



CAERPHILLY HOMES TASK GROUP (WHQS) - 21ST FEBRUARY 2013

**SUBJECT: HOUSING REVENUE ACCOUNT AND CAPITAL BUDGET MONITORING
2012-2013**

REPORT BY: DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To provide information to Task Group Members on the Housing Revenue Account (HRA) including Capital expenditure for 2012/13.
- 1.2 To inform Task Group Members of the pending merger of the Building Maintenance DLO into the HRA from April 2013.

2. SUMMARY

- 2.1 The report projects the anticipated final outturn for the HRA (including Capital), within the Deputy Chief Executive Directorate, based upon the expenditure and income trends for the first seven months of the financial year.
- 2.2 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 funded via the council taxpayer.
- 2.3 Information regarding the financial position of General Fund Housing, Private Housing and Building Maintenance DLO has been included in the Head of Corporate Finances Whole Authority Budget Monitoring Report 2012-13 due to this committee at the same time as this report

3. LINKS TO STRATEGY

- 3.1 The content of the report is in accordance with the budget strategy considered by the Council at its meeting of 23rd February 2012. Cabinet approved the HRA estimates on 31st July 2012.
- 3.2 Budget management itself is in accordance with the corporate theme of 'Delivering the Strategies'.

4. THE REPORT

- 4.1 The information is summarised in Appendix 1 & 2. This has been produced based upon the expenditure and income trends in the first seven months of the financial year. A projection has then been made of the likely outturn and in the following paragraphs the major budget variances are commented upon.

5. EQUALITIES IMPLICATIONS

- 5.1 This report is for information purposes. So the Councils Eqla process does not need to be applied.

6. FINANCIAL IMPLICATIONS

6.1 HRA

- 6.1.1 The HRA is currently projected to underspend by £40k compared to its Original Budget, which represents about 0.1% of the total HRA budget. Areas within the HRA are volatile in nature and any changes are closely monitored throughout the year. Measures are ongoing to reduce the expenditure on response detailed in 5.5, which will increase the reported underspend.

- 6.1.2 The main in year variances are explained as follows:

6.2 **Salaries & Mileage (£708k underspend)**

- 6.2.1 Salaries within the HRA are expected to generate savings of some £680k, which represents around 11% of the total salary budget. There is also an associated £28k saving expected in mileage claims. There are a variety of reasons for this given the volume of staff, but the main cause is due to the non-filling of vacant posts.

6.3 **Income (£186k underspend)**

- 6.3.1 An increase in Rent Income of some £64k is expected due to the first quarter re-adjustment of the rent debit. This represents just 0.16% of the total rent debit. There is also an anticipated reduction in voids rent loss of £115k, and an £11k increase on de-minimus capital receipts.

- 6.3.2 There has also been an increase in negative subsidy offset by a reduction in capital financing charges due to a reduction in interest rates. This has resulted in a net decrease of £5k.

6.4 **Service Specific Related and Office Related (£42k underspend)**

- 6.4.1 Areas within the HRA that are directly attributable to tenants are showing a total overspend of £14k which is made up of Tenant Communications, Disturbance Allowances, End of Tenancy Council Tax and Decoration Allowances.

- 6.4.2 Savings on office related expenditure such as Photocopying, Stationery, and Postage are estimated at £55k by the year end.

6.5 **Building Maintenance (net £900k overspend)**

- 6.5.1 Building Maintenance, which has the highest proportion of the HRA budget at £21.6m is currently projecting an overspend of £900k. This represents about 4% of the budget. The variances are as follows:

- 6.5.2 Planned Maintenance – includes work related to the external elements of properties, where repairs are undertaken in addition to complete property redecoration. It also covers cyclical maintenance, to meet our statutory servicing and maintenance obligations e.g. heating, electrical, asbestos and legionella testing/servicing. To date Planned Maintenance budgets are anticipated to be underspent by £115k due to the reduction in demand for repairs to solid fuel and gas appliances and alarm & light remedial works.

