



CAERPHILLY HOMES TASK GROUP – 27TH JUNE 2019

SUBJECT: HOUSING REVENUE ACCOUNT – OUTTURN 2018/19

REPORT BY: DIRECTOR OF SOCIAL SERVICES & HOUSING

1. PURPOSE OF REPORT

- 1.1 To inform Members of the outturn position for the Housing Revenue Account (HRA) for the 2018/19 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, to that of 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 which is ringfenced to directly benefit the service for which the income relates to, 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 The report outlines the final outturn for the HRA based upon the expenditure and income for the full financial year.
- 2.3 The HRA budget for 2018/19 was £49.5m which mainly includes £17.5m of salaries, £7.9m of capital financing charges, £8.7m of response repairs, and £16.9m of revenue contributions to fund the WHQS programme. The underspend in 2018/19 totalled £5.46m and the main reason for the underspend is detailed below.
- 2.4 This report will be presented to The Housing & Regeneration Scrutiny Committee on 23rd July 2019.

3. RECOMMENDATIONS

- 3.1 That CHTG Members note the content of this report prior to its consideration at Housing & Regeneration Committee on 23rd July 2019.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that the Scrutiny Committee is provided with full details of the 2018/19 outturn the HRA.

5. THE REPORT

5.1 Introduction

5.1.1 The following paragraphs highlight the major budget variances.

5.2 HRA (£5.46m underspend)

5.2.1 The HRA outturn was a £5.46m under-spend, which represents 11% of the total HRA budget. The main variances are summarised below and full financial details are provided in Appendix 1.

5.3 Salaries & Mileage (£834k underspend)

5.3.1 Salaries and associated costs within the HRA generated savings of some £834k, which represents around 6% of the total salary budget. Direct salaries underspent by some £988k. There are a variety of reasons for this given the volume of staff, but the main causes are staff turnover for reasons such as long term sickness, vacant posts and reduced hours. Offsetting the salary saving is a £154k overspend in respect of agency staff where cover was essential to maintain service delivery.

5.4 Capital Financing Charges (£749k underspend)

5.4.1 This underspend relates to a lower interest rate than projected at the start of the year, resulting in lower interest charges on the HRA debt.

5.5 Service Specific Related and Office Related (£1.8m underspend)

5.5.1 Non pay related budgets (which include office running costs, one-off projects) have spent £1m less than budgeted. There are numerous variances within this category but an example of some of the savings are, Bad Debt Provision (£376k), Central Recharges and SLA's (£99k), IT systems and equipment (£235k), and Area Projects (£125k). Service specific related spend have underspent by some £800k within the Housing Repairs Operation Team which is a net result of increased expenditure on sub-contractors, transport and plant as a result of additional work to support the WHQS programme offset by the recharge for the work undertaken. The additional income generated has supported the funding of the WHQS programme.

5.6 Building Maintenance (£1.2m under-spend)

5.6.1 The HRA is utilised to fund the repair and maintenance of the public housing stock which is predominantly undertaken by the Housing Repair Operations team. The outturn of the HRO response budget has been included in x x (salaries) and x.x (service specific) above. The remaining building maintenance budgets relate to one-off projects, contingency, sub-contracting for specialist works and periodical testing. There are also two holding accounts that are dedicated to support the WHQS programme, as explained further below.

5.6.2 Revenue Projects (£852k 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 (£411k) where a small provision is set each year for any unforeseen repairs. Projects for sheltered complexes have underspent by £153k, asbestos £54k and the infrastructure works budget of £140k has not been fully utilised this year, as a consequence of work being picked up in the WHQS Programme.

5.6.3 Planned Cyclical/Periodical Testing (£415k 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 mainly to Alarm & Light Servicing (£118k), Fire safety doors (£70k), Legionella testing (£18k), Lift repairs & Communal heating (£82k)

and electrical testing (£75k). Whilst our statutory obligations continue to be met, the underspends are partly due to works being completed under the WHQS Programme and revised contractual arrangements which have significantly improved since being transferred to HRO to collectively manage and monitor. Monitoring arrangements are in place and reported to a corporate Statutory Group on a monthly basis.

- 5.6.4 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 £10.4m was allocated in 2018/19 along with an income recharge to the capital programme so that the HRA has a nil cost.
- 5.6.5 The in house workforce for WHQS overspent its budget by some £235k due to salary savings. The in-house workforce completed 767 properties internally to WHQS compliance in 2018/19 achieving their target of 16 properties per week. They also achieved external compliance to 249 sheltered housing units. External works were slightly behind target but the overall deadline is still on target to be met.

