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The following report is an Information Item for the Policy and Resources Scrutiny Committee.

1. Housing Revenue Account Outturn 2016/2017.



POLICY AND RESOURCES SCRUTINY COMMITTEE – FOR INFORMATION

SUBJECT: HOUSING REVENUE ACCOUNT OUTTURN 2016/2017

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

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- 1.1 The attached report was presented as an information item to the Caerphilly Homes Task Group on 6th July 2017. Its contents were received and noted by Members.
 - 1.2 The same report is attached as an information item for the Policy and Resources Scrutiny Committee, and Members are asked to note the contents of the report.

Author: R. Barrett, Committee Services Officer, Ext. 4245

Appendices:

Appendix 1 Report to Caerphilly Homes Task Group on 6th July 2017 - Agenda Item 5



CAERPHILLY HOMES TASK GROUP – 6TH JULY 2017

SUBJECT: HOUSING REVENUE ACCOUNT OUTTURN 2016/2017

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

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 3rd 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 1st 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.

Author: Lesley Allen - Group Accountant, Housing.
(E-mail: allenl@caerphilly.gov.uk)

Consultees: Cllr L Phipps – Cabinet Member Homes & Places
Nicole Scammell - Acting Director of Corporate Services & Section 151 Officer
Christina Harray – Corporate Director Communities
Shaun Couzens – Chief Housing Officer
Fiona Wilkins - Public Sector Housing Manager
Paul Smythe – Housing Repairs Operations Manager
Stephen Harris – Acting Head of Corporate Finance
Marcus Lloyd – WHQS Infrastructure and Strategy Manager

Appendices

Appendix 1 HRA financial plan outturn 2016/17

Appendix 1

HOUSING	Page	Revised Budget	Projected Outturn	Variance
	No	2016/2017	2016/2017	2016/2017
<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>SUMMARY</u>				
GENERAL MANAGEMENT		911,406	555,459	355,947
CAPITAL FINANCING		7,919,873	7,553,311	366,562
CENTRAL RECHARGES		2,178,519	2,147,811	30,708
STRATEGY AND PERFORMANCE		1,498,870	1,243,219	255,651
PUBLIC SECTOR HOUSING		5,238,583	4,431,395	807,188
SUPPORTED HOUSING		0	0	0
BUILDING MAINTENANCE SERVICES		29,523,645	27,306,555	2,217,090
GROSS EXPENDITURE		47,270,895	43,237,750	4,033,145
INCOME		(47,270,895)	(47,214,155)	(56,740)
(SURPLUS)/DEFICIT CONTRIBUTION (TO)/FROM WORKING BALANCES		(0)	(3,976,405)	3,976,405
<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>GENERAL MANAGEMENT</u>		911,406	555,459	355,947
<u>CAPITAL FINANCING COSTS</u>				
Interest Charge		5,621,634	5,253,530	368,104
Principal		2,332,190	2,330,231	1,959
Debt Management		23,730	27,231	-3,501
Resheduling Discount		(57,681)	(57,681)	0
EXPENDITURE TO HRA SUMMARY		7,919,873	7,553,311	366,562
<u>CENTRAL RECHARGES</u>				
Central Recharges		1,736,652	1,705,944	30,708
Grounds Maintenance recharge to HRA		441,867	441,867	0
EXPENDITURE TO HRA SUMMARY		2,178,519	2,147,811	30,708

