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

- 1 Housing Revenue Account Budget Monitoring - Period 5.



HOUSING AND ENVIRONMENT SCRUTINY COMMITTEE – 12TH DECEMBER 2023

SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING – PERIOD 5

REPORT BY: DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the projected position for the Housing Revenue Account (HRA) for the 2023/24 financial year, based on the income and expenditure movements of the first 5 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 2023/24 is £55.5m with its main components consisting of £21.6m of salaries, £8.1m of capital financing charges, £4.3m of building maintenance & response repairs (net of salaries), £2.8m of internal service recharges, and £13.3m of revenue contributions to fund the PAMS (Post Asset Management Strategy) programme. There is also a budget of £8.9m for the PAMS programme 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 77% 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 underspend of £330k for the end of 2023/24 financial year, which represents about 0.6% of the total HRA budget. This is based on the income and expenditure patterns for the first 5 months of the year together with knowledge of the service from the respective managers. The surplus is split between general revenue underspends and capital related underspends. The main variances are summarised below, and full financial details are provided in Appendix 1.

5.2 Salaries & Mileage (£717k under spend)

- 5.2.1 Salaries and associated costs within the HRA are currently expected to underspend by some £717k which represents about 3.35% 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. An estimated pay award has been built into the budget and projected for the year but the actual pay award was announced early November so will be reflected in the period 9 budget monitoring report.

5.3 Non-Pay Related (£284k under spend)

- 5.3.1 This includes an underspend of £245k associated with office related costs
- 5.3.2 £39k underspend is attributable to budgets that are service specific such as Tenant Participation, Older Persons Housing utilities and decoration allowances. Some costs however have increased such as Council Tax charges and security on void properties which are currently being offset.

5.4 Building Maintenance & Response Repairs (£580k overspend)

- 5.4.1 This area is currently projecting an overspend of some £580k. There are some under spends within the cyclical and revenue projects which includes, non – DLO works and Contingency. Expenditure on the Housing Response Operations (HRO) budget is anticipating a £508k overspend overall which includes any salaries and non-pay savings identified in 5.2 & 5.3 above. There is currently an increased spend on sub-contractors due to increased material costs as a result of continued high inflation and contracts have had to be uplifted accordingly. Statutory works are currently within budget, although electrical testing to comply with the new Renting Homes Wales Act has to be completed by December 2023 which may include additional remedial works.
- 5.4.2 A budget of £8.9m has been allocated for the In-House team who support the capital programme with a further £2m allocation towards non-priority large scale repairs. The work involved includes the maintenance of the WHQS programme through the PAMS programme, sheltered remodelling and 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 £442k due to the re-distribution of workforce to complete void properties and reduce HRO repairs backlog.

5.5 Capital Financing Requirement (CFR)

5.5.1 Borrowing levels forecasted in the 2023/24 Business Plan have not changed at this stage, and no borrowing is anticipated for this financial year. Officers await an update on borrowing interest rates to review for the rest of the year.

5.5.2 The borrowing cap of £100m was agreed by Full Council on May 23rd, 2023, to accommodate anticipated borrowing in 2024/25 and 2025/26 to fund commitments for increasing housing supply. However, an updated Business Plan that is due to be submitted to Welsh Government in March 2024, which will reflect the agreed 2024/25 rent increase and a reprofiled new build programme could impact on the borrowing requirement and will be updated within the Business Plan report that is presented to members annually.

5.6 Income (£90k under recovery)

5.6.1 Variations represent less than 0.2% of the total income budget.

5.7 Revenue Contributions to Capital Outlay (RCCO)

5.7.1 The HRA allows for some £13.3m of revenue contributions towards the HRA Capital 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 Total capital spend to period 5 is some £7m which is a combination of PAMS and the New Build Programme. There has been some reprofiling of the New Build programme which is inherent of a development programme of this size, meaning spend is relatively low in this area and some contracts are now likely to progress into next financial year. However, costs have increased on existing PAMS contracts, as well as an increased specification of works on void properties, so it is estimated that the RCCO will be fully utilised this year.

5.8 HRA Working Balances

5.8.1 Working balances at the start of 2023/24 financial year were £22.5m. The majority of this is derived from underspends in previous years and is anticipated to be used to contribute towards the capital programme this year. Any funding not utilised will be carried forward into future years to reduce borrowing.

6. ASSUMPTIONS

6.1 The projected outturn position is based on actual income and expenditure details for the first five months in the 2023/24 financial year.

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 Andrew Whitcombe	- Chair Housing and Environment Scrutiny Committee
Cllr Shane Williams	- Vice Chair Housing and Environment Scrutiny Cttee
Cllr Shayne Cook	- Cabinet Member for Housing
Dave Street	- Deputy Chief Executive
Nick Taylor-Williams	- Head of Housing
Stephen R Harris	- Head of Corporate Finance and S151 Officer
Fiona Wilkins	- Housing Services Manager
Jane Roberts-Waite	- Head of Strategy and Development
Catherine Edwards	- Head of Asset Maintenance and Repairs
Michael Williams	- Planned Asset Maintenance Manager
Jason Fellows	- HRO Manager
Kerry Denman	- Housing Solutions Manager
Rhian Williams	- Group Accountant (Treasury and Capital)
Leanne Sykes	- Deputy Head of Financial Services and S151 Officer

Appendices:

