

Report for: **Housing and Regeneration Scrutiny Panel - 15th November 2018**

Title: **Budget and Performance Monitoring – Quarter 1**

Report

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1. Describe the issue under consideration

The Housing and Regeneration Scrutiny Panel have requested an overview of the budget monitoring position for priorities 4 and 5.

2. Cabinet Member Introduction

N/A

3. Recommendations

3.1 That the Panel note the contents of this report.

4. Reason for Decision

4.1. The report is for information only and relates to the quarter one budget monitoring position as reported to Cabinet on 11 September 2018.

5. Background Information

5.1. At Appendix 1 is a summary of the Quarter 1 budget monitoring for Priority 4 and 5.

5.2. As at 30th June 2018 (Quarter 1) of the financial year ending 2018/19, Priority 4 and 5 are at break even. The HRA is projecting an overspend of £0.23m.

5.3. Table 1 below sets out financial performance at priority level. A detailed analysis at directorate level is attached at Appendix 1.

Table 1 – Revenue Budget Monitoring Forecast for Quarter 1 2018/19

Priority	Revised 2018/19 Budget	Quarter 1 Outturn Forecast	Quarter 1 Forecast to Budget Variance
	£'000	£'000	£'000
PR4 Growth & Employment	7,733	7,713	(20)
PR5 Homes & Communities	15,823	15,823	
General Revenue Total	23,556	23,536	(20)
PR5 Homes & Communities (HRA)		231	231
HRA Total	0	231	231

6. Revenue Finance Overview

PRIORITY 4

Break Even

- 6.1. There are no issues to report in this priority.

PRIORITY 5 (General Fund)

Break Even

- 6.2. Housing and Growth's full year forecast is showing a breakeven position.

The temporary accommodation (TA) budget is currently under pressure. This is primarily due to the number of clients and the forecast level of compensation payment costs. Currently it is assumed that this can be offset by unbudgeted income from TA lodges hostels and reduced expenditure in some other areas along with the use of the flexible homelessness grant.

- 6.3. As acknowledged in the June 2018 Cabinet report on Broadwater Farm estate, the impact of temporarily re-housing tenants is forecast to create a pressure of about £202k on the TA budgets in 2018/19. These costs are yet to materialise but will need to be covered. Further clarity will be available for the quarter two report.

PRIORITY 5 (HRA)**Overspend £0.23m**

- 6.4. The HRA budget is projecting an overspend of £0.23m for the year ending March 2019. The HRA outturn summary is set out in Table 2 below.

Table 2 – HRA Budget Forecast (Quarter 1)

Total for HRA	Revised 2018/19 Budget	Quarter 1 Outturn Forecast	Forecast to Budget Variance
	£'000	£'000	£'000
Managed Services Income	-107,554	-107,178	375
Managed Services Expenditure	14,025	13,854	(170)
Retained Services Expenditure	93,529	93,555	26
Total for HRA	0	231	231

- 6.5. Appendix 2 provides a breakdown of the income and expenditure for the HRA budget.

- 6.6 The main drivers of the variance are the under recovery of dwelling income, as properties are being held back from letting due to the need to rehouse residents from the Tangmere block on Broadwater Farm, and a higher than anticipated number of garage voids which is impacting on income streams. HfH have undertaken a review of garages so work is underway to resolve the latter pressure. The income shortfall is being offset by a number of small underspends on the managed services expenditure.

7. Capital Expenditure Forecast at Quarter 1

- 7.1. At Q1, the capital programme is forecasting for priority 4 and 5 (General Fund) an underspend of £10.9m and Priority 5 HRA an underspend of £3.7m (HRA) shown in Table 3 below. It is essential to the delivery of the Council's longer term objectives that capital expenditure takes place in a timely fashion to ensure the Council has the ability to deliver service improvements and longer term revenue savings.

- 7.2. Further scrutiny will take place to ensure that any capital proposals are capable of being delivered and that resources are allocated to their delivery.

