



POLICY AND RESOURCES SCRUTINY COMMITTEE – 28TH FEBRUARY 2017

**SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING – PERIOD 9
2016/17**

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

1. PURPOSE OF REPORT

- 1.1 This report is to inform members of the projected expenditure for the Housing Revenue Account (HRA) for the 2016/17 financial year. The HRA capital programme which is predominantly funding the WHQS programme 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 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 This report outlines the projected outturn for the HRA based upon the expenditure and income for the first nine months of the financial year.

3. LINKS TO STRATEGY

- 3.1 The Council has a number of corporate strategies and this report deals with the use of resources in the achievement of those strategies.

- 3.2 Effective financial planning and financial control contribute to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015: -

- A prosperous Wales.
- A resilient 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 HRA (£1.7m underspend)

4.1.1 The HRA is currently projecting a year end outturn of £1.6m underspend, which represents about 3% of the total HRA budget. The main variances are summarised below and full financial details are provided in Appendix 1.

4.2 Salaries & Mileage (£38k overspend)

4.2.1 Salaries and associated costs within the HRA are currently expected to overspend by some £38k. This is a net position where underspends in some areas are offset by overspends in others, in particular underspends are expected in public sector area housing, sheltered and strategy (£333k). Historically there has always been a high turnover of staff in the area offices given the volume of staff and this budget tends to generate savings throughout the year. The offsetting overspends are projected mainly in the Housing Response Operations team and Building Maintenance (£302k) as a consequence of increased work in supporting the WHQS programme, and also in the Allocations team (£88k) which has been recently reviewed to address the new Common Housing Register.

A further underspend of £19k is currently projected for other salary related budgets such as mileage allowances.

4.3 Service Specific Related and Office Related (£467k underspend)

4.3.1 Non pay related budgets (which include office running costs, one-off projects and tenant related expenditure) are predicting a £467k underspend. This is an increase of some £280k compared to the period 4 budget monitoring report but there are numerous headings that make up these budgets, including, Security of Void Properties, Energy Performance Certificates, Decoration Allowances, Training, Utilities for Sheltered Schemes, IT Equipment and Stationery, so it can be easier to predict outturns as the year progresses especially for demand led budgets.

4.4 Income (£1.6m additional)

4.4.1 The projected additional income is mainly as a result of the increased expenditure in the Housing Response Operations (HRO) team which is recharged to the WHQS programme.

4.5 Building Maintenance (£183k overspend)

4.5.1 The HRA is utilised to fund the maintenance of the public housing stock.

4.5.2 The HRO is projected to incur additional expenditure of £1.54m as a result of increased work in particular in supporting the WHQS programme and end of tenancy voids. The increase relates in the main to materials, sub contractors and tipping charges. There is also an increase of work being held in house rather than contracted out externally.

4.5.3 An underspend of £772k is anticipated for Revenue Projects. This category mainly includes budgets that fall outside of the other budgets remits (i.e. not planned, cyclical or in house responsive). The underspend mainly relates to the contingency budget (£276k) where a small provision is set each year for any unforeseen repairs. Projects for sheltered complexes are expecting an underspend of £110k and the environmental infrastructure works £82k. The Non-DLO budget which is typically used for contracting works out that the HRO are unable to complete is expected to make efficiencies of some £416k as a result of more work being absorbed in-house and contracted work being controlled more efficiently. This is evident in the additional spend shown in 4.5.2 above. Damp proofing is also projecting a £176k overspend based on its current expenditure pattern.

- 4.5.4 Planned Cyclical (£587k underspend) – this relates to costs associated with our statutory servicing and maintenance obligations, e.g. heating, electrical, and legionella testing. Underspend in this area relate mainly to Alarm & Light Servicing (£68k), Gas & solid fuel remedial works (£349k), and Gas & Solid Fuel Servicing (£160k). Reduced expenditure on gas and solid fuel heating is considered to be as a consequence of the increase numbers of new heating installations being provided as part of the WHQS works. As a consequence, these budgets will be reviewed for next years accounts.
- 4.5.5 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.
- 4.5.6 The in house workforce for WHQS was expected to increase its spend to £10m due to the increase of properties expected to be completed this year compared to last year (additional 240). This has been revised to £9m as it has become apparent that the level of full works is not required in every property and to also take account of no accesses. The additional costs are fully funded from the WHQS programme and therefore do not form part of the HRA variance in this report.
- 4.6 Revenue Contribution to Capital (£131k overspend)**
- 4.6.1 The HRA allows for some £13.5m of revenue contributions towards the WHQS programme this year, and £2.1m for the delivery team fees.
- 4.6.2 There is an expectation that the HRA RCCO will be fully utilised this year.
- 4.6.3 The delivery team costs are expected to be some £131k higher due to an increase in agency posts.
- 4.7 HRA Working balances**
- 4.7.1 Working balances at the end of 2015/16 stood at £19.8m. The majority of this funding is earmarked to fund the WHQS programme. To date no borrowing has been undertaken to fund the WHQS programme; however, the current business plan anticipates a borrowing requirement of £57m to fully deliver the programme.
- 4.8 HRA Capital Programme**
- 4.8.1 The spend to date for the first nine months on the HRA Capital Programme is £18.9m against a full year budget of £38.6m. 28% (£5.4m) of the spend relates to carried forward contracts from previous years.
- 4.8.2 The spend for Qtr 1 was slow at just 10% of the budget expended but this has increased to 22% of the budget spend in Qtr 2 and 17% for Qtr 3.
- 4.8.3 A summary of the internal and external works is shown below totalling £15.3m, the remaining spend is on fees (£1.6m), adaptations (£408k), policy voids (£1.1m) and garages (£417k).

