

HOUSING COMMITTEE
TUESDAY, 29TH JUNE, 2021 AT 7.30 PM

Supplementary Agenda

To all members of **HOUSING COMMITTEE**: The following papers, which were not available for dispatch with the agenda, are attached. Please bring them with you to the meeting:-

Item 6 – Housing Committee finance report month 2 (2021/22)

Yours faithfully,

David Ford

Chief Executive

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Budget Monitoring Finance Report – Month 2 (May 2021)

Housing Committee – 29 June 2021

Report of: Anna D’Alessandro – Chief Finance Officer (Section 151)

Purpose: To approve the relevant budget changes since approval of the 2020/21 Budget at Full Council in February 2021.

To note that the 2021/22 Housing Budget, after the budget virements stated in this report is provisional on confirmation of the 2020/21 outturn. The Outturn for the Council will be presented upon completion of the Forensic Review & Fact Finding by Grant Thornton LLLP UK (GT) commissioned by S&R on 8th June.

To note the 2021/22 Month 2 (May) financial position of the Committee (including HRA).

Publication status: Unrestricted

Wards affected: All

Executive summary:

This report accompanies the presentation that outlines the Housing **2021/22 budget position at the end of May 2021 (M2)**

This report supports the Council’s priority of:

Effective budget monitoring giving a clear and precise overview of the Housing Committee’s financial position (including HRA).

Contact officer Rona Leitch – Finance Business Partner
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Recommendation to Committee:

That:

- A. the relevant budget changes since approval of the 2021/22 budget at Full Council in February 2021 be approved (para 4);

- B. the 2021/22 budget after recent budget virements be noted (*this budget is provisional pending the 2020/21 budget outturn being presented to S&R- likely to be in September 2021- following the completion of the forensic review by Grant Thornton. The Phase 1 work of GT focusses on the forensic review of the c£920k pensions adjustment and is unlikely to directly impact the Housing Committee Budget. Following the outcomes of Phase 1 there may need to be a Phase 2 which may look more broadly at financial issues across the Council to provide a solid and robust basis for the Council's finances moving forward. There is a possibility that this could impact other Committee budgets. The changes proposed in this report are provisional on the outcomes of this work.*); and
- C. the Committee's forecast revenue and capital budgets position as at M2 (May 2021) be noted

Reason for recommendation:

Please see slide presentation

Introduction and background

- 1 The 2021/22 Housing General Fund revenue budget was approved at £0.5m on 11th Feb 2021. Since the initial approval, the Council has reset some of its revenue budgets.
- 2 The reason for the reset of budgets is due to a number of factors including;
 - alignment of the corporate items (those that are outside the direct control of the Committee in day-to-day decision making);
 - realignment of case workers across the Council (therefore requiring the realignment of salaries across Committees);
 - aggregation of legal costs; and
 - reversal of the Council's unconventional treatment of depreciation (which consists of the application of budgets to non-cash/accounting only items). These changes have resulted in altered Committee budgets.
- 3 As these budget transfers are between Committee budgets and corporate items, the overall General Fund budget is unchanged at £11,295,340.

Table 1: Housing approved budget to Provisional proposed budget (subject to the 2020/21 outturn presented and approved by S&R and the review by GT).

	2021/22 Council Approved Budget £	Virements £	2021/22 Provisional Budget M2 £
Housing General Fund (Chair: Cllr Pursehouse ; Lead Officer: A Boote)			
Providing People with Homes	220,800	0	220,800
Improving the Quality of Housing & the Environment	9,900	0	9,900
Managing the Service Effectively	(93,200)	(1,600)	(94,800)
Community Services	121,800	(20,800)	101,000
Housing Benefits	231,700	0	231,700
Housing Services	491,000	(22,400)	468,600

- 4 The Housing budget has been reset is to remove the unconventional practice of assigning budgets to non-cash/accounting items. In usual circumstances and for budgeting purposes, only cash items would have a budget set against them as they have an element of controllability. The Council's practice (which goes back some time) has been to apply budgets to items which are of an "accounting treatment" nature only, depreciation is an example. The changes identified above relate to the removal of budgets for depreciation.
- 5 No changes are required to the HRA budget.
- 6 S&R has commissioned GT to perform a forensic review and fact-finding to fully understand the implications of the potential budget gap. Until S&R receives this report, we are unable to finalise and present the 2020/21 outturn position. This means that the 2021/22 budget is provisionally reset until receipt of the forensic report.
- 7 The budget monitoring report shows the financial revenue and capital position of the Housing Committee as at M2 (May).
- 8 Incorporated in the slide presentation is an update on the saving programme. Council approved an overall saving programme of £2.7m of which 5% is attributed to Housing.

