

Report for: Housing and Regeneration Scrutiny Panel – 7 November 2017

Item number: 7

Title: Budget Monitoring – Quarter 1

Report authorised by: Lyn Garner, Strategic Director of Regeneration, Planning and Development

Lead Officer: Rita Bacheta, Senior Business Partner

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

That the Panel:

3.1. 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 12 September 2017.

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 30st June 2017 (Quarter 1) of the financial year ending 2017/18, Priority 4 and 5 are projecting an overspend £0.959m. The HRA is projecting an overspend of £0.4m.

- 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 2017/18

Priority	Revised 2017/8 Budget	Quarter 1 Outturn Forecast	Quarter 1 Forecast to Budget Variance
	£'000	£'000	£'000
PR4 Growth & Employment	9,251	9,425	174
PR5 Homes & Communities	20,415	21,200	785
General Revenue Total	29,666	30,625	959
PR5 Homes & Communities (HRA)	-48	363	411
HRA Total	-48	363	411

6. Revenue Finance Overview

PRIORITY 4

Overspend £0.17m

- 6.1. An overspend of £0.25m is largely due to an unmet saving hence the extended employment of a team of commercial property valuers from March 2017 to March 2018. The majority of these posts will no longer be required once the HDV is established and some of the commercial properties have been transferred.
- 6.2. The overspend in this area is offset by £0.08m from an overachievement of planning income and additional contribution from NWLA to staff costs.

PRIORITY 5 (General Fund)

Overspend £0.80m

- 6.3. Housing and Growth's full year forecast is showing an overspend of £0.80m at the end of Q1.
- There is a projected £0.60m overspend in in-borough private sector leases,
 - £0.70m overspend in bed and breakfast accommodation and
 - £0.40m underspend in Supplier managed Private sector leases.
- 6.4. A key factor is the ability of the service area to meet the target/assumptions behind the MTFS especially the targets for out of London moves and new acquisitions.
- 6.5. The service has identified a number of actions to attempt to reduce the projected overspend by year end. Officers are currently in dialogue with providers to deliver further shared facility hostels in 2017/18. Officers are also in discussion with various landlords to ensure retaining existing and sourcing future leased accommodation. Also, there are initiatives in the pipeline to increase supply and acquisitions.

PRIORITY 5 (HRA)**Overspend £0.4m**

- 6.6. The HRA budget is projecting overspend of £0.4m for the year ending March 2018. The HRA outturn summary is set out in Table 2 below.

Table 2 – HRA Budget Forecast (Quarter 1)

Total for HRA	Revised 2017/8 Budget	Quarter 1 Outturn Forecast	Forecast to Budget Variance
	£'000	£'000	£'000
Managed Services Income	-107,736	-107,377	359
Managed Services Expenditure	12,492	12,678	187
Retained Services Expenditure	95,196	95,061	-135
Total for HRA	-48	363	411

- 6.7. Appendix 2 provides a summary of the income and expenditure for the HRA budget.
- 6.8. The HRA income shortfall relates primarily to income receivable from garage lets and Officers are drawing up an action plan to bring this budget back in line.
- 6.9. Waste management costs have increased due to contract inflation but are offset by a lower than anticipated charge in landlord insurance costs. These changes will be reflected in next year's Tenant and Leaseholders' service charges and hence therefore reimburse the HRA as necessary.
- 6.10. There remains outstanding debt relating to the water rates. The contract as it stands with Thames Water continues to create financial pressure for the HRA, as the HRA has to bear the costs of non-payment of bills which cannot be passed back to Thames Water.

7. Capital Expenditure Forecast at Quarter 1

- 7.1. At Q1, the capital programme is forecasting for priority 4 and 5 an underspend of £48.6m 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 2017/18	Quarter 1 Forecast	Quarter 1 Budget to Forecast Variance
	£'000	£'000	£'000
Priority 4 - Growth & Employment	63,310	30,000	33,310
Priority 5 - Homes & Communities	16,431	1,100	15,331
Grand Total	79,741	31,100	48,641

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 2017 plus the adjustments set out below.