2016/17 period 1-9									
	INTERNALS					EXTERNALS			
	<u>In House</u>	<u>HRO inc Heating</u>	<u>Ext Contractor</u>	<u>Unidentified</u>	<u>Total</u>	<u>In House</u>	<u>Ext Contractor</u>	<u>Unidentified</u>	<u>Total</u>
Upper	2,192,891	246,787	946,477	26,013	3,412,168	144,458	2,261,122	6,259	2,411,839
Lower	1,669,061	261,411	1,515,763	19,898	3,466,133	110,438	338,246	688	449,372
Eastern	1,444,248	227,142	2,601,175	31,334	4,303,899	-	1,200,682	39,665	1,240,347
	5,306,200	735,340	5,063,415	77,245	11,182,200	254,896	3,800,050	46,612	4,101,558
	47%	7%	45%	0.7%		6%	93%	1.1%	

4.8.4 Based on a pro rata basis the expenditure is likely to be around £25m by the end of the year with an underspend of £13m. A contributing factor to the underspend will be the high level of previously achieved works, no accesses and refusals which are still around the 30% level as in previous years. Furthermore, it is clear that full works are unlikely to be required on all remaining properties within the programme, based on historical information that only 60% of kitchens, 70% of bathrooms, 49% of electrics and 16% of heating have received full works in the properties to date, so this could also be a factor in the underspend, along with the slow start to the small lot and lower valley external contracts.

4.8.5 No borrowing has been undertaken to date. Funding this year will be taken from the Major Repairs Allowance (MRA) grant and HRA balances.

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 As detailed throughout the report.

8. PERSONNEL IMPLICATIONS

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

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 projected financial position of the Housing Revenue Account.

12 STATUTORY POWER

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

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Cllr Gez Kirby – Vice-Chair P&R Scrutiny Committee
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Appendices
Appendix 1

HRA financial plan 2016/17 (period 9 projection)

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	858,588	52,818
CAPITAL FINANCING		7,919,873	7,913,172	6,701
CENTRAL RECHARGES		2,178,519	2,178,519	0
STRATEGY AND PERFORMANCE		1,498,870	1,345,849	153,021
PUBLIC SECTOR HOUSING		5,238,583	4,746,463	492,120
SUPPORTED HOUSING		0	(6,500)	6,500
BUILDING MAINTENANCE SERVICES		29,523,645	28,454,265	1,069,380
GROSS EXPENDITURE		47,270,895	45,490,356	1,780,539
INCOME		(47,270,895)	(47,228,003)	(42,892)
(SURPLUS)/DEFICIT CONTRIBUTION (TO)/FROM WORKING BALANCES		(0)	(1,737,647)	1,737,647
<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>GENERAL MANAGEMENT</u>		911,406	858,588	52,818
<u>CAPITAL FINANCING COSTS</u>				
Interest Charge		5,621,634	5,616,892	4,742
Principal		2,332,190	2,330,231	1,959
Debt Management		23,730	23,730	0
Resheduling Discount		(57,681)	(57,681)	0
EXPENDITURE TO HRA SUMMARY		7,919,873	7,913,172	6,701
<u>CENTRAL RECHARGES</u>				
Central Recharges		1,736,652	1,736,652	0
Grounds Maintenance recharge to HRA		441,867	441,867	0
EXPENDITURE TO HRA SUMMARY		2,178,519	2,178,519	0