Key implications

Comments of the Chief Finance Officer

- 9 The Council has a duty to ensure its expenditure does not exceed resources available. The short and medium-term financial outlook remain uncertain.

- 10 On 8th June S&R commissioned Grant Thornton LLP UK (GT) to undertake a Forensic Review and Fact Finding into the c£920k potential budget gap, via a Pensions adjustment. Phase 1 of this review will be to understand the reasons for this adjustment and implications on the 2020/21 and subsequent years' budgets. Phase 2, if required, may look more broadly at the finances across the Council to provide a solid basis to make financial decisions in the future. As a result, we have been unable to present the 2020/21 Outturn position to S&R.
- 11 There have also been a number of adjustments as outlined above to the Committee's budget – including the removal of non-cash/accounting item budgets and the realignment of salary costs across Committees.
- 12 Until the work of GT is complete and the outturn has been presented to S&R for approval (likely to be sometime in September) the budget adjustments proposed on this report are provisional and contingent on the items described above.
- 13 Until the Forensic review has been completed – we are maintaining a closer and tighter grip on costs particularly salaries. There is a substantial £2.7m saving programme for the Council to deliver in 2021/22 to provide us with the best opportunity to balance the 2021/22 budget. If this savings programme is not delivered this will have a detrimental impact on our finances. It will be kept under constant review and progress will be reported to Members in monthly financial reports.
- 14 Much work undertaken on the budget setting process for next year and into the medium-term indicates that the Council's finances will continue to be constrained, as they have been for much of the past decade. This subsequently places an onus on the Council to continue to consider issues of financial sustainability as a matter of urgency in order to ensure stable provision of services in the future. Within this context the Council will continue to develop and implement plans to ensure that the delivery of services is contained within resources and we work towards closing the medium-term gap.
- 15 The Section 151 Officer confirms the financial information presented in this report has been based on reasonable working assumptions, taking into account all material, financial and business issues and risks.

Comments of the Head of Legal Services

- 16 The Council must set the budget in accordance with the provisions of the Local Government Finance Act 1992 and approval of a balanced budget each year is a statutory responsibility of the Council. Sections 25 to 29 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor its finances during the year. The legislation leaves discretion to the Council about the allowances to be made and action to be taken.

- 17 The Committee should be aware that if the Section 151 Officer, at any time, is not satisfied that appropriate strategies and controls are in place to manage expenditure within the in-year budget they must formally draw this to the attention of the Committee and Council and they must take immediate steps to ensure a balanced in-year budget, whilst complying with its statutory and common law duties.
- 18 It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, Members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered, and that any new expenditure is contained within the available resources. The Monitoring reports set out the additional detail so that Members can get a feel for where the potential issues are.
- 19 Members will be updated on the findings on the commissioned forensic review outcomes once their report has been finalised.

Equality

- 20 This report does not disadvantage or discriminate against any different groups with protected characteristics in the community.

Climate change

- 21 There are no significant environmental / sustainability implications associated with this report.

