

- (£28k) savings in employee costs are expected due to various vacant posts within the Housing Assets team during the year, including Service Lead – Housing Assets, two 18 month fixed term contract Fire Safety Implementation officers and an Electrician, partially offset by the recent appointment of a Void Surveyor and a Health & Safety Compliance Officer.
- (£45k) Stock condition surveys will re-commence in the 2019/20 to supplement the extensive stock condition survey undertaken by consultants last year, in order to achieve 100% coverage. The condition surveys will be performed by the surveyors, rather than external consultants, enabling a saving to be reported.
- (£48k) £8k per property was budgeted for the decant of tenants in ten LAINGS properties to facilitate a major demolish and re-build programme. Two properties have naturally become void since the budgets were approved resulting in a £16k saving. A further saving of £32k is reported in respect of decants from LAINGS properties, as works will be focused on those properties that are already empty, avoiding the need to decant tenants until later 2019.
- (£18k) Reflects a reduced recharge from Legal Services and a delay in purchasing new office furniture whilst a procurement exercise is undertaken.

Interest	(£70,000)	(£110,000)
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Officer Responsible: Service Lead – Housing Tenancy Services & Service Lead – Housing Assets

- Reflects additional interest receivable on HRA balances (Working Balance, Major Repairs Reserve and capital receipts). Combined forecast revenue and capital underspends in 2018-19 will result in higher than anticipated HRA balances.

Total budget variances	(£229,113)	(£3,700,663)
Projected HRA deficit		£396,482

8.3 Impact on HRA Working Balance

The HRA Working Balance represents amounts set aside to help facilitate service improvements, repay debt or to provide investment in the stock in future financial years.

The forecast balance, as at 31 March 2019, is set out below:

Movement	2018/19
Opening HRA Working Balance, as at 1/4/18	£10,212,244
Forecast deficit for 2018/19	(£396,482)
Balance resolved to be retained (HRA contingency)	(£4,000,000)
Balance Available, as at 31/3/19	£5,815,762

8.4 HRA Contingency

Since 2016-17 the HRA has resolved to retain a working balance at no less than £4 million, in order to help manage financial risks.

Up until August 2018, the risks included introduction of the High Value Assets Levy. The Housing and Planning Act 2016 enabled the government to define 'higher value' homes and place a duty on local authorities to make a payment to the Government in respect of its 'high value' homes. In August 2018, the Government announced that it will not bring the Higher Value Assets Levy into effect.

In October 2018 the Government also formally removed the HRA debt cap, which restricted the amount of borrowing stock-holding local authorities could have for the purposes of the HRA. The lifting of the 'debt cap' means that local authorities are now able to borrow for housebuilding in accordance with the Prudential Code.

In light of these significant changes, officers reviewed the HRA contingency, as part of the 2019/20 estimates process and it was considered prudent to maintain at a level of £4 million, over the medium term, whilst plans to embark on a programme of new build schemes are considered. The Director and Service Leads for the HRA are working with an advisory group of Members to develop plans for the HRA's new-build programme, to be approved through the normal decision making committee cycle.

8.5 HRA Available Resources over the Medium Term

The forecast HRA available resources for delivering both housing services and capital investment are set out in Appendix 3 for the period to 2021/22.

8.6 HRA Capital Programme

The 2018-19 HRA Capital Programme was last reported to Scrutiny Committee – People on 1 November 2018. Since that meeting the following changes have been made that have decreased the programme.

Description	2018/19	Approval / Funding
HRA Capital Programme	£17,327,852	
Budgets deferred to future financial years	(£2,450,000)	Executive 11 December 2018
Savings Declared	(£6,635)	Executive 11 December 2018
Revised HRA Capital Programme	£14,871,217	

8.7 Performance

The current HRA Capital Programme is detailed in Appendix 4. The appendix shows a total forecast spend of £7,431,100 compared to the £14,871,217 revised programme; a reduction of £7,440,117.

8.8 Capital Budget Variances

The details of key variances from budget are set out below. The Service Lead – Housing Assets will be able to provide further details in respect of these areas, if required.

