



CAERPHILLY HOMES TASK GROUP – 1ST NOVEMBER 2018

**SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING – PERIOD 4
2018/19**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE
SERVICES**

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- 1.1 The attached report was circulated to the Policy and Resources Scrutiny Committee as an information item ahead of its meeting on 2nd October 2018. There were no comments arising from the Policy and Resources Scrutiny Committee.
 - 1.2 The report will be presented to the meeting of the Caerphilly Homes Task Group as an information item on 1st November 2018.
 - 1.3 The Caerphilly Homes Task Group are asked to note the contents of the report.

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Appendices:

Appendix Report to the Policy and Resources Scrutiny Committee – For Information:
Housing Revenue Account Budget Monitoring – Period 4 2018/19



POLICY AND RESOURCES SCRUTINY COMMITTEE – FOR INFORMATION

**SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING - PERIOD 4
2018/19**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE
SERVICES**

1. PURPOSE OF REPORT

- 1.1 To inform members of the projected expenditure for the Housing Revenue Account (HRA) for the 2018/19 financial year. The HRA capital programme which is predominantly funded by the HRA is also included within this report.

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 activities, which fall under the General Fund and are 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 are derived from the tax payers purse and therefore value for money must always be sought.
- 2.2 The report outlines the projected outturn for the HRA based upon the expenditure and income for the first four months of the year
- 2.3 The HRA budget for 2018/19 is £49.5m with its main components consisting of £11m of salaries (net of WHQS funding), £7.9m of capital financing charges, £8.7m of response repairs, and £17.5m of revenue contributions to fund the WHQS programme. The underspend at period 4 is projected to be £700k and the main reason for this is detailed below.

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 22nd February 2018. Cabinet approved the 2018/19 Housing Revenue Account on the 31st January 2018.
- 3.2 Budget management itself is in accordance with the corporate theme of Delivering the Strategies.
- 3.3 The Wellbeing of Future Generations (Wales) 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 globally responsible Wales

4. THE REPORT

4.1 Introduction

4.1.1 The following paragraphs highlight the major budget variances.

4.2 HRA (£700k underspend)

4.2.1 The HRA is currently projecting a £700k under-spend, which represents about 1% of the total HRA budget. The main variances are summarised below and full details are provided in Appendix 1.

4.3 Salaries & Mileage (£138k underspend)

4.3.1 Salaries and associated costs within the HRA are currently expected to underspend by some £138k against a £11m salary budget. There are some offsetting over and under spends in this area given the volume of staff which includes sickness cover, request for reduced hours, and timing for filling vacant posts.

4.4 Service Specific Related and Office Related (£172k overspend)

4.4.1 The main area of activity relates to a projected increase in spend in sub-contractors, materials, and transport for the HRO team, as a result of increased works associated with the WHQS programme. Since the new appointment of the Housing Technical Manager there has also been further integration with the HRO and WHQS team with the HRO workforce further supporting the WHQS programme on areas such as mopping up type works also electrical works where gaining access to properties has been an issue. However, this will be offset by recharges to the WHQS Programme which will generate additional income to the HRO service, together with potential savings on tipping charges and renewal of vehicles. There has also been previous efficiencies made on the Non-DLO budget where HRO have absorbed these costs within its core budget. Typically there are some budget areas within this category that tend to be quite volatile and therefore could generate further savings throughout the year, such as bad debt provisions, utility charges, various housing projects and other office costs.

4.5 Building Maintenance (£413k underspend)

4.5.1 This area includes all building revenue works to fund the maintenance of the public housing stock which is undertaken in the main by the Housing Repair Operations team and/or Contractors.

4.5.2 Revenue Projects (£135k 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 asbestos surveys (£20k) and damp proofing (£50k) which is an offset related to the extra work mentioned in 4.4.1 above. Projects for the infrastructure works budget has not been fully utilised as yet this year, as a consequence of work being picked up in the WHQS Programme so a pro rata underspend is projected at £50k. Recent training on door entry systems has allowed the in-house HRO team to install these on more favourable terms than a subcontractor and this has projected savings of £12k. The contingency budget of £500k is prudently assumed to be fully committed at this stage, but will release further savings if not utilised by year end.