Appendices

Appendix 'A' – Committee's Month 2 (May) Financial Report

Background papers

None

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Month 2 (May 21) Financial Report

Housing 29th June 2021

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Rona Leitch
Finance Business Partner

Anna D'Alessandro
Chief Finance Officer (s151)

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- Revenue –General Fund & Housing Revenue Account (HRA)

- Annex
 - Housing Committee - Detailed Revenue
 - Housing Committee - Saving Tracker
 - Housing Committee - Financial Risks
 - Housing Committee - Housing Revenue Account (HRA)
 - Housing Committee - Detailed Capital

Key messages

Housing General Fund Budget:

- Originally on 13th Feb 2021, Council **Approved a £491k Revenue Budget.**
- Since the initial approval, the Council has reset some of its revenue budgets. The reason for the reset of budgets is due to a number of factors including; **(refer Cover Report)**
 - **(£22k) - reverse the Council's unconventional treatment of depreciation (which consists of the application of budgets to non-cash/accounting only items).**
- 2021/22 Budget for Committee is provisional pending the 2020/21 Budget Outturn being presented to S&R. This will follow the completion of the forensic review by Grant Thornton LLP UK. There is a possibility that this work could impact other Committee budgets.
- **At 29th June proposed virements totalling £22k have been removed from the original budget, Provisional Budget is now set at £469k**

Revenue Forecast position:

- **At M2, Housing General Fund is forecasting to be on budget.**
- There remains significant uncertainty in the 2021/22 forecast. This will be kept under close review throughout the year.
- Provisional and subject to the Council's 2020/21 Outturn being approved pending the GT Forensic Review

Housing Revenue Account:

- The 2021/22 Housing Revenue Account revenue budget was approved by Council on 13th February 2021, at **£893k surplus to reserves; the outturn forecast position is that it will be underspent by £14k** in relation to interest charges on HRA loans.

Key Messages (cont'd)

2021/22 Savings Programme:

- There is a Council-wide £2.7m savings programme, of which **£147k (5%)** is attributable to **Housing General Fund**

Committee	Target £000	Achieved £000	Plans in Place £000	Potential Barriers £000	High Risk £000	BAU Full year Forecast £000	Unachievable £000
Housing	147	24	122	0	0	147	0

- Of the planned £147k savings:
 - **£24k (BLUE)** are considered to be achieved (i.e. there has been a reduction in spend attributed to the savings areas)
 - **£122k (GREEN)** have plans in place that will be evident later in the year (*refer Saving Tracker Annex*)

Risks & Opportunities:

- **No risks** have been included in the forecast position at M2
- **Net risks of £7k** have been quantified for Housing General Fund (*refer Financial Risks Annex*)
- **Net risks of £70k** have been quantified for Housing Revenue Account

Key Messages (cont'd)

Capital:

- The 2021/22 capital budget was approved by Council on 13th February 2021, at **£460k for Housing General Fund and £16,554k for Housing Revenue Account; the outturn forecast position is currently balanced for both areas.**
- The potential capital carry forward, of £250k, from 2020/21 for the Housing Revenue Account funding is pending on the approval of the 2020/21 outturn.

Capital Budget Monitoring at Month 2 end May	Original Budget 2021/22 £	Pending Potential Carry Forward from 2020/21 £	Provisional Budget including Carry Forwards £	Forecast at M2 2021/22 £	Forecast Variance at M2 2021/22 £
Housing General Fund - Committee Chair: Councillor J Pursehouse - Officer: A Boote					
Social Housing Grants	0	0	0	0	0
Disabled Facilities Grants	460,000	0	460,000	460,000	0
Total Housing General Fund	460,000	0	460,000	460,000	0
Housing Revenue Account - Committee Chair: Councillor J Pursehouse - Officer: A Boote					
Council House Building	12,700,000	0	12,700,000	12,700,000	0
Improvements to Housing Stock	3,589,500	163,000	3,752,500	3,752,500	0
HRA IT - Hardware/Infrastructure	264,200	87,300	351,500	351,500	0
Total Housing Revenue Account	16,553,700	250,300	16,804,000	16,804,000	0

ANNEX

DETAILED REVENUE AND CAPITAL

- Housing Committee – Housing General Fund (slide 6)
- Housing Committee – Saving Tracker (slide 7)
- Housing Committee – Financial Risks (slide 8)
- Housing Committee – Housing Revenue Account (slide 9)
- Housing Committee – Detailed Capital (slide 10)

