

# Arun District Council

<b>REPORT TO:</b>	<b>Housing &amp; Wellbeing Committee - 25 January 2024</b>
<b>SUBJECT:</b>	<b>Budget Monitoring Report to 31 December 2023</b>
<b>LEAD OFFICER:</b>	<b>Antony Baden – Group Head of Finance &amp; Section 151 Officer</b>
<b>LEAD MEMBER:</b>	<b>Councillor Carol Birch, Chair of Housing &amp; Wellbeing Committee</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:</b> The Council's budget supports all the Council's Objectives.	
<b>DIRECTORATE POLICY CONTEXT:</b> Budget monitoring and forecasting are key in ensuring sound financial control and control of spending is in place. It is also a major part in ensuring sound governance arrangements.	
<b>FINANCIAL SUMMARY:</b> The report shows the Committee's Revenue budget, Housing Revenue Account and Capital programme forecast out turn position for 2023/24 as at the end of Quarter 3.	

## 1. PURPOSE OF REPORT

- 1.1. The purpose of this report is to appraise the Housing & Wellbeing Committee of its forecast outturn against the 2023/24 budgets, which were approved by Full Council at its meeting of 9 March 2023.

## 2. RECOMMENDATIONS

- 2.1. It is recommended that the Committee notes the content of this report.

## 3. EXECUTIVE SUMMARY

- 3.1. The report sets out in further detail the Committee's Revenue, Housing Revenue Account (HRA) and Capital programme budget performance projections to the 31 March 2024.

## 4. DETAIL

### Revenue Budget

- 4.1. Table 1 below details the 2023/24 forecast revenue budget out turn to the end of Quarter 3 and anticipates an overspend of £158k, which is an adverse movement of £398k against the £240k underspend reported in Quarter 2. The significant change in the forecast is explained in paragraph 4.2 below.

**Table 1**

<b>Housing &amp; Wellbeing Committee</b>					
	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>	<b>Variance</b>	<b>Movement</b>
	<b>2023-24</b>	<b>Q3</b>	<b>Q3</b>	<b>Q2</b>	
<b>Description</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Arun Lifeline	(7)	12	19	19	0
Community Safety / Development	772	638	(135)	(116)	(19)
Activities for the Elderly	79	79	0	0	0
Homelessness & Housing Advice	2,427	2,763	336	336	0
Housing Strategy & RSLs	39	21	(18)	(18)	0
Leisure & Culture	(445)	(820)	(375)	(375)	0
Revenues & Benefits	2,781	3,111	330	(86)	416
Voluntary Sector	291	291	0	0	0
<b>Total Housing &amp; Wellbeing Committee:</b>	<b>5,937</b>	<b>6,095</b>	<b>158</b>	<b>(240)</b>	<b>398</b>

4.2. **Revenue and Benefits** – The Quarter 3 forecast indicates an overspend of £330k, which is an adverse change of £416k from the Quarter 2 forecast. This is due to a net increase in supported accommodation costs.

4.3. Supported housing is the provision of accommodation by an external provider for people who require support, supervision, or care to live as independently as possible in the community. The Council pays the client's rent to the external provider and receives housing benefit subsidy from the Department of Work & Pensions. The amount of subsidy is set by legislation and dependent on various factors, including location and property type. It often does not cover the rent payable, which leads to a funding gap. The gap is referred to as 'subsidy loss' and is not unique to Arun District Council.

## Capital Programme

- 4.4. Table 2 below, details the Committee's 2023/24 forecast capital programme out turn as at Quarter 3. The total capital budget for 2023/24 is £16.585m which includes slippage from the previous year of £8.459m. There have been changes within year of an additional £5.907m attributed to Stock Development resulting in a £13.7m capital programme for this area, though £6.7m has since been reprofiled to future years along with £107k relating to the Civica implementation.

**Table 2**

	Original 2023/24 Budget	Slippage from 2022/23	In Year additions	Other Changes	Revised 2023/24 Budget	Forecast Out Turn 2023/24	Variance	2024/25 Budget	2025/26 Budget	2026/27 Budget
Project	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ALC Wet Change	0	578	0	0	578	578	0	0	0	0
Housing Improvements	2,931	0	0	0	2,931	2,931	0	5,901	5,683	5,516
Decarbonisation (match funding)	3,000	0	0	0	3,000	0	-3,000	0	0	0
Civica Implementation	467	60	0	-107	420	419	0	579	24	0
Stock Development	0	7,821	5,907	-6,671	7,057	6,288	-769	6,671	0	0
Sheltered Accommodation	2,600	0	0	0	2,600	0	-2,600	2,000	1,400	0
<b>Total Housing &amp; Wellbeing Committee Capital</b>	<b>8,998</b>	<b>8,459</b>	<b>5,907</b>	<b>-6,778</b>	<b>16,585</b>	<b>10,216</b>	<b>-6,369</b>	<b>15,151</b>	<b>7,107</b>	<b>5,516</b>