Scheme	Forecast Overspend / (Underspend)
Officer Responsible – Planned Repairs Lead Garage Upgrades	(£74,000)
• A programme of garage upgrades is currently being formulated, in order commence a procurement exercise early in 2019/20. The proposed capital programme for the next four years already provides for annual investment of £68,400 per annum, the budget for this year is therefore not required to be carried forward.	
Officer Responsible – Planned Works Lead LAINGS Refurbishment	£150,000
• Following drainage surveys it has been identified that many of the 17 LAINGS properties require drainage redirections, which has resulted in both additional costs and time delays to the project. A value engineering exercise has identified savings, which have helped reduce the budget shortfall from £280k to the reported £150k.	
Officer Responsible – Planned Works Lead Whipton Barton House Water Mains	(£50,000)
• It was originally planned that a separate water mains would be provided to Council owned bungalows, however the site is subject to a wider site housing development appraisal. A saving is reported whilst the future of the site is determined. Committee approval will be sought to reintroduce to the capital programme, if necessary.	
Scheme	Budget to be deferred to 2019/20
Officer Responsible – Planned Works Lead LAINGS Refurbishment	£1,630,070
• As explained above, the project to demolish and re-build 17 LAINGS properties has experienced significant delays due to surveying and designing major drainage diversions. The budget has been re-profiled in accordance with the latest cash-flow projections, with work expected to start on site in the next few weeks.	
Officer Responsible – Planned Works Lead Kitchen Replacement Programme	£400,000
• Issues with the current contractor have resulted in a hold on planned	

<p>kitchen replacements. The contract is due for renewal and the procurement process for a replacement contractor is underway for an intended April start. In the interim, the opportunity to replace kitchens in void properties will continue to be undertaken by the contractor for response repairs.</p>	
Officer Responsible – Planned Works Lead Bathroom Replacement Programme	£230,000
<ul style="list-style-type: none"> Issues with the current contractor have resulted in a hold on planned kitchen replacements. The contract is due for renewal and the procurement process for a replacement contractor is underway for an intended April start. In the interim, the opportunity to replace bathrooms in void properties will continue to be undertaken by the contractor for response repairs. 	
Officer Responsible – Planned Works Lead Structural Repairs	£250,000
<ul style="list-style-type: none"> Forecast spend for 2018/19 relates to drainage repairs, whilst monitoring for structural movements continue. Major works are anticipated in the new financial year to repair structural damage to three fire affected properties, along with structural works planned at 19/21 Wilford Road and 1-6 Redlands Close. The budget has been re-profiled accordingly. 	
Officer Responsible – Planned Works Lead Communal Doors & Screens Window Replacements Porch Canopies	£131,000 £793,000 £102,000
<ul style="list-style-type: none"> A combined contract was awarded in October and the new contractor started on site from November. However, it is currently mobilising their local multi-disciplined teams to increase to full scale operations in the spring. Window replacements at Flowerpot Lane and Hayes Barton Court are also subject to discussions with Planning. The budget has been re-profiled to reflect the period of contractor mobilisation along with time required to consult with planning. 	
Officer Responsible – Health, Safety & Compliance Lead Fire Risk Assessment Works	£256,810
<ul style="list-style-type: none"> A new Fire Risk Assessment (FRA) Contractor started late 2018 and following a period of mobilisation, new FRAs have commenced. The works that will be identified through the assessments will follow and are likely to result in significant spent in the new financial year. 	
Officer Responsible – Planned Works Lead Zebcat Project	£445,000
<ul style="list-style-type: none"> The Council is undertaking a net zero energy whole building retrofit to six homes, as part of a project with five other delivery partners. Delays in appointing the main contractor due to higher tender return prices, has necessitated a review of the contract specification. As a consequence, the original deadline for the European grant funding has lapsed and an extension is currently being sought. Spend of this budget is not therefore possible until confirmation that the European grant funding is secured. 	

Officer Responsible – Service Lead Housing Extra Care Scheme	£2,100,000
<ul style="list-style-type: none"> The budget has been re-profiled in line with the latest cash-flow projections. The value engineering work has completed and the contract sum is now close to agreement. Limited work started on site very late in 2018 including site set-up and further ground investigations. Major works are expected to start in late February/March. 	
Officer Responsible – Service Lead Housing & Service Lead – Housing Assets	£330,400
<p>Acquisition of Social Housing – Open Market</p> <ul style="list-style-type: none"> Further spend against this budget is pending the outcomes of an options appraisal in respect of acquiring property at the Vaughan Road site, in order to facilitate a potential wider site housing development. 	