- 4.5.3 Planned Cyclical (£280k 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 relates to Alarm & Light Servicing (£46k), Fire safety doors (£28k). Other savings are anticipated due to works being completed under the WHQS Programme and revised contractual arrangements, such as Gas & Electric Servicing Contracts & testing (£123k), Gas & Electric Remedial Works (£23k), Water Treatment (£8k), and Lift Contracts (£32k).
- 4.5.4 As a result of incorporating the costs of delivering the Building Maintenance service within 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 £10.4m has been allocated in 2018/19 along with an income recharge to the capital programme so that the HRA has a nil cost.
- 4.5.5 The In House Workforce had increased its budget by some £1.3m in 2018/19 to account for the work committed in the WHQS programme. The projected spend is still an increase on the previous year but this spend is anticipated to be £600k less than originally planned at the start of the year, due to a pro rata projection on current spend against materials and transport costs. Any overspends are funded by the capital programme.

4.6 **Revenue Contribution to Capital (RCCO) (£317k underspend)**

- 4.6.1 The HRA allows for some £17.5m of revenue contributions towards the WHQS programme and this includes an element for the WHQS management team responsible for the delivery of the WHQS Programme which is anticipating a £317k underspend as a result of staff turnover.
- 4.6.2 The total expenditure on the WHQS capital programme as at period 4 is some £17.1m against a budget of £55.8m. This is the highest quarter spend compared to previous years and evidences the increased momentum as the WHQS programme enters its final years.
- 4.6.3 The HRA RCCO will fund this budgeted spend in addition to the £7.3m Major Repairs Allowance (MRA) from Welsh Government with the remaining balance being funded from HRA working balances and borrowing if required.
- 4.6.4 No borrowing has been required to date to support the delivery of the WHQS programme and borrowing will only be actioned this year if/when the WHQS programme exceeds some £31m.
- 4.6.5 WHQS Internal works at Quarter 1 have achieved 76% compliance.
- 4.6.6 WHQS External works at Quarter 1 have achieved 52% compliance.
- 4.6.7 Total WHQS compliance as at Quarter 1 is 41%.

4.7 **HRA Working Balances**

- 4.7.1 Working balances at the beginning of the 2018/19 financial year are £4.3m. This is expected to be fully utilised this year against the WHQS Programme. To date no borrowing has been undertaken to fund the WHQS programme but based on expenditure levels noted in 4.6.2 and the reduced level of HRA balances it is anticipated that borrowing will be necessary towards the later part of the year to support delivery of the programme.
- 4.7.2 Whilst priority will be given to the delivery and achievement of WHQS, borrowing may also be required to increase the supply of council housing following the recent report that was approved by Cabinet. However a separate report will be submitted later in the year if borrowing is required for increasing council house supply.

5. WELL-BEING OF FUTURE GENERATIONS

- 5.1 Effective financial management is a key element in ensuring that the well-being goals within the Well-being of Future Generations Act (Wales) 2015 are met.

6. EQUALITIES IMPLICATIONS

- 6.1 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.

7. FINANCIAL IMPLICATIONS

- 7.1 The overall underspend is relatively small compared to the total budget and whilst close monitoring is regularly carried out throughout the year, the scale of the HRA budget inevitably leads to variances throughout the year due to the large volume of staffing required to manage and operate the service, the reactive nature of the response repairs service, fluctuation in void properties and changes to interest rates to name but a few.

8. PERSONNEL IMPLICATIONS

- 8.1 There are no personnel implications.

9. CONSULTATION

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

10. RECOMMENDATIONS

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

11. REASONS FOR THE RECOMMENDATIONS

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

12. STATUTORY POWER

- 12.1 Local Government Acts 1972 and 2003 and the Councils Financial Regulations.

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Consultees: Cllr L Phipps – Cabinet Member Homes & Places
Nicole Scammell - Head of Corporate Finance & Section 151 Officer
Dave Street – Director of Social Services & Housing
Shaun Couzens – Chief Housing Officer
Fiona Wilkins - Public Sector Housing Manager
Paul Smythe – Housing Technical Manager

Appendices:
Appendix 1 HRA financial plan p4 2018/19

APPENDIX 1

HOUSING	Page	Estimate	Projected	Variance
	No	2018/2019	2018/2019	2018/2019
<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>SUMMARY</u>				
GENERAL MANAGEMENT		1,158,825	1,138,729	20,096
CAPITAL FINANCING		7,912,895	7,912,895	0
CENTRAL RECHARGES		2,259,418	2,259,418	0
STRATEGY AND PERFORMANCE		1,718,597	1,622,556	96,041
PUBLIC SECTOR HOUSING		5,278,250	5,210,585	67,665
SUPPORTED HOUSING		0	0	0
BUILDING MAINTENANCE SERVICES		31,193,205	30,680,650	512,555
GROSS EXPENDITURE		49,521,190	48,824,833	696,357
INCOME		(49,521,190)	(49,521,190)	0
(SURPLUS)/DEFICIT CONTRIBUTION (TO)/FROM WORKING BALANCES		0	(696,357)	696,357
<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>GENERAL MANAGEMENT</u>		1,158,825	1,138,729	20,096
<u>CAPITAL FINANCING COSTS</u>				
Interest Charge		5,717,323	5,717,323	0
Principal		2,193,725	2,193,725	0
Debt Management		29,439	29,439	0
Resheduling Discount		(27,592)	(27,592)	0
EXPENDITURE TO HRA SUMMARY		7,912,895	7,912,895	0
<u>CENTRAL RECHARGES</u>				
Central Recharges		1,786,332	1,786,332	0
Grounds Maintenance recharge to HRA		473,086	473,086	0
EXPENDITURE TO HRA SUMMARY		2,259,418	2,259,418	0