5.7 Revenue Contribution to Capital (RCCO) (£590K underspend)

- 5.7.1 The HRA allowed for some £14.8m of revenue contributions towards the WHQS programme which were fully utilised. There is also a dedicated budget for the WHQS Delivery Team responsible for delivery of the WHQS Programme where £2.7m budget was allocated with an associated income recharge to capital via a RCCO. Delivery fees underspend by £590k due in the main to salary savings.
- 5.7.2 Total expenditure on the HRA Capital Programme for 2018/19 was £51.8m which has been the highest level of expenditure since the WHQS programme began. This expenditure was funded from the £7.3m Major Repairs Allowance (MRA) received from the Welsh Government (WG), revenue contributions from the HRA of £16.9m, HRA balances of £4.6m and the remaining funding of £23m from borrowing. This is the first year that borrowing has been required to fund the WHQS programme.

85% of our housing stock have now received internal WHQS work and 71% have received external WHQS work. Full WHQS compliance has been achieved on 57% of our properties, with 100% full compliance on target to be achieved by December 2020. As we head into our final stage of the WHQS programme we are anticipating a £261m total capital spend of which about 23% will be funded from the MRA (£59m), Grants of £3m (1%), 22% from borrowing (£57m), and the remaining 55% (£142m) will have been funded direct from the HRA.

5.8 HRA Working balances

- 5.8.1 HRA Working Balances stood at £4.3m at the start of 2018/19 all of which was utilised to fund the WHQS programme. The in year surplus of £5.4m will replenish these balances and will be earmarked for the 2019/20 WHQS Programme.
- 5.8.2 £99k has also been added to earmarked provisions to assist with Welfare Reform. A total of £580k is held in earmarked balances and predominantly relates to the costs anticipated with Welfare Reform in particular Universal Credit which was introduced in September 2018.

6. ASSUMPTIONS

- 6.1 Assumptions linked to this report were detailed in the budget report to Cabinet on the 31st January 2018. The Housing Business Plan which is submitted annually to Welsh Government and confirms our financial position over 30 years in relation to achieving and maintaining the WHQS Programme, also identifies several key assumptions that are necessary to remain financially viable. This includes future rent increases, rent arrears, pay awards, interest rates and inflation.

7. LINKS TO STRATEGY

7.1 The contents of this report reflect the budget strategy agreed by Council at its meeting on the 22nd February 2018. Cabinet approved the 2018/19 Housing Revenue Account on 31st January 2018

7.2 Effective financial planning and financial control contribute to the following Well-being Goals within the Well-being of Future Generations (Wales) Act 2015: -

- A prosperous Wales.
- A resilient 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.

8. WELL-BEING OF FUTURE GENERATIONS

8.1 Effective financial management is a key element in ensuring that the Well-being Goals within the Well-Being and Future Generations (Wales) Act 2015 are met.

9. EQUALITIES IMPLICATIONS

9.1 This report is for information purposes so the Council's Equalities Impact Assessment (EqIA) process does not need to be applied.

10. FINANCIAL IMPLICATIONS

10.1 As identified throughout the report.

11. PERSONNEL IMPLICATIONS

11.1 There are no personnel implications.

12. CONSULTATIONS

12.1 This report has been sent to the Consultees listed below and all comments received are reflected in this report.

13. STATUTORY POWER

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

Author: Lesley Allen – Principal Accountant (Housing
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Consultees: Cllr L. Phipps, Cabinet Member for Homes & Places
Dave Street, Corporate Director Social Services
Shaun Couzens, Chief Housing Officer
Steve Harris – Interim Head of Business Improvement Services & Deputy S151 Officer
Paul Smythe – Housing Technical Manager
Fiona Wilkins – Public Sector Housing Manager
Jane Roberts-Waite, Strategic Co-ordination Manager

Appendices:

Appendix 1 – HRA financial plan outturn 2018/19

Appendix 1

HOUSING	Page	Estimate	Outturn	Variance
	No	2018/2019	2018/2019	2018/2019
<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>SUMMARY</u>				
GENERAL MANAGEMENT		1,158,825	726,653	432,172
CAPITAL FINANCING		7,912,895	7,191,994	720,901
CENTRAL RECHARGES		2,259,418	2,159,462	99,956
STRATEGY AND PERFORMANCE		1,718,597	1,260,321	458,276
PUBLIC SECTOR HOUSING		5,278,250	4,748,078	530,172
SUPPORTED HOUSING		-	-	-
BUILDING MAINTENANCE SERVICES		31,193,205	11,177,927	20,015,278
GROSS EXPENDITURE		49,521,190	27,264,435	22,256,755
APPROPRIATIONS		0	16,974,356	-16,974,356
INCOME		(49,521,190)	(49,699,699)	178,509
(SURPLUS)/DEFICIT CONTRIBUTION (TO)/FROM WORKING BALANCES		-	(5,460,908)	5,460,908
<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>GENERAL MANAGEMENT</u>		1,158,825	726,653	432,172
<u>CAPITAL FINANCING COSTS</u>				
Interest Charge		5,717,323	4,973,840	743,483
Principal		2,193,725	2,193,725	0
Debt Management		29,439	24,429	5,010
Resheduling Discount		(27,592)		(27,592)
EXPENDITURE TO HRA SUMMARY		7,912,895	7,191,994	720,901
<u>CENTRAL RECHARGES</u>				
Central Recharges		1,786,332	1,696,544	89,788
Grounds Maintenance recharge to HRA		473,086	462,918	10,168
EXPENDITURE TO HRA SUMMARY		2,259,418	2,159,462	99,956