9. COUNCIL OWN BUILD BUDGET MONITORING – QUARTER 3

The Council's own build properties at Rowan House and Knights Place form part of the overall Housing Revenue Account, but separate income and expenditure budgets are maintained in order to ensure that they are self-financing.

9.1 Projected Surplus/Deficit

There are no significant variances to report at the end of Quarter 3. A net surplus of £17,040 is projected to be achieved during 2018-19, compared to a budgeted net surplus of £16,630. Please refer to Appendix 2 for more details.

10. How does the decision contribute to the Council's Corporate Plan?

The Housing Revenue Account contributes to two key purposes, as set out in the Corporate Plan; help me find somewhere suitable to live and maintain our property assets.

11. What risks are there and how can they be reduced?

Areas of budgetary risk are highlighted to committee as part of the quarterly budget monitoring updates. Appendix 1 sets out the risks identified, at Quarter 3.

12. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

The budgeted revenue service costs for the year will help the HRA provide tenancy management services and maintain the condition of council dwellings, which has a positive impact on the health and well-being of Council tenants. In the delivery of services, housing officers are able to identify and manage issues relating to safe-guarding, vulnerabilities and community safety.

In terms of capital expenditure, the 2018/19 capital programme provides for enhancements to existing dwelling stock to be undertaken and help support the provision of new housing, both of which will have a positive impact on those in housing need.

13. Are there any other options?

No

DAVE HODGSON
Chief Finance Officer

Author:
Michelle White

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:

None

Contact for enquiries:
Democratic Services (Committees)
Room 2.3
(01392) 265275

AREAS OF BUDGETARY RISK**APPENDIX 1**

A number of areas of budgetary risk have been identified within the HRA, as follows:

Budget Title	Approved Budget	Risk
General Maintenance	£1,792,390 (revenue)	The volatility of the level of reported faults due to factors beyond the control of the Council, for example adverse weather conditions represent a budgetary risk.
Repairs to Void Properties	£1,195,550 (revenue)	Property turnover and the varying condition of properties when returned to the Council represent a budgetary risk.
Rental Income from Dwellings	£18,600,000 (revenue)	Right to Buy sales, number of new tenancies set at convergence rent levels, number of days lost through major works, rent lost in respect of void properties and welfare reform changes (for which an increased bad debt provision has been made) all impact on the annual rental income. However, rental income after the first 9 months is slightly behind profile, but payments made during the rent-free fortnights may mitigate.

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HOUSING REVENUE ACCOUNTS BUDGET MONITORING 2018-19

APPENDIX 2

QUARTER 3

ACTUAL TO DATE			YEAR END FORECAST				
PROFILED BUDGET	ACTUAL TO DATE	VARIANCE TO DATE	Code	APPROVED BUDGET	Qrt 2 FORECAST VARIANCE	Qrt 3 FORECAST VARIANCE	CURRENT OUTTURN FORECAST
£	£	£		£	£	£	£
632,539	512,845	(119,694)	85A1 MANAGEMENT	1,270,275	39,000	(57,000)	1,213,275
894,242	804,610	(89,632)	85A2 HOUSING CUSTOMERS	1,393,120	(62,000)	(23,000)	1,370,120
262,577	153,192	(109,385)	85A3 SUNDY LAND MAINTENANCE	561,710	(65,000)	(81,000)	480,710
5,054,658	4,056,194	(998,464)	85A4 REPAIRS & MAINTENANCE PROGRAMME	6,312,360	(200,000)	(360,000)	5,952,360
0	0	0	85A5 REVENUE CONTRIBUTION TO CAPITAL	7,196,550	0	(3,196,550)	4,000,000
3,006,450	3,180,337	173,887	85A6 CAPITAL CHARGES	3,006,450	173,887	173,887	3,180,337
1,020,363	867,383	(152,980)	85A7 HOUSING ASSETS	1,653,960	(145,000)	(147,000)	1,506,960
(15,939,242)	(15,831,967)	107,275	85A8 RENTS	(19,127,090)	100,000	100,000	(19,027,090)
989,780	989,780	0	85B2 INTEREST	1,829,810	(70,000)	(110,000)	1,719,810
			85B4 MOVEMENT TO/(FROM) WORKING BALANCE	(4,097,145)	229,113	3,700,663	(396,482)
			Net Expenditure	0	0	0	0
			Working Balance 1 April 2018	10,212,244			31 March 2019
							9,815,762

