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The following report is an Information Item for the Housing and Regeneration Scrutiny Committee.

- 1 Housing Revenue Account Budget Monitoring - Period 7.



## **HOUSING AND REGENERATION SCRUTINY COMMITTEE – INFORMATION ITEM**

**SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING – PERIOD 7**

**REPORT BY: CORPORATE DIRECTOR FOR SOCIAL SERVICES AND HOUSING**

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

- 1.1 To inform Members of the projected position for the Housing Revenue Account (HRA) for the 2021/22 financial year, based on the income and expenditure movements of the first 7 months of the year. The HRA capital programme which is predominantly funded by the HRA is also included within this report

### **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 activities, which fall under the General Fund and are funded via Council Tax and the Revenue Support Grant (RSG). Although there is a clear separation of these funds, the majority of council tenants rent is funded from housing benefits which are derived from the taxpayers' purse and therefore value for money must always be sought.
- 2.2 The HRA budget for 2021/22 is £51.7m with its main components consisting of £17m of salaries, £8m of capital financing charges, £4.6m of building maintenance & response repairs (net of salaries), £2.7m of internal service recharges, and £15.6m of revenue contributions to fund the WHQS programme. There is also a budget of £11.5m for the PAMS (Post Asset Management Strategy) which is recharged fully to the Capital Programme and predominantly covers the maintenance of the WHQS programme, voids and remodelling works. The spend on the HRA is self-financed mainly by the rental income we collect from our Council Tenants, of which about 72% is funded by Housing Benefits. The main projected variances on the HRA are explained below.

### **3. RECOMMENDATIONS**

- 3.1 Members are requested to note the contents of the report.

#### **4. REASONS FOR THE RECOMMENDATIONS**

- 4.1 To ensure that Members are informed of the financial position of the Housing Revenue Account.

#### **5. THE REPORT**

##### **5.1 Introduction**

5.1.1 The HRA has a projected under spend of £1.1m for the end of 2021/22 financial year, which represents about 2.1% of the total HRA budget. This is based on the income and expenditure patterns for the first 7 months of the year together with knowledge of the service from the respective managers. The main variances are summarised below, and full financial details are provided in Appendix 1.

5.1.2 The underspend is net of a commitment £1.05m which was earmarked towards two areas as one-off expenditure items which was reported to this committee on the 19<sup>th</sup> October. This was in respect of extending IT technical support as we transition to the new IT system, and securing funding to address extensive scour and loss of riverbank support immediately behind residential properties along Montclair Avenue, Blackwood

##### **5.2 Salaries & Mileage (£1.1m under spend)**

5.2.1 Salaries and associated costs within the HRA are currently expected to underspend by some £1.1m which represents about 6% of the salary budget. There are some offsetting over and under spends in this area given the volume of staff which includes sickness cover, requests for reduced hours and timing for filling vacant posts. There has also been difficulty in backfilling vacant posts in particular within the Housing Repairs service where more competitive rates are being offered in the private sector and Registered Social Landlord providers.

##### **5.3 Non-Pay Related (£148k under spend)**

5.3.1 This includes an overspend of £53k associated with office related costs where although there has been savings in areas such as stationery, photocopying and postage, mainly as a result of offices not being occupied because of Covid-19 restrictions, there have been additional costs in respect of the new IT system which were unforeseen, and this has offset the office cost savings overall.

5.3.2 £200k underspend is attributable to budgets that are service specific such as, allocation recharges, tenant participation and utility charges within our sheltered schemes. Some costs however have increased due to Covid-19 restrictions such as security of void properties, and Council Tax charges on void properties.

##### **5.4 Building Maintenance & Response Repairs (£393k overspend)**

5.4.1 This area is currently projecting an overspend of some £393k. There are some under spends within the cyclical and revenue projects which includes damp proofing, non – DLO works, sheltered & infrastructure projects but this has been offset by the costs for Montclair Avenue estimated at £1.5m. Expenditure on the Housing Response Operations (HRO) budget is anticipating a £495k underspend overall which includes salaries and non-pay savings identified in 5.2 & 5.3 above. There is currently a reduced spend on sub-contractors and materials as a result of Covid recovery and is projected based on the spend to date. However, spend has been expected to increase to account for the backlog

of repairs that the team were unable to complete during the pandemic. Furthermore, indications are being reported of an increase in material prices nationally which could affect contractor's ability to procure supplies efficiently. Contractors have recently been awarded a significant increase on the prices originally submitted as result of these increased costs. Members will be aware of our Single Source Supplier arrangement which appears to have protected us initially from the material increases due to advance ordering, but the budget is being closely monitored, with the expectation that the year-end pain/gain arrangement is likely to be in the region of £100k cost to the HRA.