<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
STRATEGY & PERFORMANCE		90,291	22,646	67,645
PERFORMANCE DEVELOPMENT		668,579	444,359	224,220
COMMUNICATIONS & ENGAGEMENT		114,907	105,838	9,069
TRANSFORMING LIVES & COMMUNITIES		844,820	687,478	157,342
EXPENDITURE TO HRA SUMMARY		1,718,597	1,260,321	458,276
<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>PUBLIC SECTOR HOUSING</u>				
Landlord General		167,788	137,309	30,479
Sheltered Accommodation		1,385,952	1,308,205	77,747
Holly Road Community support		3,317	3,881	(564)
Eastern Valley AHO		666,520	674,592	(8,072)
Upper Rhymney AHO		784,838	766,271	18,566
Lower Rhymney Valley AHO		9,135	33,738	(24,603)
Gilfach NHO		-	-	-
Lansbury Park NHO		348,286	297,111	51,175
Graig Y Rhacca NHO		281,091	259,654	21,437
Housing Allocations Cont.		120,426	102,071	18,355
Tenants & Communities Involment		504,858	280,484	224,374
Leaseholders Management		61,935	67,495	(5,560)
Tenancy Enforcement		274,774	254,731	20,043
Rents		714,099	597,421	116,678
Community Wardens		(44,768)	(34,884)	(9,884)
EXPENDITURE TO HRA SUMMARY		5,278,250	4,748,078	530,172

<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>RESPONSE REPAIRS & MAINTENANCE</u>				
Employee Expenses net of recharges		1,470,944	1,239,481	231,463
Repairs & Maintenance on Housing Stock				
Responsive Repairs		8,771,794	7,752,360	1,019,434
Revenue Contribution to Capital - WHQS Programme		17,493,093	-	17,493,093
Group/Planned Repairs (priorities 5 & 8)		-	-	-
Void Repairs (priority 6)		-	-	-
Revenue Projects		1,474,000	622,137	851,863
Planned Cyclical		1,747,336	1,332,692	414,644
Planned Programme		-	0	(0)
		29,486,223	9,707,190	19,779,033
Transport Related		8,950	9,593	(643)
Supplies & Services		227,088	221,664	5,424
EXPENDITURE TO HRA SUMMARY		31,193,205	11,177,927	20,015,278

<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>INCOME</u>				
<u>Rents - Dwelling</u>				
Gross Rent - Dwellings		(43,130,482)	(43,929,017)	798,535
Gross rent - Sheltered		(4,792,276)	(3,956,422)	(835,854)
Gross Rent - Hostel		-	-	0
Voids - General Needs Dwelling/Sheltered		815,000	771,655	43,345
Add'l Income O/Side Rent Debit (WHQS)		-	(15,932)	15,932
Voids - Hostel		-	-	-
Net Rent		(47,107,758)	(47,129,716)	21,958
<u>Rents - Other</u>				
Garages		(362,477)	(355,721)	(6,756)
Garage Voids		181,238	175,638	5,600
Shop Rental		(59,872)	(55,675)	(4,197)
		(241,111)	(235,758)	(5,353)
<u>Service Charges</u>				
Sheltered - Service Charges		(1,461,393)	(1,419,957)	(41,436)
Sheltered - Heating & Lighting		(137,073)	(145,911)	8,838
Sheltered & Dispersed- Alarms		-	-	-
Catering Recharge - Sheltered Accommodation		(35,420)	(31,925)	(3,495)
Voids Schedule Water		65,452	69,868	(4,416)
Non Scheduled Water Rates		(41,780)	(43,704)	1,924
Welsh Water Commission		(511,407)	(590,193)	78,785.58
Leaseholder - Service Charges		(10,000)	(28,779)	18,779.38
		(2,131,621)	(2,190,600)	58,979
<u>Government Subsidies</u>				
Housing Subsidy		-	-	-
		0	0	0
<u>Interest Receivable</u>				
Mortgage Interest		(700)	(155)	544.72
Investment Income		(10,000)	(139,575)	129,574.56
		(10,700)	(139,730)	129,030
<u>Miscellaneous</u>				
Miscellaneous		-	-	-
Private Alarms		-	-	-
Ground Rent		(30,000)	(3,895)	(26,105)
		(30,000)	(3,895)	(26,105)
INCOME TO HRA SUMMARY		(49,521,190)	(49,699,699)	178,509