Page 21

COUNCIL OWN BUILD SITES

ACTUAL TO DATE			YEAR END FORECAST				
PROFILED BUDGET	ACTUAL TO DATE	VARIANCE TO DATE	Code	APPROVED BUDGET	Qrt 2 FORECAST VARIANCE	Qrt 3 FORECAST VARIANCE	CURRENT OUTTURN FORECAST
£	£	£		£	£	£	£
21,039	20,444	(595)	H005 MANAGEMENT	32,670	800	(740)	31,930
(7,762)	(7,856)	(94)	H006 ROWAN HOUSE	(10,350)	0	0	(10,350)
(40,251)	(45,318)	(5,067)	H007 KNIGHTS PLACE	(58,400)	(1,750)	(620)	(59,020)
0	0	0	H008 INTEREST	6,070	0	0	6,070
13,380	14,334	954	H009 CAPITAL CHARGES	13,380	950	950	14,330
			H010 MOVEMENT TO/(FROM) WORKING BALANCE	16,630	0	410	17,040
			Net Expenditure	0	0	0	0
			Working Balance 1 April 2018	256,943	31 March 2019		273,983

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APPENDIX 3

HRA AVAILABLE RESOURCES

HOUSING REVENUE ACCOUNT	2018-19	2019-20	2020-21	2021-22	2022-23	TOTAL
	£	£	£	£	£	£
CAPITAL RESOURCES AVAILABLE						
Usable Receipts Brought Forward						7,704,749
Major Repairs Reserve Brought Forward						11,169,004
Other HRA Sales	1,364,500	690,000	0	0	0	2,054,500
RTB sales	1,840,773	650,000	500,000	500,000	400,000	3,890,773
Surrender back to DCLG - pending investment in replacement affordable housing	0	(1,542,523)	0	0	0	(1,542,523)
Major Repairs Reserve	3,180,337	3,224,210	3,224,210	3,224,210	3,224,210	16,077,177
Revenue Contributions to Capital	4,000,000	5,696,550	3,100,000	4,500,000	3,400,000	20,696,550
External contributions	18,458	592,424	0	0	0	610,882
Grant funding - Estate Regeneration Funding	756,257	0	0	0	0	756,257
Grant funding - Zero Energy Buildings Project	0	216,000	0	0	0	216,000
Commuted sums	1,394,865	3,101,242	2,244,432	0	0	6,740,539
Total Resources available	12,555,190	12,627,903	9,068,642	8,224,210	7,024,210	68,373,908
CAPITAL PROGRAMME						
HRA Capital Programme	14,871,217	20,590,510	12,419,250	10,368,585	8,895,408	67,144,970
Reported slippage - Quarter 3	(7,458,417)	4,432,046	2,899,800	101,571	25,000	0
Reported (under)overspends - Quarter 3	18,300					18,300
Total Housing Revenue Account	7,431,100	25,022,556	15,319,050	10,470,156	8,920,408	67,163,270

UNCOMMITTED CAPITAL RESOURCES:						
Uncommitted Capital Resources						
Usable Receipts Brought Forward	7,704,749	9,937,672	5,115,149	2,610,145	2,360,145	7,704,749
Major Repairs Reserve Brought Forward	11,169,004	14,060,171	6,488,041	2,742,637	746,691	11,169,004
Resources in Year	12,555,190	12,627,903	9,068,642	8,224,210	7,024,210	49,500,155
Less Estimated Spend	(7,431,100)	(25,022,556)	(15,319,050)	(10,470,156)	(8,920,408)	(67,163,270)
Uncommitted Capital Resources	23,997,843	11,603,190	5,352,782	3,106,836	1,210,638	1,210,638

WORKING BALANCE RESOURCES:						
Uncommitted HRA Working Balance						
Balance Brought Forward	10,212,244	9,815,762	5,862,697	5,639,983	4,406,954	10,212,244
HRA Balance Transfer - Surplus/(Deficit)	(3,868,032)	(386,815)	(222,714)	(1,233,029)	25,674	(5,684,916)
Reported under/(overspends) - Quarter 3	275,000					275,000
Revenue Contributions to Capital - slippage	3,196,550	(3,196,550)				0
Supplementary budgets to be requested		(369,700)				(369,700)
Balance Carried Forward	9,815,762	5,862,697	5,639,983	4,406,954	4,432,628	4,432,628
Balance Resolved to be Retained	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
Uncommitted HRA Working Balance	5,815,762	1,862,697	1,639,983	406,954	432,628	432,628
TOTAL AVAILABLE CAPITAL RESOURCES	29,813,605	13,465,887	6,992,765	3,513,790	1,643,266	1,643,266