- 4.5. The ALC Wet Change scheme is now complete.
- 4.6. The programme of housing improvements consists of boiler, kitchen, bathroom and roof replacements, along with cavity/loft insulation and air source heat pumps.
- 4.7. Match funding to support Social Housing Decarbonisation fund (SHDF) funding bid was unsuccessful. Officers are reviewing previous submissions to consider how and whether the information collated might be used for further bids as part of SHDF Wave 3 and the Local Authority Retrofit Fund (2025-2028). The £3m budget will therefore be carried over to 2024/25.
- 4.8. Phase 1 delivery of a new Civica housing management system is expected to go live May 2024 with phase 2 expected to be delivered over the following 12 months. A reprofiling of £107k of 2023/24 budget has been made into future years. A report will be brought before members outlining the detail for phase 2.
- 4.9. The reprofiling of £6.671m of the 2023/24 budget for the Stock Development programme relates to development of garage sites. Additions in year relate to property purchases at the Warwick Nurseries & Boweries (£3.8m) and The Mews, Yapton (£2.1m). Exchange & completion of the former is expected in February 2024 with handover expected May/June 2024.

4.10. Sheltered Accommodation has an overall budget provision of £6 million, which is subject to a full options appraisal and business case on the upgrading and redevelopment of sheltered housing stock. Once undertaken officers will have a clearer understanding of the budget requirement. The 2023/24 budget will likely be carried forward into 2024/25.

4.11. The Capital programme is being reviewed as part of the budget setting process and will take account of progress against the 2023/24 budget. Any changes will be reported to this Committee for approval by Policy & Finance Committee.

### Housing Revenue Account (HRA)

4.12. The Council has an established minimum threshold for the Housing Revenue Account reserve of at least £2 million. There is a statutory requirement for the Housing Revenue Account balance to maintain a positive balance. The balance on the Housing Revenue Account reserve is forecast to fall to £551k by the end of March 2024, which is £632k lower than the original budget target. The forecast outturn position for the HRA is summarized in Table 3 below.

**Table 3**

<b>Housing Revenue Account Q3 Forecast</b>					
	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>	<b>Variance</b>	<b>Movement</b>
	<b>2023-24</b>	<b>Q3</b>	<b>Q3</b>	<b>Q2</b>	<b>Q2 to Q3</b>
<b>Description</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Income</u></b>					
Dwelling Rents	18,345	18,452	(107)	(107)	0
Non-Dwellings Rents	479	442	37	17	(20)
Voids	(272)	(384)	112	70	(42)
Write-Offs	(96)	(96)	0	(35)	(35)
Other Income	764	820	(56)	0	56
Interest on Balance	207	330	(123)	(123)	0
<b>Total Income</b>	<b>19,427</b>	<b>19,564</b>	<b>(137)</b>	<b>(178)</b>	<b>41</b>
<b><u>Expenditure</u></b>					
Supervision & Mgt	5,865	6,310	(445)	(396)	49
Repairs & Maintenance	5,956	6,141	(185)	48	233
Rent, rates, taxes	186	273	(87)	0	87
Depreciation	5,808	5,808	0	0	0
Loan Charges	1,952	2,005	(53)	(111)	(58)
<b>Total Expenditure</b>	<b>19,767</b>	<b>20,536</b>	<b>(769)</b>	<b>(459)</b>	<b>310</b>

Asset sale Gain/Loss	0	0	0	0	0
<b>(Surplus)/Deficit</b>	<b>340</b>	<b>972</b>	<b>632</b>	<b>281</b>	<b>(351)</b>
<b><u>Major Repairs Reserve</u></b>					
Balance B/Fwd	(3,884)	(3,884)			
(Surplus)/Deficit	(1,334)	(502)	832	832	0
<b>Balance C/Fwd</b>	<b>(5,218)</b>	<b>(4,386)</b>	<b>832</b>	<b>832</b>	<b>0</b>
<b><u>HRA Reserve</u></b>					
Balance B/Fwd	(1,523)	(1,523)			
(Surplus)/Deficit	340	972	632	281	(351)
<b>Balance C/Fwd</b>	<b>(1,183)</b>	<b>(551)</b>	<b>632</b>	<b>281</b>	<b>(351)</b>

### Explanation of main variances

- 4.13. Gross dwelling rents are forecast to be £107k favourable. When a property becomes vacant, the rent charged to a new tenant is increased to the formula rent which generates a favourable forecast. This is offset however, by the in-year increase in void properties. Whilst improvements have been made in void turnaround times, these improvements are impacted by a significant number of long-term void properties which require broader considerations for disposal and/or regeneration/development. Several new build properties have also become available at Water Meadows Way and have contributed to a more favourable position.
- 4.14. There has also been an increased focus on income recovery, and this is expected to see an improvement of up to 1% in rental income by April 2024.
- 4.15. Supervision and Management are forecast to be £445k overspent. The majority of this is the extra cost of engaging agency staff although this number has been progressively reducing. There are now six agency staff remaining and steps are being taken to reduce this figure further in 2024-25.
- 4.16. Repairs and Maintenance shows an adverse forecast of £185K, representing a worsening position of £233K compared to the Quarter 2 forecast. This is due to increased demand on the service and inflationary increases in contractor prices. Where investment is undertaken on increased capital spending for planned maintenance this will see reduced responsive repair costs going forwards.