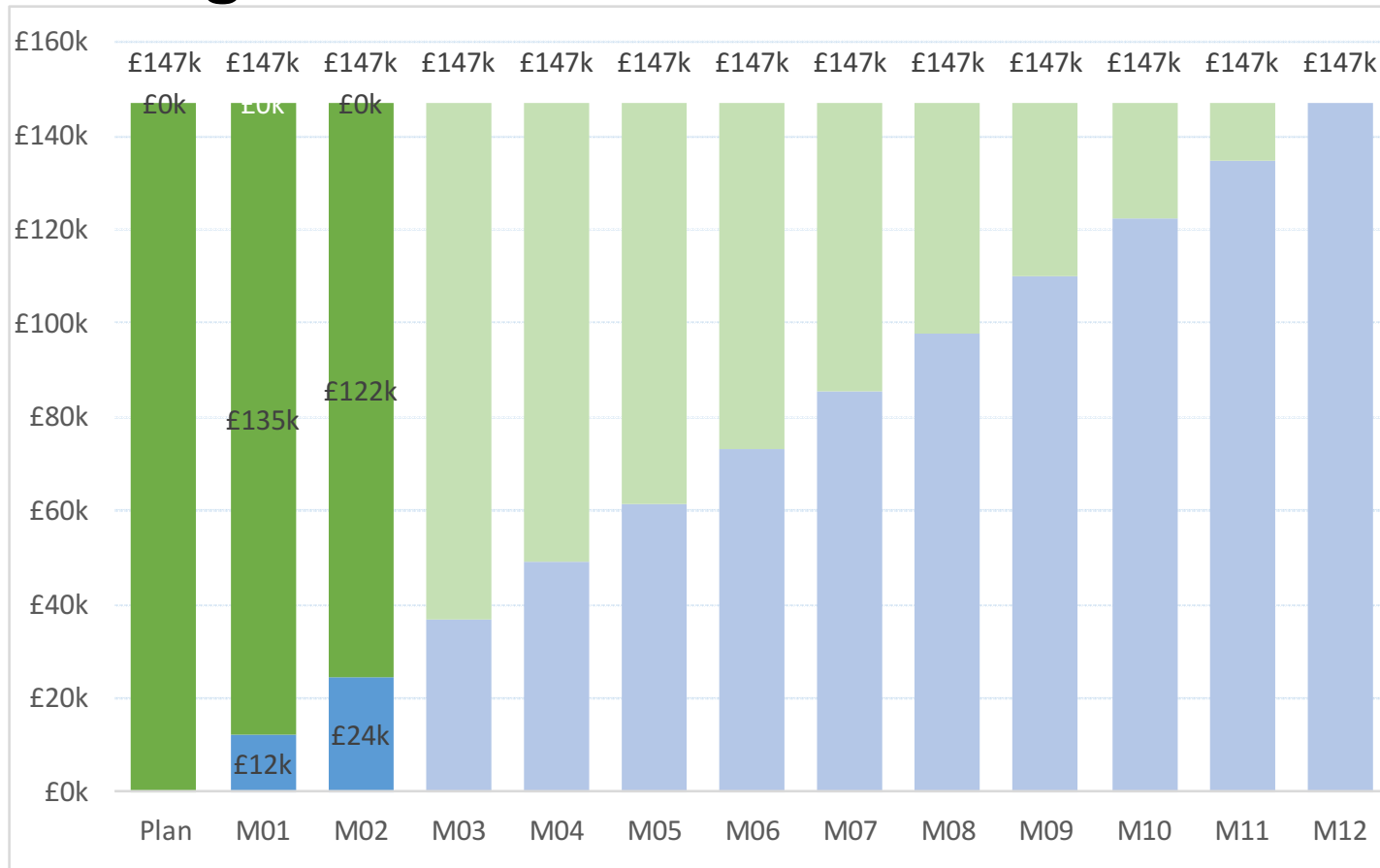
Housing Services – Overview

2021/22 Forecast: General Fund Financial Position at year end 31/03/2022

	2021/22 Outturn forecast at M2 £	2021/22 Provisional Budget M2 £	M2 Forecast Variance £
Housing General Fund (Chair: Cllr Pursehouse ; Lead Officer: A Boote)			
By function:			
Providing People with Homes	220,800	220,800	0
Improving the Quality of Housing & the Environment	9,900	9,900	0
Managing the Service Effectively	(94,800)	(94,800)	0
Community Services	101,000	101,000	0
Housing Benefits	231,700	231,700	0
Housing Services	468,600	468,600	0
By subjective:			
Salaries	523,700	523,700	0
Non Salaries	18,661,100	18,661,100	0
Income	(18,716,200)	(18,716,200)	0
Housing Services	468,600	468,600	0