Table 3 – Capital Expenditure (Quarter 1)

	Revised Budget 2018/19	Quarter 1 Forecast	Quarter 1 Budget to Forecast Variance
	£'000	£'000	£'000
Priority 4 - Growth & Employment	69,080	58,096	(10,984)
Priority 5 - Homes & Communities	34,225	34,224	(1)
General Fund Total	103,305	92,320	(10,985)
Priority 5 HRA	68,254	64,557	(3,697)
Grand Total	171,559	156,877	(14,682)

7.3. At Q1, the revised budget is equal to the agreed MTFS budget plus the carry forwards agreed by Cabinet at its meeting in June 2018 plus the adjustments set out below.

7.4. A high level commentary on the priority projected outturn is set out below;

Priority 4

7.5 **Priority 4** is projecting an underspend of £11m. The Priority 4 budget contains a large number of schemes that are closely tied to the activities of partners and/or the granting of planning permissions. As such, there is the possibility of a lower outturn figure than currently projected. A much clearer picture should emerge as the year progresses.

7.7 In Priority 4, the Hornsey Town Hall scheme (£0.413m) has completed with the disposal to the developer. As the Council does not own the asset, it cannot capitalise any of the residual costs (mainly outstanding consultant's fees). It is proposed to delete this scheme, with any further costs being met from the proceeds of disposal, no transfer to contingency is proposed.

7.8 The decision of Cabinet on the 17th July to withdraw from the competitive dialogue procedure and therefore not award a contract in relation to the Haringey Development Vehicle means that these schemes can be removed from the agreed capital programme:

- Northumberland Park (2018/19 budget £0.369m);
- Re-provision of schools in the North Tottenham area (2018/19 budget £0.5m);
- Wood Green HQ, Library & Customer Service Centre (2018/19 budget £0.25m); and
- HDV Acquisitions & Receipts (2018/19 budget £1.639m).

7.9 The removal of the HDV Acquisitions & Receipts budget does not generate any additional spending capacity, as the budget is there to fund acquisitions that were then to be reimbursed by the HDV to the council. It is proposed to

transfer the budgeted resources from the other HDV schemes to the approved capital programme contingency for 2018/19. The planned expenditure on these schemes for future years will be reviewed as part of the capital programme refresh.

- 7.10 The Council has been awarded Good Growth Funding from the GLA. A budget of £0.65m needs to be established.

Priority 5

- 7.11 **Priority 5 (GF)** is projecting to be fully spent. The establishment of the community benefit society (CBS) at the July Cabinet will enable expenditure to speed up. The council has entered into a funding agreement with Newlon Housing Association for the provision of 54 units of social housing to be funded through retained RTB receipts. This scheme needs to be incorporated into the capital programme at a value of £6.5m.

- 7.12 **Priority 5 (HRA)** is projecting an underspend of £3.7m with the majority of the underspend being attributable to the costs of leaseholder acquisitions on the Love Lane Estate being met from the general fund. In addition a virement of £1.098m is requested to establish a budget for aids and adaptations to people’s homes to make them more accessible.

8. MTFS Savings 2018/19

- 8.1. The MTFS savings target for 2018/19 for priority 4 and 5 is £0.35m. As at the Q1 of the financial year, it is projected that 100% of the target will be achieved. Table 4 below summarises the current savings position at priority level and Appendix 3 has a detailed breakdown of savings and, where provided, comments to explain reason for non-delivery of savings.

Table 4 – Summary – 2018/19 MTFS Savings by Priority

MTFS Savings 2018/19						
	New MTFS	Old MTFS	Total	Savings Projected to be	Savings Shortfall	% Achieved

				Achieved 2018/19		
	£'000	£'000	£'000	£'000	£'000	%
Priority 4	50	250	300	300	-	100%
Priority 5	50	-	50	50	-	100%
Total	100	250	350	350	-	100%

Priority Four

- 8.2. At Q1 Priority 4 is projecting that all its savings will be achieved. Further details on Priority 4 savings are detailed in Appendix 3.

Priority Five

- 8.3. At Q1 Priority 5 is projecting that all its savings will be achieved. Further details on priority 5 savings are detailed in Appendix 3.