<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
STRATEGY & PERFORMANCE		90,291	66,445	23,846
PERFORMANCE DEVELOPMENT		668,579	670,648	-2,069
COMMUNICATIONS & ENGAGEMENT		114,907	114,907	0
TRANSFORMING LIVES & COMMUNITIES		844,820	770,555	74,265
EXPENDITURE TO HRA SUMMARY		1,718,597	1,622,556	96,041
<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>PUBLIC SECTOR HOUSING</u>				
Landlord General		167,788	158,256	9,532
Sheltered Accommodation		1,385,952	1,366,942	19,010
Holly Road Community support		3,317	3,927	-610
Eastern Valley AHO		666,520	668,310	-1,791
Upper Rhymney AHO		784,838	777,851	6,987
Lower Rhymney Valley AHO		9,135	20,954	-11,819
Gilfach NHO		0	0	0
Lansbury Park NHO		348,286	345,883	2,403
Graig Y Rhacca NHO		281,091	276,740	4,351
Housing Allocations Cont.		120,426	120,426	0
Tenants & Communities Involment		504,858	501,652	3,206
Leaseholders Management		61,935	61,400	535
Tenancy Enforcement		274,774	249,179	25,595
Rents		714,099	703,833	10,266
Community Wardens		(44,768)	(44,768)	0
EXPENDITURE TO HRA SUMMARY		5,278,250	5,210,585	67,665

<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		1,470,944	1,414,204	56,740
Repairs & Maintenance on Housing Stock				
Responsive Repairs		8,771,794	9,052,011	-280,217
Revenue Contribution to Capital - WHQS Programme		17,493,093	17,175,922	317,172
Group/Planned Repairs (priorities 5 & 8)		0	0	0
Void Repairs (priority 6)		0	0	0
Revenue Projects		1,474,000	1,341,061	132,939
Planned Cyclical		1,747,336	1,467,289	280,047
Planned Programme		0	0	0
		29,486,223	29,036,282	449,941
Transport Related		8,950	9,419	-469
Supplies & Services		227,088	220,745	6,343
EXPENDITURE TO HRA SUMMARY		31,193,205	30,680,650	512,555

<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>INCOME</u>				
<u>Rents - Dwelling</u>				
Gross Rent - Dwellings	(43,130,482)	(43,130,482)	0	
Gross rent - Sheltered	(4,792,276)	(4,792,276)	0	
Gross Rent - Hostel	0	0	0	
Voids - General Needs Dwelling/Sheltered	815,000	815,000	0	
Voids - Hostel	0	0	0	
Net Rent	(47,107,758)	(47,107,758)	0	
<u>Rents - Other</u>				
Garages	(362,477)	(362,477)	0	
Garage Voids	181,238	181,238	0	
Shop Rental	(59,872)	(59,872)	0	
	(241,111)	(241,111)	0	
<u>Service Charges</u>				
Sheltered - Service Charges	(1,461,393)	(1,461,393)	0	
Sheltered - Heating & Lighting	(137,073)	(137,073)	0	
Sheltered & Dispersed- Alarms	0	0	0	
Catering Recharge - Sheltered Accommodation	(35,420)	(35,420)	0	
Voids Schedule Water	65,452	65,452	0	
Non Scheduled Water Rates	(41,780)	(41,780)	0	
Welsh Water Commission	(511,407)	(511,407)	0	
Leaseholder - Service Charges	(10,000)	(10,000)	0	
	(2,131,621)	(2,131,621)	0	
<u>Government Subsidies</u>				
Housing Subsidy	0	0	0	
	0	0	0	
<u>Interest Receivable</u>				
Mortgage Interest	(700)	(700)	0	
Investment Income	(10,000)	(10,000)	0	
	(10,700)	(10,700)	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	
<u>INCOME TO HRA SUMMARY</u>				
	(49,521,190)	(49,521,190)	0	