Appendix 1 HRA Financial Plan 2023/24 period 5

Appendix 1

Housing	Estimate 2023/24	Projected Outturn 2023/24	Variance 2023/24
<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>SUMMARY</u>			
GENERAL MANAGEMENT	1,810,093	1,720,507	89,586
CAPITAL FINANCING	8,077,566	8,077,566	-
CENTRAL RECHARGES	2,822,441	2,826,696	(4,255)
STRATEGY AND PERFORMANCE	2,995,632	2,843,306	152,326
PUBLIC SECTOR HOUSING	7,834,404	7,366,392	468,012
SUPPORTED HOUSING	-	-	-
BUILDING MAINTENANCE SERVICES	31,998,293	32,283,702	-285,409
GROSS EXPENDITURE	55,538,429	55,118,168	420,261
INCOME	(55,538,429)	(55,448,100)	(90,329)
(SURPLUS)/DEFICIT CONTRIBUTION (TO)/FROM WORKING BALANCES	-	(329,932)	329,932
<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>GENERAL MANAGEMENT</u>	1,810,093	1,720,507	89,586
<u>CAPITAL FINANCING COSTS</u>			
Interest Charge	5,418,353	5,418,353	-
Principal	2,624,213	2,624,213	-
Debt Management	35,000	35,000	-
Rescheduling Discount	-	-	-
EXPENDITURE TO HRA SUMMARY	8,077,566	8,077,566	-
<u>CENTRAL RECHARGES</u>			
Central Recharges	2,302,038	2,302,038	-
Grounds Maintenance recharge to HRA	520,403	524,658	(4,255)

EXPENDITURE TO HRA SUMMARY	2,822,441	2,826,696	(4,255)
<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>STRATEGY AND PERFORMANCE</u>			
Housing Strategy and Development	2,995,632	2,843,306	152,326
Transforming Lives and Communities	-	-	-
EXPENDITURE TO HRA SUMMARY	2,995,632	2,843,306	152,326
<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>PUBLIC SECTOR HOUSING</u>			
Landlord General	614,740	587,355	27,385
Sheltered Accommodation	2,064,352	1,854,257	210,094
Floating Support	34,673	35,811	(1,138)
Holly Road Community Support	5,063	3,295	1,769
Eastern Valley Area Housing Office	913,478	1,040,663	(127,185)
Upper Rhymney Area Housing Office	1,061,681	1,002,434	59,246
Lower Rhymney Valley Area Housing Office	-	-	-
Lansbury Park Neighbourhood Housing Office	433,854	407,423	26,431
Graig Y Rhacca Neighbourhood Housing Office	334,467	329,999	4,468
Housing Allocations Contribution	153,807	147,026	6,781
Tenants & Communities Involvement	396,698	387,730	8,968
Leaseholders Management	45,662	30,028	15,634
Tenancy Enforcement	375,743	369,683	6,060
Rents	1,382,021	1,145,750	236,271
Community Wardens	(51,834)	(51,834)	-
Renting Homes Act	70,000	76,772	(6,772)
EXPENDITURE TO HRA SUMMARY	7,834,404	7,366,392	468,012

<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>RESPONSE REPAIRS AND MAINTENANCE</u>			
Employee Expenses net of recharges	766,098	687,979	78,119
Repairs & Maintenance on Housing Stock			
Responsive Repairs	13,551,742	14,059,287	(507,545)
Revenue Contribution to Capital – WHQS Programme	13,335,447	13,335,447	-
Group/Planned Repairs (priorities 5 & 8)	-	-	-
Void Repairs (priority 6)	-	-	-
Depot Recharges	-	-	-
Revenue Projects	1,114,000	1,089,354	24,646
Planned Cyclical	3,062,838	2,960,614	102,224
Planned Programme	-	-	-
	31,064,027	31,444,703	(380,676)
Transport Related	18,685	16,780	1,905
Supplies and Services	149,483	134,240	15,243
EXPENDITURE TO HRA SUMMARY	31,998,293	32,283,702	(285,409)

<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>INCOME</u>			
<u>Rents – Dwelling</u>			
Gross Rent – Dwellings	(51,160,935)	(51,285,636)	124,701
Gross Rent – Sheltered	(4,132,185)	(3,888,336)	(243,849)
Gross Rent – Hostel	-	-	-
Voids – General Needs Dwelling/Sheltered	1,496,433	1,430,368	66,065
Additional Income O/Side Rent Debit (WHQS)	-	(2,715)	2,715
Voids – Hostel	-	-	-
Net Rent	(53,796,687)	(53,743,604)	(53,083)
<u>Rents – Other</u>			
Garages	(376,859)	(369,960)	(6,899)
Garage Voids	107,050	108,498	(1,448)
Shop Rental	(45,204)	(45,204)	-
	(315,013)	(306,666)	(8,347)
<u>Service Charges</u>			
Sheltered – Service Charges	(1,205,711)	(1,200,819)	(4,892)
Sheltered – Heating & Lighting	(51,530)	(33,298)	(18,232)
Sheltered & Dispersed – Alarms	-	-	-
Catering Recharge – Sheltered Accommodation	-	-	-
Voids Schedule Water	-	-	-
Non Scheduled Water Rates	(26,488)	(20,713)	(5,775)
Welsh Water Commission	-	-	-
Leaseholder – Service Charges	-	-	-
	(1,283,729)	(1,254,830)	(28,899)
<u>Government Subsidies</u>			
Housing Subsidy	-	-	-
	-	-	-
<u>Interest Receivable</u>			
Mortgage Interest	-	-	-
Investment Income	(140,000)	(140,000)	-
	(140,000)	(140,000)	-
<u>Miscellaneous</u>			
Miscellaneous	-	-	-
Private Alarms	-	-	-
Ground Rent	(3,000)	(3,000)	-
	(3,000)	(3,000)	-
<u>INCOME TO HRA SUMMARY</u>	(55,38,429)	(55,448,100)	(90,329)