Saving Tracker as at M2

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Key:

Blue – Achieved;

Green – Plan in place;

Amber – Potential barriers;

Red – High risk of not being achieved

Black – Part or all of saving cannot be achieved

Committee	Description	Target £000	Achieved £000	Plans in Place £000	Potential Barriers £000	High Risk £000	BAU Full year Forecast £000	Unachievable £000
Housing	Vacancy Review	135	23	113	0	0	135	0
Housing	Inflation and Contract Containment	12	2	10	0	0	12	0
TOTAL		147	24	122	0	0	147	0

Financial Risks

Committee	Risk	Mitigation	Min & Max Range	Likely / Average Financial impact	RAG Risk
Across the Council	Continuation of COVID-19 social distancing affecting business interruptions	Applying current COVID-19 directions and identifying costs onto the COVID-19 loss of income & expenditure tracker	£50k - £1.5m	£100k	A
Housing General Fund	COVID-19 impacts greater unemployment and straining housing demands	Applying current COVID-19 directions and identifying costs onto the COVID-19 loss of income & expenditure tracker	£0-£20k	£2k	G
	Higher unemployment directly linked to high risk of rent defaults resulting in greater homelessness		£5k-£20k	£5k	G
Housing Revenue Account	COVID-19 impacts greater unemployment and straining housing demands	Applying current COVID-19 directions and identifying costs onto the COVID-19 loss of income & expenditure tracker	£5k - £100k	£20k	A
	Higher unemployment directly linked to high risk of rent defaults and greater debt write offs		£20k-£200k	£20k	A
	Inflation leads to increased cost of repairs		£5k - £100k	£20k	A
	Potential tree works needed on HRA land due to Ash Dieback is far more advanced than was previously projected		£5 k - £20k	£10k	A

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Risk Criteria:

R: Critically severe & Probable

Amber: Moderately severe & Occasional

Green: Marginally severe & Remote

Housing Revenue Account (HRA) - Overview

2021/22 Forecast: HRA Financial Position at year end 31/03/2022

	2021/22 Outturn forecast at M2 £	2021/22 Provisional Budget M2 £	M2 Forecast Variance £
Housing Resources Account (Chair: Cllr Pursehouse ; Lead Officer: A Boote)			
Salaries	2,486,600	2,486,600	0
Services costs	5,672,400	5,672,400	0
Corporate Support Services	1,781,100	1,781,100	0
Repairs and Maintenance	2,674,200	2,674,200	0
Interest Charges on loan	1,642,650	1,655,400	(12,750)
Rental Income Dwellings	(14,552,300)	(14,552,300)	0
Rental Income Garages	(379,700)	(379,700)	0
Other Income	(231,000)	(231,000)	0
Forecast outturn before transfer to reserves	(906,050)	(893,300)	(12,750)
Transfer to reserves	906,050	893,300	12,750
Forecast outturn after transfer to reserves	0	0	0

- In mid-June the Council refinanced a HRA loan of £4.25m that was due for repayment. The new loan was taken out for a term of 50 years at a rate of 1.91% and is repayable on maturity. The new loan rate is 0.3% lower than the previous loan, savings the HRA £12,750 in interest payments in a full year

Capital

- The Council's approved **Capital budget for 2020/21 is £17.0m (General Fund £0.5m, HRA c£16.5m).**
- As Outturn is still pending, carry forwards, due to programme slippage, are unapproved (**HRA c£0.3m**)
- The outturn forecast position is currently balanced**

Capital Budget Monitoring at Month 2 (May)	Original Budget 2021/22 £	Pending Potential Carry Forward from 2020/21 £	Original Budget including Carry Forwards 2021/22 £	Forecast at M2 2021/22 £	Forecast Variance at M2 2021/22 £
Housing General Fund - Committee Chair: Councillor J Pursehouse - Officer: A Boote					
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