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**2018-19
CAPITAL MONITORING - QUARTER 3**

	2018-19 Capital Programme	2018-19 Spend	2018-19 Forecast Spend	2018-19 Budget to be Carried Forward to Future Years	TO 2019/20	TO 2020/21	TO 2021/22	TO 2022/23	2018-19 Programme Variances Under ()	
	£	£	£	£	£	£	£	£	£	
HRA CAPITAL										
Z4212	Adaptations	370,975	304,196	370,975					0	
Z4703	Estate Improvements	68,395	33,368	60,695					(7,700)	
Z4705	Programmed Re-roofing	100,590	0	0	100,590	100,590			0	
Z4709	Energy Conservation	50,000	0	0	50,000				0	
Z4713	Garage Upgrades	74,000	0	0					(74,000)	
Z4718	LAINGS Refurbishments	1,936,000	42,750	305,930	1,780,070	1,055,680	724,390		150,000	
Z4719	Kitchen Replacement Programme	1,059,950	562,402	659,950	400,000	400,000			0	
Z4721	Balcony Walkway Improvements	110,000	21,042	22,000	88,000	88,000			0	
Z4724	Bathroom Replacements Programme	693,760	368,547	463,760	230,000	230,000			0	
Z4729	Door Replacements (including Outbuildings)	122,000	0	122,000					0	
Z4742	Fire Precautionary Works to Flats	28,530	11,681	28,530					0	
Z4743	Communal Area Improvements	97,893	17,408	97,893					0	
Z4745	Structural Repairs	294,280	23,252	44,280	250,000	250,000			0	
Z4755	Rennes House Structural Works	210,000	0	145,000	65,000	65,000			0	
Z4758	Common Area Footpath/Wall Improvements	250,000	29,119	159,366	90,634	0	63,570	27,064	0	
Z4763	Soil Vent Pipe Replacement	37,530	0	0	37,530	37,530			0	
Z4764	Electrical Central Heating	36,935	21,533	36,935					0	
Z4768	Fire Safety Storage Facilities	60,000	361	50,000	10,000	10,000			0	
Z4802	Electrical Re-wiring	550,250	279,468	550,250					0	
Z4903	Central Heating and Boiler Replacement Programme	560,000	354,538	560,000					0	
Z4906	Communal Door & Screens	231,000	41,632	100,000	131,000	131,000			0	
Z4909	Fire Risk Assessment Works	326,810	9,174	70,000	256,810	256,810			0	
Z4910	Loft and Cavity Insulation	50,000	0	5,000	45,000	45,000			0	
Z4911	Whipton Barton House Water Mains	50,000	0	0					(50,000)	
Z4914	Re-roofing Works Shilhay	164,800	150,886	164,800					0	
Z4915	Window Replacements	954,300	0	161,300	793,000	793,000			0	
Z4916	Replacement Housing Management System	175,096	107,751	121,220	53,876	53,876			0	
Z4917	Porch Canopies	102,000	0	0	102,000	102,000			0	
Z4918	Zebcat Project	450,000	3,585	5,000	445,000	445,000			0	
	HOUSING REVENUE ACCOUNT TOTAL	9,215,094	2,382,693	4,304,884	4,928,510	4,063,486	787,960	52,064	25,000	18,300
COUNCIL OWN BUILD CAPITAL										
Z3214	COB Wave 2 - Rennes Car Park	344,865	264,352	344,865					0	
Z3220	St Loyes ExtraCare	3,600,000	257,091	1,500,000	2,100,000	38,160	2,061,840		0	
Z4751	Acquisition of Social Housing - Section 106	100,000	493	493	99,507		50,000	49,507	0	
Z3201	Acquisition of Social Housing - Open Market	855,000	524,600	524,600	330,400	330,400			0	
Z5101	Estate Regeneration - Heavitree (COB Wave III)	61,611	89,574	89,574					27,963	
	Estate Regeneration - Heavitree (Clifford Close)	141,956	13,221	141,956					0	
	Estate Regeneration - Heavitree (Vaughan Road)	321,320	61,718	321,320					0	
	Estate Regeneration - Heavitree (South Street)	231,371	187,653	203,408					(27,963)	
	COUNCIL OWN BUILD TOTAL	5,656,123	1,398,702	3,126,216	2,529,907	368,560	2,111,840	49,507	0	0
	OVERALL HOUSING REVENUE ACCOUNT TOTAL	14,871,217	3,781,395	7,431,100	7,458,417	4,432,046	2,899,800	101,571	25,000	18,300