9. Contributions to strategic outcomes

N/A

10. Statutory Officers Comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

- 10.1. The subject of this report is the financial budget monitoring. There are no additional financial comments.

Legal

- 10.2. The Assistant Director of Corporate Governance has been consulted on this report.
- 10.3. Section 28 of the Local Government Act 2003 imposes a statutory duty on the Council to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such action as it considers necessary to deal with the situation. This could include, as set out in the report, action to reduce spending in the rest of the year.
- 10.4. The council must act reasonably and in accordance with statutory duties and responsibilities when taking the necessary action to reduce the overspend

Appendix 1

Priority for Report	Revised 2018/19 Budget	Quarter 1 Forecast	Variance
PRIORITY_4.PR Priority 4	7,732,810	7,713,394	-19,416
PR4_PRD.PR Regeneration, Planning			
RPD11.PR Director of	284,225	284,225	0

- 10.5. The Council must act reasonably and in accordance with its statutory duties and responsibilities when taking the necessary action to reduce the over spend.

Equalities

- 10.6. There are no direct equalities implications arising from the report.

11. Use of Appendices

Appendix 1 – Directorate Level Forecast (Quarter 1)

Appendix 2

Regen,Planning					
PR4_HSEGWT.PR Housing & Growth					
Grth	RPD51.PR	Director for Housing &	207,200	226,535	19,335
	RPD52.PR	Assistant Director Growth	1,253,350	1,214,599	-38,751
	RPD53.PR	Carbon Management	312,500	312,500	0
PR4_PLAN.PR Planning					
	RPD31.PR	Planning Management	270,050	270,050	0
	RPD33.PR	Building Control	100,450	100,450	0
	RPD34.PR	Development Control	496,685	593,016	96,331
	RPD35.PR	Planning & Transport	908,900	812,569	-96,331
	RPD36.PR	Business Support	181,700	181,700	0
	RPD37.PR	Community Infrastructure	0	0	0
	RPD38.PR	Ward Budgets	190,000	190,000	0
PR4_PCP.PR Property & Capital Projects					
			202,150	202,150	0
PR4_REGEN.PR Regeneration					
	RPD41.PR	Tottenham Regeneration	2,951,400	2,951,400	0
	RPD42.PR	Socio - Economic Regen	237,300	237,300	0
	RPD43.PR	Wood Green			
	Regeneration		136,900	136,900	0

Appendix 1b

Priority for Report		Revised 2018/19 Budget	Quarter 1 Forecast	Variance	
PRIORITY_5.PR Priority 5		15,823,185	16,139,588	316,403	
AH03.PR Housing Demand					
	UE061.PR	Commissioned Serv	835,270	835,270	0
	UE063.PR	Housing Support	0	0	0
	UE068.PR	Arms Length service	3,561,325	3,431,952	-129,373
	UE069.PR	Indirect T.A. Housing	592,400	841,900	249,500
	UE070.PR	Direct T.A. Housing	5,914,708	6,235,277	320,569
	UE071.PR	T.A.Lodges	2,600	-121,693	-124,293
AH05.PR Housing Commissioned		4,916,882	4,916,882	0	

