



CAERPHILLY HOMES TASK GROUP – 5TH DECEMBER 2013

SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING 2013-2014

REPORT BY: INTERIM CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To provide information to Task Group Members on the Housing Revenue Account (HRA) position.

2. SUMMARY

- 2.1 The report projects the anticipated final outturn for the HRA based upon the expenditure and income trends for the first six months of the financial year.
- 2.2 Members of the Task Group will be aware of the distinction between the HRA, which is funded by rental income received from council tenants, and General Fund Housing (including Private Housing), which is funded by the council taxpayer.
- 2.3 Information regarding the financial position of the General Fund Housing has been included in the Head of Corporate Finances Whole Authority Budget Monitoring report that is reported to P&R Scrutiny Committee.

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 27th February 2013.
- 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. This has been produced based on the expenditure and income trends in the first six months of the financial year. A projection has 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 only, so the Councils EqIa process does not need to be applied

6. FINANCIAL IMPLICATIONS

6.1 The HRA is currently projected to underspend by £4.1m compared to its Original Budget, which represents about 11% of the total HRA budget. However, this level of underspend was predicted at the time of preparing the estimates and is linked to the funding requirement for the WHQS programme this year. The underspend is committed to the following years programme and so it will be fully utilised. It is also identified in the Councils business plan.

6.2 The main in year variances are explained below:

6.2.1 Salaries & Other Pay Related (£460k underspend)

Salaries within the HRA are expected to generate savings of some £460k which represents about 3.5% of the total salary budget. Savings include delays in filling posts, a small number of vacant posts yet to be filled, and savings on employer's pension contributions where employees have not opted into the scheme. Underspends are predicted in the workforce and supervision area for both Response and WHQS where posts have not been filled and this has been netted off by an increase in expenditure on Agency staff.

6.2.2 Non Pay Related (£155k overspend)

Expenditure that is non pay related is expected to overspend by some £155k. These budgets are varied and previously tended to include office running costs, and landlord service costs such as Council Tax charges on voids, and security of void properties.

This year, due to the merger of the DLO to the HRA, other cost underspends and overspends can be identified, such as Supplies & Services|(materials), Sub Contractors and Vehicle Costs, and this is included in the projection. In previous years this would have been included in the Response or Contract variances.

6.2.3 Income (£885k underspend)

Additional income will be collected due to a 53 rent week occurring this year. The income has been identified in the business plan for future years.

6.2.4 Revenue Contributions to Capital Outlay (RCCO) (£2.9m underspend)

The additional rental income that was generated from the rental increase in 2013/14 has in the main been earmarked for the WHQS programme. For 2013/14 however, the WHQS programme has only been geared to carry out internal works using the in-house workforce so the additional funding is not needed in the early stages of the programme. However, this funding will be relied upon as the programme develops, incorporating the external works and engaging external contractors.

This funding has been identified in the business plan for future years.

6.2.5 Welfare reform

The HRA was increased this year to allow for additional bad debts and arrears due to the introduction of Welfare Reform in April 2013. The impact of the Welfare Reform Act is council wide but its effect on rent arrears since it was introduced is already noticeable. Arrears have increased by 29% in the first quarter of the year, compared to the same period last year. Of the 2000 tenants affected by the "bedroom tax", 55% are paying the full amount each week. The additional funding allocated for the Welfare Reform appears sufficient at this stage and dedicated support is being offered to those affected, with the intention to minimise the arrears position where possible. This area will continue to be closely monitored throughout the year to ensure the budget is adequate.

7. PERSONNEL IMPLICATIONS

7.1 There are no personnel implications

8. CONSULTATIONS

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

9. RECOMMENDATIONS

9.1 Task Group 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 Task Group members with the financial position of the HRA, and to enable achievement of the service area objectives for 2013/2014.

Author: Lesley Allen – Group Accountant (Housing)
(Telephone 01443 864470 / email allenl@caerphilly.gov.uk)

Consultees: Shaun Couzens – Chief Housing Officer
Phil Davy – Head of Programmes
Cllr Gerald Jones – Deputy Leader & Cabinet Member for Housing
Cllr Keith Reynolds - Deputy Leader & Cabinet Member for Corporate Services
Dan Perkins – Head of Legal Services
Stuart Rosser – Interim Chief Executive
Nicole Scammell – Acting Director of Corporate Services & S151 Officer

Background Papers:
Budget Monitoring file – Cherry Tree House

Appendices:
Appendix 1 Financial Plan