<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
STRATEGY & PERFORMANCE		85,169	22,300	62,869
PERFORMANCE DEVELOPMENT		623,238	504,386	118,852
COMMUNICATIONS & ENGAGEMENT		96,867	89,993	6,874
TRANSFORMING LIVES & COMMUNITIES		693,596	626,540	67,056
EXPENDITURE TO HRA SUMMARY		1,498,870	1,243,219	255,651
<u>HOUSING REVENUE ACCOUNT</u>			£	£
<u>PUBLIC SECTOR HOUSING</u>				
Landlord General		168,457	140,239	28,218
Sheltered Accommodation		1,434,092	1,216,875	217,217
Holly Road Community support		1,866	3,416	-1,550
Lower Rhymney AHO		22,135	(2,732)	24,867
Eastern Valley AHO		642,690	568,006	74,684
Upper Rhymney AHO		776,535	710,909	65,626
Gilfach NHO		0	0	0
Lansbury Park NHO		332,579	281,898	50,681
Graig Y Rhacca NHO		270,314	222,756	47,558
Allocations		141,285	130,351	10,934
TENANTS & COMMUNITIES INVOLVEMENT		474,813	347,588	127,225
LEASEHOLDERS MANAGEMENT		49,038	55,044	-6,006
Tenancy Enforcement		271,266	247,043	24,223
Rents		697,844	548,140	149,704
Community Wardens		(44,329)	(38,138)	-6,191
EXPENDITURE TO HRA SUMMARY		5,238,583	4,431,395	807,188

<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		1,325,382	1,239,347	86,035
Repairs & Maintenance on Housing Stock				
Responsive Repairs		7,977,713	7,742,068	235,645
Revenue Contribution to Capital - WHQS Programme		15,615,928	15,656,537	-40,609
Group/Planned Repairs (priorities 5 & 8)		0	0	0
Void Repairs (priority 6)		0	0	0
Revenue Projects		2,234,000	1,101,599	1,132,401
Planned Cyclical		2,176,000	1,400,628	775,372
Planned Programme		0	(2,614)	2,614
		28,003,641	25,898,218	2,105,423
Transport Related		25,270	16,208	9,062
Supplies & Services		169,352	152,782	16,570
EXPENDITURE TO HRA SUMMARY		29,523,645	27,306,555	2,217,090

<u>HOUSING REVENUE ACCOUNT</u>			£	£
<u>INCOME</u>				
<u>Rents - Dwelling</u>				
Gross Rent - Dwellings	(40,682,689)	(41,464,552)	781,863	
Gross rent - Sheltered	(4,530,468)	(3,710,485)	-819,983	
Gross Rent - Hostel	0	0	0	
Voids - General Needs Dwelling/Sheltered	600,000	675,284	-75,284	
Voids - Hostel	0	0	0	
Net Rent	(44,613,157)	(44,499,753)	-113,404	
<u>Rents - Other</u>				
Garages	(360,120)	(369,249)	9,129	
Garage Voids	144,354	145,668	-1,314	
Shop Rental	(58,250)	(68,459)	10,209	
	(274,016)	(292,040)	18,024	
<u>Service Charges</u>				
Sheltered - Service Charges	(1,421,134)	(1,315,078)	-106,056	
Sheltered - Heating & Lighting	(158,230)	(197,172)	38,942	
Sheltered & Dispersed- Alarms	0	0	0	
Catering Recharge - Sheltered Accommodation	(53,657)	(39,552)	-14,105	
Voids Schedule Water	51,022	61,899	-10,877	
Non Scheduled Water Rates	(47,899)	(43,178)	-4,721	
Welsh Water Commission	(705,624)	(703,297)	-2,327	
Leaseholder - Service Charges	(10,000)	1,661	-11,661	
	(2,345,522)	(2,234,717)	-110,805	
<u>Government Subsidies</u>				
Housing Subsidy	0	0	0	
	0	0	0	
<u>Interest Receivable</u>				
Mortgage Interest	(1,200)	(523)	-677	
Investment Income	(7,000)	(172,177)	165,177	
	(8,200)	(172,700)	164,500	
<u>Miscellaneous</u>				
Miscellaneous	0	0	0	
Private Alarms	0	0	0	
Ground Rent	(30,000)	(14,945)	-15,055	
	(30,000)	(14,945)	-15,055	
INCOME TO HRA SUMMARY				
	(47,270,895)	(47,214,155)	-56,740	