



POLICY AND RESOURCES SCRUTINY COMMITTEE – 4TH OCTOBER 2016

**SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING – PERIOD 4
2016/17**

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND SECTION 151
OFFICER**

1. PURPOSE OF REPORT

- 1.1 This report is to inform members of the projected expenditure for the Housing Revenue Account (HRA) for the 2016/17 financial year.

2. SUMMARY

- 2.1 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.
- 2.2 This report outlines the projected outturn for the HRA based upon the expenditure and income for the first four months of the 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 24th February 2016. Cabinet approved the HRA estimates on the 3rd February 2016.
- 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 HRA (£870k underspend)

4.1.1 The HRA is currently projecting a year end outturn of £870k underspend, which represents just under 2% of the total HRA budget. The main variances are summarised below and full financial details are provided in Appendix 1.

4.2 Salaries & Mileage (£86k overspend)

4.2.1 Salaries and associated costs within the HRA are currently expected to overspend by some £86k. This is a net position where underspends in some areas are offset by overspends in others, in particular underspends are expected in public sector area housing, sheltered and strategy (£230k). Historically there has always been a high turnover of staff in the area offices given the volume of staff and this budget tends to generate savings throughout the year. The offsetting overspends are projected mainly in the Housing Response Operations team and Building Maintenance (£252k) as a consequence of increased work in supporting the WHQS programme, and also in the Allocations team (£76k) which has been recently reviewed to address the new Common Housing Register. A further underspend of £12k is currently projected for other salary related budgets such as mileage allowances.

4.3 Service Specific Related and Office Related (£92k underspend)

4.3.1 Non pay related budgets (which include office running costs, one-off projects and tenant related expenditure) are predicting a £92k underspend. There are numerous headings that make up these budgets, including, Security of Void Properties, Energy Performance Certificates, Decoration Allowances, IT Equipment and Stationery.

4.4 Income (£1.3m additional)

4.4.1 The projected additional income is mainly as a result of the increased expenditure in the Housing Response Operations (HRO) team which is recharged to the WHQS programme.

4.5 Building Maintenance (£283k overspend)

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

4.5.2 The HRO is projected to incur additional expenditure of £1m as a result of increased work in particular in supporting the WHQS programme and end of tenancy voids. The increase relates in the main to materials, sub contractors and tipping charges.

4.5.3 An underspend of £393k is anticipated for Revenue Projects. This category mainly includes budgets that fall outside of the other budgets remits (i.e. not planned, cyclical or in house responsive). The underspend mainly relates to the contingency budget (£162k) where a small provision is set each year for any unforeseen repairs. Projects for sheltered complexes are expecting an underspend of £85k and the environmental infrastructure works £47k. The Non-DLO budget which is typically used to contract works out that the HRO are unable to complete are expected to make efficiencies of some £182k as a result of more work being absorbed in-house and contracted work being controlled more efficiently. Damp proofing is projecting a £117k overspend based on its current expenditure pattern.

4.5.4 Planned Cyclical (£390k underspend) – this relates to costs associated with our statutory servicing and maintenance obligations, e.g. heating, electrical, and legionella testing. Underspends in this area relate mainly to Alarm & Light Servicing (£44k), Gas & solid fuel remedial works (£214k), and Gas & Solid Fuel Servicing (£116k),

4.5.5 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 2016/17 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 £2.1m budget was allocated with an associated income recharge to capital.

- 4.5.6 The in house workforce for WHQS is expected to increase its spend to £10m due to the increase of properties expected to be completed this year compared to last year (additional 240). The additional costs are fully funded from the WHQS programme and therefore do not form part of the HRA variance in this report.

4.6 Revenue Contribution to Capital (£147k overspend)

- 4.6.1 The HRA allows for some £13.5m of revenue contributions towards the WHQS programme this year, and £2.1m for the delivery team fees.
- 4.6.2 There is an expectation that the HRA RCCO will be fully utilised this year.
- 4.6.3 The delivery team costs are expected to be some £148k higher due to an increase in agency posts.

4.7 HRA Working balances

- 4.7.1 Working balances at the end of 2015/16 stood at £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; however, the current business plan anticipates a borrowing requirement of £57m to fully deliver the 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 As detailed throughout the report.

7. PERSONNEL IMPLICATIONS

- 7.1 There are no direct personnel implications arising from this report.

8. CONSULTATION

- 8.1 There are no consultation responses, which have not been reflected in this report.

9. RECOMMENDATIONS

- 9.1 Members are requested to note the contents of this report.

10. REASONS FOR THE RECOMMENDATIONS

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

11. STATUTORY POWER

11.1 Local Government Acts 1972 and 2003 and the Council's Financial Regulations.

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Stephen Harris – Acting Head of Corporate Finance
Cllr Sean Morgan – Chair P&R Scrutiny Committee
Cllr Gez Kirby – Vice-Chair P&R Scrutiny Committee
Cllr Barbara Jones – Deputy Leader/Cabinet Member for Corporate Services
Christina HARRY – Corporate Director Communities
Marcus Lloyd – WHQS Programme Manager

Appendices:

Appendix 1 HRA Financial Plan 2016/17 (Period 4 Projection)