5.4.2 A budget of £11.5m has been allocated for the In-House team who support the capital programme. The work involved includes the final delivery of the WHQS Programme, maintenance of the WHQS programme through the PAMS programme, sheltered remodelling and some void works. There is a nil cost to the HRA because the cost is fully recharged to the capital programme. However, there is a predicted underspend of £3.3m due to reduced expenditure on sub-contractors, materials and salary savings which means this will be passed onto the capital programme in year. Covid-19 had a detrimental effect on the commencement of the PAMS programme which has been reprofiled to fit in with the revised completion of WHQS. The underspend is a result of not being able to progress with the PAMS programme whilst the WHQS programme is being finalised. Work is intended to start in January 2022. Members will be aware that Welsh Government have confirmed that the extended deadline for authorities to achieve WHQS is now December 2021. Members are informed, however, that Caerphilly Homes was on target to meet our June 2020 deadline had the pandemic not occurred and are confident of completion prior to the revised deadline.

#### 5.5 **Capital Financing Requirement (CFR) (£171k under spend)**

5.5.1 Current forecasts on the HRA debt charges are slightly lower than budgeted, due to a higher level of capital receipts in the previous year, which has resulted in a lower Minimal Revenue Provision (MRP) charge and interest charge.

5.5.2 Further borrowing to complete the WHQS programme this year is not anticipated. This is due to the £10m underspend the previous year which has been carried over to fund the remainder of the WHQS work.

5.5.3 The 2021/22 Housing Business Plan shows borrowing from 2022/23 and 2023/24 of £17.7m to fund the commitments built into the plan for increasing housing supply.

#### 5.6 **Income (£103k variance)**

5.6.1 Variations represent less than 0.5% of the total income budget and includes a 7.5% reduction on the service charges to tenants due to restricted use of communal areas during Covid.

#### 5.7 **Revenue Contributions to Capital Outlay (RCCO)**

5.7.1 The HRA allows for some £15.6m of revenue contributions towards finalising and maintaining the WHQS programme.

5.7.2 The HRA RCCO allocation will fund the capital spend this year in addition to the £7.3m Major Repairs Allowance (MRA) from Welsh Government. The MRA allowance will need to be utilised first as this funding does not carry over into financial years.

5.7.3 Although there is some predicted underspend on the In-house workforce delivery team, it is assumed that the RCCO will be fully utilised at this stage, and HRA balances will receive

the reduction first, but any variations will be reported in further budget monitoring reports throughout the year. The internal WHQS programme has now been completed with the exception of one property which is being handed over in November. External work also has a small number outstanding (24) but has been extended to December 2021 due to one contractor going into administration.

- 5.7.4 Total capital spend to period 7 is some £5.2m which is predominantly WHQS work. Spend is lower this quarter compared to previous years quarters for a number of reasons. This year we are focussing on finalising the last tranche of properties to meet WHQS which although smaller in volume to previous years, is taking longer to complete due to Covid restrictions. Reduced expenditure will inevitably arise from the delay in progressing with the PAMS programme, but any savings are retained within Housing. In previous years, HRA underspends and capital slippage was earmarked towards completing the WHQS programme. Going forward, as we finalise the achievement of WHQS, any surpluses should be redirected into increasing housing supply.
- 5.7.5 WHQS Internal works as at the end of period 7 is 99.99% compliant
- 5.7.6 WHQS External works as at the end of period 7 is 99.78% compliant
- 5.7.7 Full WHQS compliance (where properties have achieved both internal and external compliance on a contract basis) is 99.81%.

## 5.8 HRA Working Balances

- 5.8.1 Working balances at the start of 2021/22 financial year were £14.1m. The majority of this is derived from underspends in 2020/21 as reported in previous reports and will be utilised this year against the remainder of the WHQS Programme if needed.