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Agenda Item 9

REPORT TO: PEOPLE SCRUTINY COMMITTEE
Date of Meeting: 7 March 2019
Report of: Chief Finance Officer
Title: 2018/19 Budget Monitoring Report – Quarter 3

Is this a Key Decision?

No

Is this an Executive or Council Function?

Executive

1. What is the report about?

This report advises Members of any material differences, by management unit, between the 2018/19 approved budget and the current outturn forecast in respect of the People Scrutiny Committee revenue and capital budgets.

Potential areas of budgetary risk are also highlighted in this report, so that Members are aware that certain budgets have been identified as being vulnerable to factors beyond the control of the Council, which may result in potential deviations from budget, and are therefore subject to close monitoring by officers.

2. Recommendations:

That Members of People Scrutiny Committee assure themselves that satisfactory actions are being undertaken by Officers to address the key areas of budgetary pressure, as highlighted in this report.

3. Reasons for the recommendation:

Local authorities have a statutory duty to set and monitor their budgets during the year and to take any actions necessary because of potential overspending or potential shortfalls in income. Members are therefore presented with a quarterly financial update in respect of People Services.

4. What are the resource implications including non financial resources

The financial resources required to deliver People Services during 2018/19 are set out in the body of this report.

5. Section 151 Officer comments:

The small underspend against the budget is noted and forms part of the wider efforts to ensure expenditure is balanced against the budget during this financial year. The results for the General Fund as a whole will be reported to the Executive and Full Council within the Revenue Overview report, which collates the financial performance of the three Scrutiny Committees alongside other income and expenditure of the Council.

6. What are the legal aspects?

Part 2 of the Local Government Act 2003 provides the legislative framework for the process of setting and managing budgets. In particular, Section 28 of the 2003 Act requires local authorities to monitor their budgets during the financial year.

7. Monitoring Officer's comments:

The report raises no issues for the Monitoring Officer.

8. Report Details:

Budget Monitoring – Quarter 3

8.1 Key Variations from Budget

The current forecast suggests that net expenditure for this committee will decrease from the approved budget by a total of £94,000 after transfers from reserves, as detailed in Appendix 1. This represents a variation of 2.67% from the revised budget. This includes supplementary budgets of £580,000 already agreed by Council.

8.2 The significant variations (greater than +/- £30k) by management unit are:

Budget Heading	Forecast Outturn Budget Variance at Quarter 2 (Under)/Overspend £	Forecast Outturn Budget Variance at Quarter 3 (Under)/Overspend £
Forecast Budget Variances by Management Unit:		
81C2 – Housing Needs	(72,240)	(72,500)
Responsible Officer: Interim System Lead, Housing Needs		
The underspend on pay reflects the lead-in time for fully recruiting to the new Housing Needs structure approved by Executive in February 2018. Recruitment has been a significant challenge primarily due to it being scheduled alongside the implementation of the Homelessness Reduction Act (which went live in April 2018). Not only did this bring a significant additional burden of priority work, it triggered a market demand for experienced housing needs staff which impacted on recruitment nationally as well as in the South West area. The service is presently over 90% fully recruited with just two remaining vacant posts currently under JE and to be recruited to before the end of the financial year. Therefore, this current underspend is a one-off in-year saving to the General Fund.		
86A1 – Revenues, Benefits & Customer Access	0	31,240
Responsible Officer: System Lead Revenues, Benefits & Customer Access		
The Local Welfare Support reserve will fund expenditure on the Budgeting and Money Management project as well as crisis support for vulnerable customers needing short term help with food, utilities and travel costs. Therefore, this expenditure has no impact on the General Fund.		

9. Capital Budget Monitoring – Quarter 3

To report the current position in respect of the People Capital Programme and to update Members with any anticipated cost variances, acceleration of projects or slippage of schemes into future years.