7.4. Since Cabinet's meeting of June 2017 there have been a number of adjustments to the capital budget that have increased it by £7.2m. The most significant of these was the addition of the public realm works at Tottenham Hotspurs Football Club (£5m), confirmation of the GLA's continuing support for the Council's Opportunity Investment Fund (£1.3m) and support for the procurement of the North Tottenham DEN (£0.8).

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

Priority 4

7.6. Within the overall budget are significant allocation subject to external dependencies including: the HRW business acquisitions budget (£5.5m) Strategic Site Acquisitions budget (£9.0m) and the Wards Corner CPO budget (£17.9m) which total £32.4m or over 50% of the budget. The timing of a significant amount of this expenditure has slipped to 2018/19.

7.7. Of the residual budget, £30.9m, almost half of this relates to the Marsh Lane relocation project (£14.5m). It is unlikely that there will be significant spend on this project this financial year.

7.8. The budgets for the Alexandra Palace heritage project (£3.3m) and general maintenance (£0.47m) have already been spent.

7.9. Taking the above into account, and accepting that forecasting these budgets is problematic, it is estimated that the priority will spend c£30m this financial year.

Priority 5

7.10. This budget on temporary accommodation solutions (the development of temporary accommodation hostels) is currently forecasting to spend £1.1m against a budget of £4.3m.

7.11. A strategy paper for the £11.1 capital budget for temporary accommodation acquisitions scheme (the purchasing of units to use as temporary accommodation placements) is being considered by priority 5 board. If adopted the strategy will accelerate expenditure. At this stage (assuming that the strategy is not implemented) it is anticipated that there will be slippage of approximately £15m total for this priority.

8. MTFS Savings 2017/8

8.1. The MTFS savings target for 2017/18 for priority 4 and 5 is £1.6m. As at the Q1 of the financial year, it is projected that £1.3m (84%) of the target will be achieved. Table 4 below summarises the 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 – 2017/18 MTFS Savings by Priority

MTFS Savings 2017/18						
	New MTFS	Old MTFS	Total	Savings Achieved 2017/8	Savings Shortfall	% Achieved
	£'000	£'000	£'000	£'000	£'000	%
Priority 4	503	325	828	578	250	70%
Priority 5	-	765	765	765	-	100%
Total	503	1,090	1,593	1,343	250	84%

8.2. Table 4 show the total amount reported as achievable at Quarter 1 as £1.34m – this represents 84% of the savings agreed in the MTFS for 2017/18.

8.3. The factors that have resulted in shortfall in the savings programme for each priority area are summarised below.

Priority Four

8.4. The shortfall of £0.25m relates to transitional costs linked to the HDV including the extended employment of a team of commercial property valuers from March 2017 to March 2018. The Service is expected to deliver 70% of approved savings. Line by line comments on individual priority 4 savings, where provided, are detailed at Appendix 3a.

Priority Five

8.5. Priority 5 is projecting that all its savings will be achieved. Further details on priority 5 savings are detailed at Appendix 3b.

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.

10.2. Legal

10.3. The Assistant Director of Corporate Governance has been consulted on this report.

10.4. 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.

10.5. 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 – HRA Forecast (Quarter 1)

Appendix 3 – Detailed MTFSS Savings Monitor (Quarter 1)