## 5.9 COVID-19

- 5.9.1 Members will recall the significant financial impact Covid-19 had on the HRA last financial year, with no support from Welsh Government. Whilst some costs have reduced (eg buddy schemes) we have tried to absorb some of the costs going forward, although there are still some areas that are experiencing higher cost levels than normal (eg additional vehicles for social distancing), and of course we still require a suitable level of PPE equipment. However, as mentioned earlier in the report, there are some offsetting savings such as office related costs and mileage due to the majority of staff working from home.

## 6. ASSUMPTIONS

- 6.1 The projected outturn position is based on actual income and expenditure details for the first seven months in the 2021/22 financial year. However, spend and income activity has been unprecedented during this time which makes it difficult to compare results to preceding years or indeed forecast for future years.

## 7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 This report is for information only so an IIA is not required

## **8. FINANCIAL IMPLICATIONS**

8.1 As detailed throughout the report.

## **9. PERSONNEL IMPLICATIONS**

9.1 There are no direct personnel implications arising from this report.

## **10. CONSULTATIONS**

10.1 There are no consultation responses that have not been reflected in this report

## **11. STATUTORY POWER**

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

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Consultees: Cllr J Ridgewell, Chair Housing & Regeneration Scrutiny Committee  
Cllr M Adams, Vice Chair Housing & Regeneration Scrutiny Committee  
Cllr S Cooke, Cabinet Member for Social Care & Housing  
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A Edmunds, WHQS Implementation Project Manager  
J Fellows, Housing Repair Operations Manager  
J Roberts-Waite, Strategic Co-ordination Manager  
S Isaacs, Rents Manager  
K Denman, Housing Solutions Manager  
R Williams, Group Accountant (Treasury & Capital)

Appendices:

Appendix 1 HRA Financial Plan 2021/22 period 7

## Appendix 1

Housing	Estimate 2021/22	Projected Outturn 2021/22	Variance 2021/22
<b><u>HOUSING REVENUE ACCOUNT</u></b>	£	£	£
<b><u>SUMMARY</u></b>			
GENERAL MANAGEMENT	1,874,613	1,964,296	(89,683)
CAPITAL FINANCING	8,083,135	7,912,569	170,566
CENTRAL RECHARGES	2,745,024	2,745,024	-
STRATEGY AND PERFORMANCE	1,919,958	1,710,964	208,994
PUBLIC SECTOR HOUSING	6,086,179	5,455,885	630,294
SUPPORTED HOUSING	-	-	-
BUILDING MAINTENANCE SERVICES	31,018,422	30,881,208	137,214
GROSS EXPENDITURE	51,727,331	50,669,947	1,057,384
INCOME	(51,727,331)	(51,831,081)	103,750
(SURPLUS)/DEFICIT CONTRIBUTION (TO)/FROM WORKING BALANCES	-	(1,161,134)	(1,161,134)
<b><u>HOUSING REVENUE ACCOUNT</u></b>	£	£	£
<b><u>GENERAL MANAGEMENT</u></b>	1,874,613	1,964,296	(89,683)
<b><u>CAPITAL FINANCING COSTS</u></b>			
Interest Charge	5,660,208	5,492,672	167,536
Principal	2,372,927	2,369,897	3,030
Debt Management	50,000	50,000	-
Rescheduling Discount	-	-	-
<b>EXPENDITURE TO HRA SUMMARY</b>	<b>8,083,135</b>	<b>7,912,569</b>	<b>170,566</b>
<b><u>CENTRAL RECHARGES</u></b>			
Central Recharges	2,248,134	2,248,134	-
Grounds Maintenance recharge to HRA	496,890	496,890	-
<b>EXPENDITURE TO HRA SUMMARY</b>	<b>2,745,024</b>	<b>2,745,024</b>	<b>-</b>

<b><u>HOUSING REVENUE ACCOUNT</u></b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>STRATEGY AND PERFORMANCE</u></b>			
Housing Strategy and Development	1,919,958	1,710,964	208,994
Transforming Lives and Communities	-	-	-
<b>EXPENDITURE TO HRA SUMMARY</b>	<b>1,919,958</b>	<b>1,710,964</b>	<b>208,994</b>
<b><u>HOUSING REVENUE ACCOUNT</u></b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>PUBLIC SECTOR HOUSING</u></b>			
Landlord General	349,520	321,475	28,044
Sheltered Accommodation	1,516,702	1,297,025	219,677
Holly Road Community Support	4,782	4,866	(84)
Eastern Valley Area Housing Office	821,998	766,078	55,920
Upper Rhymney Area Housing Office	895,888	808,274	87,614
Lower Rhymney Valley Area Housing Office	31,002	38,311	(7,309)
Lansbury Park Neighbourhood Housing Office	322,495	298,033	24,462
Graig Y Rhacca Neighbourhood Housing Office	303,759	282,687	21,072
Housing Allocations Contribution	128,845	104,002	24,843
Tenants & Communities Involvement	371,885	331,072	40,813
Leaseholders Management	46,635	33,994	12,641
Tenancy Enforcement	338,675	316,796	21,879
Rents	991,213	890,372	100,840
Community Wardens	(37,219)	(37,100)	(119)
<b>EXPENDITURE TO HRA SUMMARY</b>	<b>6,086,179</b>	<b>5,455,885</b>	<b>630,294</b>



