



## CAERPHILLY HOMES TASK GROUP – 6TH JULY 2017

**SUBJECT: HOUSING REVENUE ACCOUNT OUTTURN 2016/2017**

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

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### **1. PURPOSE OF REPORT**

- 1.1 To inform members of the outturn 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 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 2016/17 was £47.3m which mainly includes £16m of salaries, £7.9m of capital financing charges, £7.9m of response repairs, and £15.6m of revenue contributions to fund the WHQS programme. The underspend in 2016/17 totalled £3.98m and the main reason for the underspend 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 24th February 2016. Cabinet approved the 2016/17 Housing Revenue Account on the 3<sup>rd</sup> 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 Introduction**

4.1.1 The following paragraphs highlight the major budget variances.

### **4.2 HRA (£3.98m underspend)**

4.2.1 The HRA outturn was a £3.98m under-spend, which represents 8% of the total HRA budget. The main variances are summarised below and full details are provided in Appendix 1.

### **4.3 Salaries & Mileage (£180k underspend)**

4.3.1 Salaries and associated costs within the HRA generated savings of some £180k, which represents around 2% 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 of £448k, 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 198k which also includes staff turnover to address the increase in work experienced during the year, particularly in relation to WHQS related elements. The HRO team installed approximately 140 kitchen and bathrooms, over 80 rewires, 139 heating installations and 469 IG doors to support the WHQS programme. Offsetting the salary saving is a £69k overspend for other salary related budgets such as mileage allowances and agency staff.

### **4.4 Capital Financing charges (£366k underspend)**

4.4.1 This underspend relates to a slightly lower interest rate than projected, which resulted in lower interest charges on the HRA debt.

### **4.5 Service Specific Related and Office Related (£1.6m underspend)**

4.5.1 Non pay related budgets (which include office running costs, one-off projects and tenant related expenditure) have spent £1.6m less than budgeted. There are numerous variances within this category but an example of some of the savings are, Bad Debt Provision (£280k), provision for office relocation (£19k), DHP top up (£100k), Utility charges (£88k), Central Recharges and SLA's (£58k), IT systems and equipment (£74k), Projects (£136k), Local Employment Fund (£45k), Training (£14k), Energy Performance certificates (£17k), Decoration Allowances (£33k) and security of void properties (£13k).

### **4.6 Building Maintenance (£1.9m under-spend)**

4.6.1 The HRA is utilised to fund the maintenance of the public housing stock which is undertaken by the Housing Repair Operations team.

4.6.2 Response Repairs sub accounts (£553k 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 £667k 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. This has been offset by an overspend on damp proofing works of some £168k. Further savings of £54k 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 (£579k 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 (£258k) where a small provision is set each year for any unforeseen repairs. Projects for sheltered complexes have underspent by £147k and the infrastructure works budget of £128k has not been fully utilised this year, as a consequence of work being picked up in the WHQS Programme.
- 4.6.4 Planned Cyclical (£775k under-spend) – this relates to costs associated with our statutory servicing and maintenance obligations, e.g. heating, electrical, and legionella testing. Underspends in this area relate to Alarm & Light Servicing (£101k), Gas & solid fuel remedial works (£634k), Gas & Solid Fuel Servicing (£75k), Fire safety doors (£73k), Legionella testing (£9k), and electrical testing (£35k). There were also some overspends in Fire Safety Equipment Servicing for Complexes (£11k) and Lift repairs (£150k) that reduced the overall underspend. 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.
- 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 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.
- 4.6.6 The in house workforce for WHQS overspent its budget by some £900k (10%) and the WHQS Delivery team costs overspent by £50k (2%). The in-house workforce completed 882 properties in 2016/17 of which 208 were catch up from the previous financial year and 183 were properties brought forward from 2017/18 in advance of the programme.

#### 4.7 Revenue Contribution to Capital (RCCO) (nil variance)

- 4.7.1 The HRA allowed for some £13.5m 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 £31.4m against a budget of £38.6m. 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 £8.4m from HRA balances earmarked for WHQS. The remaining balance was the funding of the delivery team fees from the HRA of £2.1m.

#### 4.8 HRA Working balances

- 4.8.1 Working balances at the beginning of 2016/17 stood at £20m. This has been reduced by the £8.4m funding required for the WHQS programme but has increased by the £3.9m underspend from the HRA this year. The total working balances as at the 1<sup>st</sup> April 2017 (unaudited) is therefore £15.6m. 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. 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) 2016 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 some 8% of 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.
- 7.2 It is intended that the £3.98m underspend be earmarked towards the WHQS Programme and added to the HRA working balances where it will be utilised within the WHQS funding requirement for 2017/18.

## **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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Appendices

Appendix 1 HRA financial plan outturn 2016/17