



CAERPHILLY HOMES TASK GROUP – 7TH SEPTEMBER 2016

SUBJECT: HOUSING REVENUE ACCOUNT OUTTURN 2015/16

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & SECTION 151 OFFICER

1. PURPOSE OF REPORT

- 1.1 To inform CHTG members of the outturn expenditure for the Housing Revenue Account (HRA) for the 2015/16 financial year.
- 1.2 CHTG members will be aware of the distinction between the HRA, which is funded by rental income received from council tenants, and General Fund Housing and Private Housing, which fall under the General Fund and is funded via the Council taxpayer. Although there is a clear separation of these funds, the majority of council tenants rent is funded from housing benefits which is derived from the tax payers purse and therefore value for money must always be sought.

2. SUMMARY

- 2.1 The report outlines the final outturn for the HRA based upon the expenditure and income for the full financial year.

3. LINKS TO STRATEGY

- 3.1 The content of the report is in accordance with the budget strategy agreed by Council at its meeting of 25th February 2015. Cabinet approved the HRA estimates on the 4th February 2015.
- 3.2 Budget management itself is in accordance with the Corporate theme of Delivering the Strategies.
- 3.3 The Wellbeing of Future Generations Act 2015 sets out the following wellbeing goals which link with the aims of this report:-
 - A sustainable Wales
 - A prosperous Wales
 - A healthier Wales
 - A more equal Wales
 - A Wales of cohesive communities
 - A Wales of vibrant culture and thriving Welsh language
 - A globally responsible Wales

4. THE REPORT

4.1 Introduction

4.1.1 The following paragraphs highlight the major budget variances.

4.2 HRA (£6.8m underspend)

4.2.1 The HRA outturn was a £6.8m under-spend, which represents 15% of the total HRA budget. The main variances are summarised below and full details are provided in Appendix 1.

4.3 Salaries & Mileage (£229k underspend)

4.3.1 Salaries and associated costs within the HRA generated savings of some £229k, which represents around 1% of the total salary budget. There are a variety of reasons for this given the volume of staff, but the main causes are staff turnover £444k, which includes savings such as long term sickness, opted out pension savings and vacant posts, offset by an overspend within the Housing Response Operations team of 334k which also includes staff turnover to address the increase in work experienced during the year, particularly as a result of extreme poor weather conditions through the winter period. The HRO team also installed over 120 kitchen and bathrooms, in addition to other elemental works to support the WHQS programme.

A further saving of £118k was achieved for other salary related budgets such as mileage allowances and agency staff.

4.4 CFR charges (£1.9m underspend)

4.4.1 This underspend relates to the buy-out from the Housing Revenue Account Subsidy (HRAS) in April 2015. In order to buy-out of the system, the HRA borrowed £75m. Initially this was thought to attract a Minimum Revenue Provision (MRP) of 2% in its first year but the Authority's Treasury Advisors (Arlingclose) have since confirmed that the MRP will be deferred by one year from the point of borrowing as is the case under normal borrowing circumstances.

4.5 Service Specific Related and Office Related (£2m underspend)

4.5.1 Non pay related budgets (which include office running costs, one-off projects and tenant related expenditure) have spent £2m less than budgeted. There are numerous variances within this category but an example of some of the savings are, Bad Debt Provision (£320k), provision for office relocation (£191k), DHP top up (£100k), HRO and stores operational costs (£508k), Utility charges (£55k), Central Recharges and SLA's (£58k), IT systems and equipment (£154k), Projects (£97k), Local Employment Fund (£13k), Tenancy Enforcement Projects (£38k), Training (£19k), Energy Performance certificates (£14k), and security of void properties (£13k).