<b><u>HOUSING REVENUE ACCOUNT</u></b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>RESPONSE REPAIRS AND MAINTENANCE</u></b>			
<b>Employee Expenses net of recharges</b>	<b>655,194</b>	<b>598,978</b>	<b>56,216</b>
<b>Repairs &amp; Maintenance on Housing Stock</b>			
Responsive Repairs	10,873,564	10,378,224	495,340
Revenue Contribution to Capital – WHQS Programme	15,589,241	15,589,241	-
Group/Planned Repairs (priorities 5 & 8)	-	-	-
Void Repairs (priority 6)	-	-	-
Depot Recharges	100,000	100,000	-
Revenue Projects	1,894,000	2,393,155	(499,155)
Planned Cyclical	1,762,600	1,690,127	72,473
Planned Programme	-	-	-
	<b>30,219,405</b>	<b>30,150,747</b>	<b>68,658</b>
<b>Transport Related</b>	<b>15,980</b>	<b>14,609</b>	<b>1371</b>
<b>Supplies and Services</b>	<b>127,843</b>	<b>116,874</b>	<b>10,969</b>
<b>EXPENDITURE TO HRA SUMMARY</b>	<b>31,018,422</b>	<b>30,881,208</b>	<b>137,214</b>

<b><u>HOUSING REVENUE ACCOUNT</u></b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>INCOME</u></b>			
<b><u>Rents – Dwelling</u></b>			
Gross Rent – Dwellings	(46,165,179)	(46,774,108)	608,929
Gross Rent – Sheltered	(4,675,807)	(4,071,621)	(604,186)
Gross Rent – Hostel	-	-	-
Voids – General Needs Dwelling/Sheltered	1,271,025	1,118,511	152,514
Additional Income O/Side Rent Debit (WHQS)	-	(1,333)	1,333
Voids – Hostel	-	-	-
<b>Net Rent</b>	<b>(49,569,961)</b>	<b>(49,728,551)</b>	<b>158,590</b>
<b><u>Rents – Other</u></b>			
Garages	(351,694)	(351,191)	(503)
Garage Voids	117,099	114,907	2,192
Shop Rental	(54,488)	(54,488)	-
	<b>(289,083)</b>	<b>(290,772)</b>	<b>1,689</b>
<b><u>Service Charges</u></b>			
Sheltered – Service Charges	(1,271,043)	(1,216,800)	(54,243)
Sheltered – Heating & Lighting	(106,268)	(77,453)	(28,815)
Sheltered & Dispersed – Alarms	-	-	-
Catering Recharge – Sheltered Accommodation	-	-	-
Voids Schedule Water	114,507	82,388	32,119
Non Scheduled Water Rates	(31,914)	(26,324)	(5,590)
Welsh Water Commission	(560,569)	(560,569)	-
Leaseholder – Service Charges	-	-	-
	<b>(1,855,287)</b>	<b>(1,798,758)</b>	<b>(56,529)</b>
<b><u>Government Subsidies</u></b>			
Housing Subsidy	-	-	-
	-	-	-
<b><u>Interest Receivable</u></b>			
Mortgage Interest	-	-	-
Investment Income	(10,000)	(10,000)	-
	<b>(10,000)</b>	<b>(10,000)</b>	-
<b><u>Miscellaneous</u></b>			
Miscellaneous	-	-	-
Private Alarms	-	-	-
Ground Rent	(3,000)	(3,000)	-
	<b>(3,000)</b>	<b>(3,000)</b>	-
<b>INCOME TO HRA SUMMARY</b>	<b>(51,727,331)</b>	<b>(51,831,081)</b>	<b>103,750</b>