Revenue Budget Forecast as at Quarter 1

APPENDIX 1

Priority for Report	Directorate	Revised 2017/8 Budget	Quarter 1 Forecast	Variance
PR4 Growth & Employment	CM Assistant Director for Commissioning	794,330	816,552	22,221
	M1 Non Service Revenue	1,900,200	1,902,200	2,000
	PLAN Assistant Director of Planning	1,522,830	1,524,249	1,419
	RGEN Director for Housing and Growth	1,246,646	1,394,546	147,900
	RPD02 Director of Regeneration	3,320,128	3,320,128	0
	V00001 Dir of Regeneration Planning, Development	467,152	467,152	0
PR4 Growth & Employment Total		9,251,286	9,424,827	173,540
PR5 Homes & Communities	AH03 Community Housing Services	10,719,938	11,504,647	784,709
	AH05 Housing Commissioned Services	9,695,066	9,695,066	0
PR5 Homes & Communities Total		20,415,004	21,199,713	784,709
General Revenue Total		29,666,290	30,624,539	958,249
	Housing Revenue Account	-48,300	362,748	411,048
Haringey Total		29,617,990	30,987,287	1,369,297

HRA Budget 2017/18	2017/18 Revised Budget £000's	Forecast Spend £000's	Quarter 1 Forecast Variance £000's
Income			
Dwelling Rental Income	(81,838)	(81,809)	29
Non Dwelling Rents	(2,997)	(2,872)	125
Hostel Rental Income	(1,996)	(1,914)	82
Leasehold Service Charge Income	(7,143)	(7,143)	0
Tenant Service Charge Income	(10,972)	(10,716)	256
Miscellaneous Income	(7,418)	(7,018)	401
Total Income	(112,364)	(111,471)	893
Expenditure			
Non-HfH Estates Costs	7,485	7,823	338
Housing Management Costs & NNDR	6,113	5,866	(247)
Repairs & Maintenance	0	0	0
Bad Debt Provision	1,022	1,022	0
Hostel Expenditure	579	579	0
Supported Housing	135	250	115
Community Alarm	1,298	1,411	113
Regeneration Team Recharge	810	859	49
Other Property Costs	2,438	1,956	(481)
General Fund Recharges	4,917	4,549	(368)
Capital Financing Costs	12,400	12,400	0
Depreciation Charge	18,000	18,000	0
Management Fee	40,135	40,135	0
Total Expenditure	95,332	94,850	(482)
(Surplus) for the year on HRA services	(17,032)	(16,621)	411

MTFS Savings P4 Growth and Employment

Appendix 3a

Ref	Proposal	Savings Target 2017-18 £000's	Risk of delay	Risk of delivering full saving	Overall risk RAG		Firm Commitment for savings achievable for 2017/18 £'000	Details of impact of under achievement of savings and mitigating actions
	P4 - Growth & Employment				0			
4.1	Tottenham Regeneration programme	213	1	1	1	Green	213	Achieved: Savings already taken from the budget
4.2	Planning service - Increase in planning income	40	2	1	2	Green	40	savings achieved
4.3	Corporate projects - Transfer of functions to HDV	250	5	3	15		-	Mitigating action: because the overspend relates to the transition to the HDV costs will be rolled into the Director Regen and Growth's HDV Transformation Fund bid and funds vired across to balance the budget once secured
	Subtotal (New MTFS)	503					253	
	OLD MTFS (GREEN SAVINGS)							
48	Planning - Wider restructure reducing to core service	75	1	1	1	Green	75	savings achieved
49	Restructure Economic Development Team to deliver new Strategy	250	1	1	1	Green	250	
	Subtotal (Old MTFS)	325					325	
	Total	828					578	

MTFS Savings - P5 - Housing

Ref	Proposal	Savings Target 2017-18 £000's	Risk of delay	Risk of delivering full saving	Overall risk RAG		Firm Commitment for savings achievable for 2017/18 £'000	Details of impact of under achievement of savings and mitigating actions
	P5 - Housing							
	OLD MTFS (GREEN SAVINGS)							
59	Housing Related Support commissioning efficiencies	470	2	3	6	Amber/Green	470	
60	Unification - Streamline and integrate housing and related functions.	95	2	3	6	Amber/Green	95	
61	Achieve year on year efficiencies	200	2	3	6	Amber/Green	200	
	Total	765					765	