APPENDIX 1

HOUSING	Page	Revised Budget	Projected Outturn	Variance
	No	2016/2017	2016/2017	2016/2017
<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>SUMMARY</u>				
GENERAL MANAGEMENT		891,406	884,223	7,183
CAPITAL FINANCING		7,919,873	7,919,873	0
CENTRAL RECHARGES		2,178,519	2,178,519	0
STRATEGY AND PERFORMANCE		1,580,675	1,411,332	169,343
PUBLIC SECTOR HOUSING		5,156,778	5,095,595	61,183
SUPPORTED HOUSING		0	0	0
BUILDING MAINTENANCE SERVICES		29,543,645	28,836,299	707,346
GROSS EXPENDITURE		47,270,895	46,325,841	945,054
INCOME		(47,270,895)	(47,195,801)	(75,094)
(SURPLUS)/DEFICIT CONTRIBUTION (TO)/FROM WORKING BALANCES		(0)	(869,960)	869,960
<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>GENERAL MANAGEMENT</u>		891,406	884,223	7,183
<u>CAPITAL FINANCING COSTS</u>				
Interest Charge		5,621,634	5,621,634	0
Principal		2,332,190	2,332,190	0
Debt Management		23,730	23,730	0
Resheduling Discount		(57,681)	(57,681)	0
EXPENDITURE TO HRA SUMMARY		7,919,873	7,919,873	0
<u>CENTRAL RECHARGES</u>				
Central Recharges		1,736,652	1,736,652	0
Grounds Maintenance recharge to HRA		441,867	441,867	0
EXPENDITURE TO HRA SUMMARY		2,178,519	2,178,519	0

<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
STRATEGY & PERFORMANCE		85,169	22,582	62,587
PERFORMANCE DEVELOPMENT		623,238	607,916	15,322
COMMUNICATIONS & ENGAGEMENT		96,867	96,922	-55
TRANSFORMING LIVES & COMMUNITIES		697,012	683,912	13,100
EXPENDITURE TO HRA SUMMARY		1,502,286	1,411,332	90,954
<u>HOUSING REVENUE ACCOUNT</u>			£	£
<u>PUBLIC SECTOR HOUSING</u>				
Landlord General		168,457	162,058	6,399
Sheltered Accommodation		1,434,092	1,410,532	23,560
Holly Road Community support		1,866	1,866	0
Lower Rhymney AHO		22,135	(13,690)	35,825
Eastern Valley AHO		642,690	646,321	-3,631
Upper Rhymney AHO		776,535	754,556	21,979
Gilfach NHO		0	0	0
Lansbury Park NHO		332,579	297,043	35,536
Graig Y Rhacca NHO		270,314	256,555	13,759
Allocations		141,285	177,372	-36,088
TENANTS & COMMUNITIES INVOLVEMENT		471,397	459,491	11,906
LEASEHOLDERS MANAGEMENT		49,038	50,988	-1,950
Tenancy Enforcement		271,266	263,008	8,258
Rents		697,844	673,824	24,020
Community Wardens		(44,329)	(44,329)	0
EXPENDITURE TO HRA SUMMARY		5,235,167	5,095,595	139,572

<u>HOUSING REVENUE ACCOUNT</u>			£	£
<u>SUPPORTED HOUSING</u>				
Dispersed Alarms		0	0	0
Telecare Centre		0	0	0
Ty Croeso Hostel		0	0	0
EXPENDITURE TO HRA SUMMARY		0	0	0
<u>HOUSING REVENUE ACCOUNT</u>			£	£
<u>RESPONSE REPAIRS & MAINTENANCE</u>				
Employee Expenses net of recharges		1,325,382	1,317,445	7,937
Repairs & Maintenance on Housing Stock				
Responsive Repairs		7,977,713	7,903,070	74,643
Revenue Contribution to Capital - WHQS Programme		15,615,928	15,763,871	-147,943
Group/Planned Repairs (priorities 5 & 8)		0	0	0
Void Repairs (priority 6)		0	0	0
Revenue Projects		2,234,000	1,841,047	392,953
Planned Cyclical		2,176,000	1,787,406	388,594
Planned Programme		0	(2,317)	2,317
		28,003,641	27,293,077	710,564
Transport Related		25,270	20,371	4,899
Supplies & Services		189,352	205,406	-16,054
EXPENDITURE TO HRA SUMMARY		29,543,645	28,836,299	707,346

<u>HOUSING REVENUE ACCOUNT</u>			£	£
<u>INCOME</u>				
<u>Rents - Dwelling</u>				
Gross Rent - Dwellings	(40,682,689)	(40,682,689)	0	
Gross rent - Sheltered	(4,530,468)	(4,530,468)	0	
Gross Rent - Hostel	0	0	0	
Voids - General Needs Dwelling/Sheltered	600,000	688,512	-88,512	
Voids - Hostel	0	0	0	
Net Rent	(44,613,157)	(44,524,645)	-88,512	
<u>Rents - Other</u>				
Garages	(360,120)	(390,869)	30,749	
Garage Voids	144,354	161,685	-17,331	
Shop Rental	(58,250)	(58,250)	0	
	(274,016)	(287,434)	13,418	
<u>Service Charges</u>				
Sheltered - Service Charges	(1,421,134)	(1,421,134)	0	
Sheltered - Heating & Lighting	(158,230)	(158,230)	0	
Sheltered & Dispersed- Alarms	0	0	0	
Catering Recharge - Sheltered Accommodation	(53,657)	(53,657)	0	
Voids Schedule Water	51,022	51,022	0	
Non Scheduled Water Rates	(47,899)	(47,899)	0	
Welsh Water Commission	(705,624)	(705,624)	0	
Leaseholder - Service Charges	(10,000)	(10,000)	0	
	(2,345,522)	(2,345,522)	0	
<u>Government Subsidies</u>				
Housing Subsidy	0	0	0	
	0	0	0	
<u>Interest Receivable</u>				
Mortgage Interest	(1,200)	(1,200)	0	
Investment Income	(7,000)	(7,000)	0	
	(8,200)	(8,200)	0	
<u>Miscellaneous</u>				
Miscellaneous	0	0	0	
Private Alarms	0	0	0	
Ground Rent	(30,000)	(30,000)	0	
	(30,000)	(30,000)	0	
INCOME TO HRA SUMMARY		(47,270,895)	(47,195,801)	-75,094