- 6.5.3 Planned Repairs – relate to individual elements of work which fall outside the response repairs service, and can be packaged and planned to achieve economies of scale e.g. walls, paths, doors, kitchens and roofs. Current levels of expenditure project an anticipated overspend of 776k. Attributable to this is the backlog of repairs that the DLO have been working on at the start of the year. Included in this category are Priority 5's, (non urgent repairs), which have recently been offered to tenants on an appointments basis, and priority 8's, which contributes towards WHQS and includes new kitchens, bathrooms, doors, walls and fences. Officers are working towards minimising the overspend in this area, and priority 8's in particular should start to show a reduction in spend as any spend for WHQS is transferred to the WHQS capital programme. The backlog of jobs under this category has reduced from 2550 (Dec 2011) to 604 (Dec 2012).
- 6.5.4 Void Works – repairs and improvements required to be undertaken when a council property is vacated in order to bring the dwelling up to a lettable standard. An underspend is projected at £170k for the financial year due to improved performance in dealing with our void properties .
- 6.5.5 Response Repairs – reactive works to repair defects to our properties as and when reported by our tenants or their representatives. Indications suggest an overspend of some £494k based on current spending profiles to date. A sharp decline in outstanding jobs is as a direct result of backlog jobs being cleared in the current year and this contributes to the overspend. The financial situation is anticipated to improve as we move through the year as the backlog reduces. In order to improve response services to our tenants, repairs are being offered on an appointment basis and in recent years this has increased from 15% to 80% of all repairs reported.
- 6.5.6 Revenue Projects –this includes an allocation for projects usually for environmental works, void decoration schemes, fencing, and gardens, along with smaller budgets for drainage, damp proofing and garages. The budgets overall are expecting a saving of £79k this year.
- 6.5.7 Due to the volatile nature of this budget, estimates can vary significantly and can require readjustment as the financial year progresses. Both Housing and Building Maintenance managers work closely together throughout the year, and this will be monitored closely to try and minimise any adverse impact.

6.6 **HRA Working Balances**

- 6.6.1 Working balances at the end of 2011/12 stood at £3.7m. Following members approval on 20th March 2012, £1.5m of this has been earmarked for further WHQS works and will be a contribution to this years HRA Capital programme for works such as kitchens, bathrooms and heating installations. There is a possible call on a proportion of the remaining balances for unforeseen miscellaneous works identified throughout the year.

6.7 **DLO Trading Account**

- 6.7.1 In order to support the in-house DLO, it has been agreed that approximately 50% of the WHQS work will be awarded in-house. In addition, following the merger of the former client and contractor arrangements, it is opportune to remove Building Maintenance services from the current trading account situation, in line with other DLO/DSO areas. This will result in costs associated with Building Maintenance services being redirected to the HRA and will therefore be included in the HRA budget monitoring reports from April 2013.

6.8 **HRA (Capital)**

- 6.8.1 The HRA capital programme is being geared up to meet the WHQS and £21.6m (which includes £5m grant funding) has been allocated to elements that are specific to the WHQS (e.g Kitchens, Bathrooms, Central Heating). 2012/13 is obviously a transition stage after the ballot, to allow for contracts to be set up and procurement procedures to be fully complied

with, as well as ensuring proper consultation with tenants.

Early indications are that a proportion of the budget will need to be carried forward into 2013/14 to allow for the above issues to be addressed.

The capital programme from 2013/14 onwards will have a different presentation to reflect the WHQS investment strategy approved by the Caerphilly Homes Task Group / Cabinet Sub Committee in September 2012. In future, works will be packaged as either internal or external and by community areas.

- 6.8.2 The Major Repairs Allowance (MRA) granted from the Welsh Government of £7.3m is intended to be fully spent.

7 PERSONNEL IMPLICATIONS

- 7.1 There are no personnel implications.

8 CONSULTATION

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

9 RECOMMENDATIONS

- 9.1 Members are requested to note the contents of this report and the detailed budget monitoring pages attached as an appendix.

10 REASONS FOR THE RECOMMENDATIONS

- 10.1 To acquaint members with the financial position of the HRA, and to enable the achievement of the service areas objectives for 2012/2013.

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Background papers: Period 7 budget monitoring report, Housing Finance, Tir Y Berth

Appendices

Appendix 1 of 2 Housing Revenue Account - Budget Monitoring Period 7
Appendix 2 of 2 Housing (HRA) Capital – Budget Monitoring Period 7