<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
STRATEGY & PERFORMANCE		85,169	22,313	62,856
PERFORMANCE DEVELOPMENT		623,238	547,592	75,646
COMMUNICATIONS & ENGAGEMENT		96,867	96,799	68
TRANSFORMING LIVES & COMMUNITIES		693,596	679,145	14,451
EXPENDITURE TO HRA SUMMARY		1,498,870	1,345,849	153,021
<u>HOUSING REVENUE ACCOUNT</u>			£	£
<u>PUBLIC SECTOR HOUSING</u>				
Landlord General		168,457	150,617	17,840
Sheltered Accommodation		1,434,092	1,215,271	218,821
Holly Road Community support		1,866	2,924	-1,058
Lower Rhymney AHO		22,135	(1,127)	23,262
Eastern Valley AHO		642,690	601,751	40,939
Upper Rhymney AHO		776,535	730,652	45,883
Gilfach NHO		0	0	0
Lansbury Park NHO		332,579	285,638	46,941
Graig Y Rhacca NHO		270,314	235,058	35,256
Allocations		141,285	135,985	5,300
TENANTS & COMMUNITIES INVOLVEMENT		474,813	440,818	33,995
LEASEHOLDERS MANAGEMENT		49,038	50,836	-1,798
Tenancy Enforcement		271,266	266,264	5,002
Rents		697,844	668,309	29,535
Community Wardens		(44,329)	(36,533)	-7,796
EXPENDITURE TO HRA SUMMARY		5,238,583	4,746,463	492,120

<u>HOUSING REVENUE ACCOUNT</u>			£	£
<u>SUPPORTED HOUSING</u>				
Dispersed Alarms		0	0	0
Telecare Centre		0	(6,500)	6,500
Ty Croeso Hostel		0	0	0
EXPENDITURE TO HRA SUMMARY		0	(6,500)	6,500
<u>HOUSING REVENUE ACCOUNT</u>			£	£
<u>RESPONSE REPAIRS & MAINTENANCE</u>				
Employee Expenses net of recharges		1,325,382	1,267,641	57,741
Repairs & Maintenance on Housing Stock				
Responsive Repairs		7,977,713	8,577,916	-600,203
Revenue Contribution to Capital - WHQS Programme		15,615,928	15,747,148	-131,220
Group/Planned Repairs (priorities 5 & 8)		0	0	0
Void Repairs (priority 6)		0	0	0
Revenue Projects		2,234,000	1,221,359	1,012,641
Planned Cyclical		2,176,000	1,455,681	720,319
Planned Programme		0	(2,317)	2,317
		28,003,641	26,999,787	1,003,854
Transport Related		25,270	19,047	6,223
Supplies & Services		169,352	167,790	1,562
EXPENDITURE TO HRA SUMMARY		29,523,645	28,454,265	1,069,380

<u>HOUSING REVENUE ACCOUNT</u>			£	£
<u>INCOME</u>				
<u>Rents - Dwelling</u>				
Gross Rent - Dwellings	(40,682,689)	(40,682,689)	0	
Gross rent - Sheltered	(4,530,468)	(4,530,468)	0	
Gross Rent - Hostel	0	0	0	
Voids - General Needs Dwelling/Sheltered	600,000	650,534	-50,534	
Voids - Hostel	0	0	0	
Net Rent	(44,613,157)	(44,562,623)	-50,534	
<u>Rents - Other</u>				
Garages	(360,120)	(363,008)	2,888	
Garage Voids	144,354	151,145	-6,791	
Shop Rental	(58,250)	(69,795)	11,545	
	(274,016)	(281,658)	7,642	
<u>Service Charges</u>				
Sheltered - Service Charges	(1,421,134)	(1,421,134)	0	
Sheltered - Heating & Lighting	(158,230)	(158,230)	0	
Sheltered & Dispersed- Alarms	0	0	0	
Catering Recharge - Sheltered Accommodation	(53,657)	(53,657)	0	
Voids Schedule Water	51,022	51,022	0	
Non Scheduled Water Rates	(47,899)	(47,899)	0	
Welsh Water Commission	(705,624)	(705,624)	0	
Leaseholder - Service Charges	(10,000)	(10,000)	0	
	(2,345,522)	(2,345,522)	0	
<u>Government Subsidies</u>				
Housing Subsidy	0	0	0	
	0	0	0	
<u>Interest Receivable</u>				
Mortgage Interest	(1,200)	(1,200)	0	
Investment Income	(7,000)	(7,000)	0	
	(8,200)	(8,200)	0	
<u>Miscellaneous</u>				
Miscellaneous	0	0	0	
Private Alarms	0	0	0	
Ground Rent	(30,000)	(30,000)	0	
	(30,000)	(30,000)	0	
<u>INCOME TO HRA SUMMARY</u>				
	(47,270,895)	(47,228,003)	-42,892	