- 4.17. Whilst the establishment of a Dynamic Purchasing System 'DPS Framework' will impact positively on the cost of certain types of repairs and maintenance work, the number of contractors signed up to each category is still building, which has led to delays in utilisation and impact. Officers will continue to exercise close cost control and monitoring to year-end with the intention of improving the year end position.
- 4.18. The Repairs and Maintenance budget also includes compliance costs. Increased investment (roof's £935K, windows and doors £230K and rewiring and installations £173K) and compliance expenditure is broadly offset by reduced expenditure in respect of cyclical (external) decorations, provision for decarbonisation surveys and minor works (due in part to delays resulting from a lack of tenders through DPS).
- 4.19. Rent, rates, taxes & other charges are forecast to overspend by £87k, mainly due to council tax payments on void properties. Whilst improvements have been made in void turnaround times, these improvements are impacted by a significant number of long-term void properties, which require broader considerations for disposal and/or regeneration/development.
- 4.20. Loan Charges are forecast to underspend by £58k as less borrowing is required in 2023/24, (see paragraphs 4.7 and 4.10).

#### **Actions to Improve Forecast**

- 4.21. Increased capital spending will reduce responsive repair costs going forward. Additionally, officers are implementing and maintaining close cost control and monitoring, with the escalation of decision-making in respect of expenditure in all but contracted works and health & safety repairs. Post works inspections have now commenced as a result of having a full complement of Technical Officers. Whilst this will not necessarily reduce costs, it will ensure effective practice and value for money.
- 4.22. Action has been taken to improve void turnaround times and we continue to see a reduction in the number of voids which can be made available to re-let. This should result in improved income and reduced void expenditure for year-end outturn.
- 4.23. Managers have undertaken an initial exercise in workstream realignment which will deliver efficiencies by ensuring that the staffing establishment within Housing Services is able to meet current strategic and operational challenges and is future-proofed to address increased external challenges through the changing legislative (building safety) and regulatory landscape. This work will ultimately help the service to move away from its previous reliance on agency staff for specialist expertise and skills gaps.
- 4.24. A rent arrears workshop has been arranged for 1 February 2024 to review working practices and to implement improved processes.

## 5. CONSULTATION

5.1. Consultation with other stakeholders is not required for this report.

## 6. OPTIONS / ALTERNATIVES CONSIDERED

6.1. There are no alternative options to this report.

## 7. COMMENTS BY THE INTERIM GROUP HEAD OF FINANCE/SECTION 151 OFFICER

7.1. It is sound governance to monitor spending against budget during the financial year. Such control allows the Council to take prompt corrective action if spending or income significantly varies from the approved budgets.

7.2. The Housing Revenue Account balance projection remains a significant concern and is forecast to fall to £551k by the end of 2023/24. Further reports will continue to be presented to future Housing & Wellbeing Committees.

## 8. RISK ASSESSMENT CONSIDERATIONS - HRA

8.1.

Risk	Likelihood	Impact	Mitigation
Agency costs are not minimised	3	4	CMT to review remaining agency contracts monthly
Severe weather increases responsive repair costs	4	4	Continue planned programme of roof replacements and triage roof repair work
Damp and mould costs increase	4	3	Undertake inspections and pro-active repairs
DPS may not deliver any in year savings	4	2	The forecast does not include savings from the DPS except for voids, where the contract has already been awarded
The savings identified are not delivered	3	4	CMT to review savings and income projections monthly

## **9. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER**

9.1. The Local Government and Housing Act 1989 requires the Council to maintain a Housing Revenue Account that is separate from its General Fund account. The amounts to be credited or debited to the Housing Revenue Account can only be in respect of items detailed in the Act or covered by regulations issued by the Secretary of State. Budgets must be prepared each year for the Housing Revenue Account which will avoid a debit balance on the account, and action must be taken if in any year it appears a debit balance may arise.

## **10. HUMAN RESOURCES IMPACT**

10.1. None.

## **11. HEALTH & SAFETY IMPACT**

11.1. None.

## **12. PROPERTY & ESTATES IMPACT**

12.1. None.

## **13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE**

13.1. None.

## **14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE**

14.1. None.

## **15. CRIME AND DISORDER REDUCTION IMPACT**

15.1. None.

## **16. HUMAN RIGHTS IMPACT**

16.1. None.

## **17. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS**

17.1. None.

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### **CONTACT OFFICER:**

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**BACKGROUND DOCUMENTS:**

Budget Book 2023/24

Minute 779, Full Council 9 March 2023 – Arun District Council budget 2023/24

[Minutes of Full Council – 9 March 2023](#)

Quarter 2 Budget Monitoring Report, Environment Committee, 21 November 2023,  
Minute 380.

[Quarter 2 Budget Monitoring Report – Environment Committee – 21 November 2023](#)