



## **POLICY AND RESOURCES SCRUTINY COMMITTEE – FOR INFORMATION**

**SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING - PERIOD 4  
2017/18**

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

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

- 1.1 To inform members of the projected expenditure for the Housing Revenue Account (HRA) for the 2017/18 financial 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 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 projected outturn for the HRA based upon the expenditure and income for the first four months of the year.
- 2.3 The HRA budget for 2017/18 is £48.3m with its main components consisting of £13m of salaries (net of WHQS funding), £7.9m of capital financing charges, £8.1m of response repairs, and £16.6m of revenue contributions to fund the WHQS programme. The underspend at period 4 is projected to be £278k and the main reason for this 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 15th February 2017. Cabinet approved the 2016/17 Housing Revenue Account on the 1st February 2017.
- 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 (£278k underspend)**

4.2.1 The HRA is currently projecting a £278k under-spend, which represents 0.5% of the total HRA budget. The main variances are summarised below and full details are provided in Appendix 1.

### **4.3 Salaries & Mileage (£140k overspend)**

4.3.1 Salaries and associated costs within the HRA are currently expected to overspend by some £118k on a £13m salary budget. There are some offsetting over and under spends in this area given the volume of staff, so the net result includes anticipating overspends within the Housing Response Operations team as a result of increasing resources to address the increase in work, particularly to support the WHQS programme and revenue projects.

### **4.4 Service Specific Related and Office Related (£70k overspend)**

4.4.1 Again the main area of overspend relates to projected net increase in spend in materials and transport for the HRO team as a result of increased works associated with the WHQS programme. Typically there are some budget areas within this category that tend to be quite volatile and therefore could generate savings throughout the year, such as bad debt provisions, utility charges and various housing projects.

### **4.5 Building Maintenance (£487k under-spend)**

4.5.1 This area includes all building revenue works to fund the maintenance of the public housing stock which is undertaken in the main by the Housing Repair Operations team and/or Contractors.

4.5.2 Revenue Projects (£389k 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 non DLO budget (£195k), asbestos (£21k) and dampproofing (£80k) which is an offset related to the extra work mentioned in 4.3.1 above. Projects for the infrastructure works budget has not been fully utilised as yet this year, as a consequence of work being picked up in the WHQS Programme so a pro rata underspend is projected at £50k. The contingency budget is prudently assumed to be fully committed at this stage.

4.5.3 Planned Cyclical (£98k under-spend) – this relates to costs associated with our statutory servicing and maintenance obligations, e.g. heating, electrical, and legionella testing. Under-spends in this area relates to Alarm & Light Servicing (£32k), Fire safety doors (£22k). Other smaller savings are anticipated due to works being completed under the WHQS Programme and revised contractual arrangements.

4.5.4 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 £10.4m has been allocated in 2017/18 along with an income recharge to the capital programme so that the HRA had a nil cost. The same principle applies to the WHQS management team responsible for delivery of the WHQS programme where £2.5m budget has been allocated with an associated income recharge to capital. At period 4 this is projected to be overspent by £1.3m for the in house workforce and an underspend of £120k for the delivery team. This is as a consequence of increased resources required for the WHQS programme in respect of the in house contracts e.g sheltered schemes. The underspend on the delivery team is as a result of unfilled vacant posts. All costs are recharged to the WHQS programme.

#### **4.6 Revenue Contribution to Capital (RCCO) (nil variance)**

4.6.1 The HRA allowed for some £16.6m of revenue contributions towards the WHQS programme and this is expected to be fully committed at this time.

4.6.2 The total expenditure on the WHQS capital programme as at period 4 is some £9m against a budget of £53.6m. A recent exercise on actual costs has been carried out and applied to the current programme in place of the original Savills estimates, and this still remains affordable within the Housing business plan. However, further reprofiling on the WHQS programme is necessary to allow for recent contractor changes and applying these actual costs throughout the remaining contracts.

4.6.3 The HRA RCCO of £16.6m will fund this budgeted spend in addition to the £7.3m Major Repairs Allowance (MRA) from Welsh Government with the remaining balance being funded from HRA working balances and borrowing.

4.6.4 Borrowing will only be actioned this year if the WHQS programme exceeds some £42m.

#### **4.7 HRA Working Balances**

4.7.1 Working balances at the beginning of the 2017/18 financial year are £15.6m. This is expected to be fully utilised this year. 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 relatively small at just under 1% 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.

## **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.

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Appendices  
Appendix 1

HRA financial plan p4 2017/18