	2018/19 Revised Budget	P3 2018/19 Actual Spend	P3 2018/19 Forecast	P3 2018/19 Forecast Variance
HRA BUDGET 2018/19				
	£000's	£000's	£000's	£000's
UE0721 Managed Services Income				
H39001 Rent - Dwellings	(81,071)	(18,832)	(80,884)	187
H39101 Rent - Garages	(858)	(177)	(746)	112
H39102 Rent - Commercial	(138)	(1,065)	(138)	
H39201 Income - Heating	(288)	(71)	(291)	(3)
H39202 Income - Light and Power	(1,095)	(255)	(1,092)	3
H39301 Service Charge Income - Leasehold	(8,124)	(6,592)	(8,124)	
H39401 ServChgInc SuppHousg	(1,495)	(354)	(1,522)	(27)
H39402 Service Charge Income - Concierge	(1,562)	(359)	(1,539)	24
H39405 Grounds Maintenance	(2,307)	(523)	(2,250)	58
H39406 Caretaking	(1,845)	(418)	(1,797)	48
H39407 Street Sweeping	(1,891)	(438)	(1,879)	11
H40102 Water Rates Receivable	(7,090)	(1,444)	(7,128)	(38)
H40404 Bad Debt Provision - Leaseholders	210		210	
UE0721 Managed Services Income TOTAL	(107,554)	(30,528)	(107,178)	375
	£000's	£000's	£000's	£000's
UE0722 Managed Services Expenditure				
H31300 Housing Management WG	23	3	23	
H32300 Housing Management NT	28	7	28	
H33400 TA Hostels	252	15	252	
H34300 Housing Management ST	9	3	9	
H35300 Housing Management BWF	11		11	
H37210 Under Occupation	128	43	128	
H39002 Rent - Hostels	(1,920)	(464)	(1,991)	(71)
H39404 Service Charge Income - Hostels	(330)	(80)	(344)	(15)
H40001 Repairs - Central Recharges	2	(7)	(20)	(22)
H40004 Responsive Repairs - Hostels	342	()	342	
H40101 Water Rates Payable	6,024	(20)	6,059	35
H40104 HousMgmtRechg Central	107			(107)
H40111 Other RentCollection	162	22	162	
H40206 HousMgmtRechg Energ	1,609	26	1,609	
H40208 Special Services Cleaning	2,734	(602)	2,734	
H40209 Special Services Ground Maint	1,802	38	1,802	
H40212 HRA Pest Control	284	38	284	
H40213 Estate Controlled Parking	20	1	20	
H40303 Supporting People Payments	1,856	423	1,865	10
H40309 Commercial Property - Expenditure		2		
H40401 Bad Debt Provision - Dwellings	664		664	
H40405 BAd Debt Provision - Commercial				
H40406 Bad Debt Provisions - Hostels	68		68	
H40801 HRA- Council Tax	150	14	150	

S14520 Supported Housing		3		
UE0722 Managed Services Expenditure				
TOTAL	14,025	(628)	13,854	(170)
	£000's	£000's	£000's	
UE0731 Retained Services Expenditure				
H38002 Anti Social Behaviour Service	581	143	581	
H39601 Interest Receivable	(76)		(76)	
H40112 Corporate democratic Core	765		572	(193)
H40301 Leasehold Payments	(139)		(139)	
H40305 Landlords Insurance - Tenanted	312	1,395	318	6
H40306 Landlords - NNDR	132		50	(82)
H40308 Landlords Insurance - Leasehold	1,500		1,395	(105)
H40501 Capital Financing Costs	10,000	672	10,000	
H40601 Depreciation - Dwellings	20,068		20,068	
H40805 ALMO HRA Management Fee	40,139		40,539	400
H49000 Housing Revenue Account	16,152		16,152	()
H60002 GF to HRA Recharges	2,952	46	2,952	
H60003 Estate Renewal		339		
H60004 HIERS/ Regeneration Team	867	18	867	
S11100 Emergency Response Management				
S14400 Supported Housing Central	278		278	
UE0731 Retained Services Expenditure TOTAL	93,529	2,614	93,555	26
(Surplus) for the year on HRA Services		(28,543)	232	231

Appendix 3

MTFS Savings: Priority 4 & Priority 5						
Ref	Proposal	2018-19 B/FWD £000's	2018-19 New £000's	Total £000's	Overall risk RAG	Details of impact of under achievement of savings and mitigating actions
P4 - Growth & Employment						
4.1	Tottenham Regeneration programme		50	50	GREEN	Savings Already Taken from Budget
4.3	Corporate projects - Transfer of functions to HDV	250		250	GREEN	Savings Already Taken from Budget
Subtotal		250	50	300		
P5 - Housing & HRA						
5.1	Housing		50	50	GREEN	Savings Already Taken from Budget
Subtotal		-	50	50		
Total		250	100	350		