4.6 Building Maintenance (£2.4m under-spend)

4.6.1 The HRA is utilised to fund the maintenance of the public housing stock.

4.6.2 Response Repairs sub accounts (£815k underspend) - In previous years this category would include the cost of response repairs which was charged via the Building Maintenance DLO. However, due to the merger of the DLO with the HRA, there is now an allocated budget for the Housing Repairs Operations (HRO). These costs are now split over salaries and non pay elements (as staff and materials are charged direct to the HRA) and are therefore shown elsewhere in this report. However, as part of the merger some budgets were streamlined more effectively to fit with the HRO service which included the Non-DLO budget which is typically used to contract works out that the HRO are unable to complete. This budget has underspent by £500k and is as a result of more work being undertaken in-house and the

externally contracted work being controlled more efficiently within the in house workforce in lieu of appointing external contractors on a framework arrangement. Damproofing works has also underspent by some £145k as a result of incorporating the work more effectively within the in-house team. Further savings of £170k have also been achieved on asbestos surveys where the budget incorporated an element for planned programmes. This is now charged directly to the WHQS programme.

- 4.6.3 Revenue Projects (£750k under-spend) – this category mainly includes budgets that fall outside of the other budgets remits (i.e. not planned, cyclical or in house responsive). The under-spend mainly relates to the contingency budget (£400k) where a small provision is set each year for any unforeseen repairs. Projects for sheltered complexes have underspent by £150k and the environmental infrastructure works budget of £200k has not been utilised this year.
- 4.6.4 Planned Cyclical (£845k under-spend) – this relates to costs associated with our statutory servicing and maintenance obligations, e.g. heating, electrical, and legionella testing. Under-spends in this area relate to Alarm & Light Servicing (£108k), Gas & solid fuel remedial works (£440k), Gas & Solid Fuel Servicing (£192k), Fire safety doors (£30k), Legionella testing (£18k), and electrical testing (£35k).
- 4.6.5 As part of the merger of the Building Maintenance DLO with the HRA, the WHQS holding account was set up to monitor the in house workforce costs that would be recharged to the WHQS capital programme. A budget of £8.8m was allocated in 2015/16 along with an income recharge to the capital programme so that the HRA had a nil cost. The same principle applied to the WHQS management team responsible for delivery of the WHQS programme where £1.8m budget was allocated with an associated income recharge to capital.
- 4.6.6 The in house workforce for WHQS overspent its budget by some £180k (2%) and the WHQS delivery team costs were some £230k less than anticipated.

4.7. **Revenue Contribution to Capital (nil variance)**

- 4.7.1 The HRA allowed for some £11.8m of revenue contributions towards the WHQS programme (not including delivery fees which are covered in 4.6.7 above).
- 4.7.2 The total expenditure on the WHQS capital programme was £28.6m against a budget of £36.3m. The HRA RCCO was therefore fully utilised to fund this spend in addition to the £7.3m Major Repairs Allowance (MRA) from Welsh Government and £7.9m from HRA balances earmarked for WHQS. The remaining balance was the funding of the delivery team fees from the HRA of £1.6m.

HRA Working balances

- 4.8.1 Working balances at the end of 2014/15 stood at £21m. This has been reduced by the £7.9m funding required for the WHQS programme but has increased by the £6.8m underspend from the HRA this year. The total working balances as at the 1st April 2016 (unaudited) is therefore £19.8m. The majority of this funding is earmarked to fund the WHQS programme. To date no borrowing has been undertaken to fund the WHQS programme.

5. EQUALITIES IMPLICATIONS

- 5.1 There are no potential equalities implications of this report and its recommendations on groups or individuals who fall under the categories identified in Section 6 of the Council's Strategic Equality Plan. There is no requirement for an Equalities Impact Assessment Questionnaire to be completed for this report.

6. FINANCIAL IMPLICATIONS

6.1 This report deals with the financial implications.

7. PERSONNEL IMPLICATIONS

7.1 There are no personnel implications.

8. CONSULTATION

8.1 Consultation responses have been reflected in this report.

9. RECOMMENDATIONS

9.1 CHTG members are requested to note the contents of this report.

10. REASONS FOR THE RECOMMENDATIONS

10.1 To inform Members of the financial position of the Housing Revenue Account.

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Appendices

Appendix 1 HRA financial plan outturn 2015/16