9.1 Revisions to the People Capital Programme

The 2018/19 Capital Programme was last reported to Corporate Services Scrutiny Committee on 22 November 2018. Since that meeting the following changes have been made to the programme.

Description	£	Approval/Funding
Capital Programme, as reported to Corporate Services Scrutiny Committee, 22 November 2018	1,182,880	
Disabled Facility Grants	92,380	Additional funding from MHCLG
Revised Capital Programme	1,275,260	

9.2 Performance

The current People Capital Programme is detailed in Appendix 2. The appendix shows a total spend of £289,433 in 2018/19 during the first nine months of the year.

9.3 Capital Variances from Budget

No significant variances or issues concerning expenditure have arisen for this committee.

9.4 Capital Budgets Deferred to 2019/20

Schemes which have been identified as being wholly or partly deferred to 2019/20 and beyond are:

Scheme	18/19 Budget £	Budget to be Deferred £	Reason
Disabled Facility Grants	801,180	400,000	A variety of awareness activities have taken place, including articles in the Citizen to increase accessibility to these grants. Work has also been undertaken to reduce end to end time with respect to stair lift applications and to remove barriers to people having such adaptations made. A communications plan has been drafted to increase awareness further and it is anticipated that grant take up will be higher in 2019/20.
WHIL Empty Properties	194,000	194,000	An Empty Homes Strategy is currently being developed which will seek to maximise opportunities to bring empty homes back into use, it is expected that loans will be made in 2019/20.

10. How does the decision contribute to the Council's Corporate Plan?

People Services contribute to three key priorities, as set out in the Corporate Plan: providing value-for-money services, leading a well-run council and building great neighbourhoods.

11. What risks are there and how can they be reduced?

Areas of budgetary risk are highlighted in this report. The key areas of budgetary risks within People Scrutiny Committee are attached as Appendix 3, for reference.

12. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

The revenue service costs reported to this Committee help support the provision of temporary accommodation, housing advice, licensing of houses of multiple occupation, new affordable housing within the City and the administration of housing benefits. All these services have a positive impact on the health and wellbeing of residents, in particular those in housing need.

In terms of capital expenditure, the 2018/19 capital programme helps facilitate disabled adaptations and provide loans to return properties to a habitable standard. The capital schemes have a positive impact of the health and wellbeing of residents.

13. Are there any other options?

No

DAVE HODGSON

Chief Finance Officer

Authors:

Nicola Matthews-Morley and Michelle White

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:

None

Contact for enquiries:

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PEOPLE SCRUTINY COMMITTEE 2018/19 BUDGET MONITORING

QUARTER 3

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APPENDIX 2

2018/19 CAPITAL MONITORING - QUARTER 3

	2018/19 Capital Programme	2018/19 Spend to Date	2018/19 Forecast Spend	2018/19 Budget to be Carried Forward to 2019/20 and Beyond	2018/19 Programme Variances (Under)/Over
	£	£	£	£	£
PEOPLE					
HELP ME FIND SOMEWHERE TO LIVE					
Disabled Facility Grants	801,180	197,616	401,180	400,000	
Warm Up Grants	92,380	45,636	92,380		
Wessex Loan Scheme	79,030	45,905	79,030		
WHIL Empty Properties	194,000	0	0	194,000	
Temporary Accommodation Purchase	108,670	276	108,670		
PEOPLE TOTAL	1,275,260	289,433	681,260	594,000	0

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AREAS OF BUDGETARY RISK

The table below identifies areas that have been identified as a budgetary risk within the People Scrutiny Committee revenue budgets.

The revenue budget areas of risk are:

Budget Title	Approved Budget £	Risk
Revenue Collection/Benefits – Housing Benefit Subsidy	35,232,600	The Council currently administers over £35 million of Housing Benefit payments for rent allowances and rent rebates. Not all expenditure can be claimed back as subsidy. Certain supported and temporary accommodation costs are not eligible for full subsidy; these claim types will remain in Housing Benefit and not move to Universal Credit. As more Housing Benefit claims move onto Universal Credit the amount of unsubsidised expenditure will be an increased proportion of total expenditure. Errors made by ECC officers are not subsidised in full if they go over a set percentage of total expenditure. As total expenditure reduces due to Universal Credit rollout, the margins within which error payments are subsidised will reduce, increasing the risk of a subsidy loss in this area.

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