



CAERPHILLY HOMES TASK GROUP – 18TH SEPTEMBER 2014

SUBJECT: HOUSING REVENUE ACCOUNT OUTTURN REPORT 2013-14

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

1. PURPOSE OF REPORT

- 1.1 To provide information to the Caerphilly Homes Task Group (CHTG) on the Housing Revenue Account (HRA) outturn for 2013/14.
- 1.2 CHTG 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.
- 1.3 The Outturn of the Housing Capital Programme is included on the WHQS Monitoring Report which has been submitted separately to this Committee.

2. SUMMARY

- 2.1 The report shows the final outturn for the HRA within the Chief Executive Directorate, for the financial year 2013/14.

3. LINKS TO STRATEGY

- 3.1 The content of the report is in accordance with the budget strategy considered by the Council at its meeting of 27th February 2013. Cabinet approved the HRA estimates on the 5th February 2013.
- 3.2 Budget management itself is in accordance with the corporate theme of Delivering the Strategies.

4. THE REPORT

4.1 Introduction

- 4.1.1 The following paragraphs highlight the major budget variances.

4.2 HRA

- 4.2.1 The HRA outturn was a £8.5m under-spend, which represents just over 22% of the total HRA budget. A large proportion of this under-spend (£3.3m) was anticipated at the start of the financial year in relation to the Revenue Contribution to Capital (RCCO) budget linked to the WHQS programme, which will be explained further in the report.

4.3 Salaries & Mileage (£520k underspend)

4.3.1 Salaries within the HRA generated savings of some £597k, which represents around 6% 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 £400k, and other savings such as long term sickness, opted out pension savings and vacant posts, offset by standby overtime which is a net £197k. This has been offset by an overspend of £77k for other salary related budgets such as mileage allowances and agency staff which is predominantly from the Housing Repairs Operations response service.

4.4 Income (£803k underspend)

4.4.1 An additional weeks rent was collected this year due to the week 53, that occurs every few years. Week 53 occurs because the year in question contains 52 weeks plus extra days. In rent terms this is an extra week's collection and is the reason more income was collected this year.

4.5 Service Specific Related and Office Related (£793k underspend)

4.5.1 Non pay related budgets (which include office running costs, one-off projects and tenant related expenditure) have spent £793k less than budgeted. There are numerous variances within this category but an example of some of the savings are, Utility Charges (£125k), Central Recharges and SLA's (£20k), IT systems and equipment (£188k), Tenants Projects (£85k), bad debt provision (£213k), Local Employment Fund (£30k), Tenancy Enforcement Projects (£38k), College fees and training (£45k), Energy Performance Certificates (£15k), and Area Office Maintenance (£12k).

4.5.2 At the start of the year a budget (£100k) was identified to supplement the discretionary housing payments (DHP's) that are allocated to this authority to support those tenants on housing benefit who may struggle due to the introduction of the bedroom tax. However the allocated DHP's for the authority was sufficient for those who were eligible and this budget was not required. However, as future DHP's are unknown and Universal Credit is on the horizon, the £100k has been earmarked for future use, to assist with any potential increase in demand.

4.5.3 A further £6k was also earmarked for an increase in CAB debt and money advice surgeries.

4.6 Building Maintenance (£400k under-spend)

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

4.6.2 Response Repairs - 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) which also incorporates the cost of providing an internal stores service. 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. For information however, the HRO in total overspent by £395k in its first year of operating with a budget under the HRA. This represents just 6% of its total budget and can be attributed to additional repairs necessary during the inclement weather that occurred during November to February. There was also an increase of workload within the HRO in lieu of appointing external contractors within the Non-DLO budget that is held under the Revenue Projects budget (see below). This budget was transferred to the HRO manager as part of the merger and was therefore controlled more efficiently, with work being allocated in house where appropriate before seeking an external contractor.

4.6.3 Planned Maintenance – this was also an area within this category but no budgets were allocated this year due to the resources required for the WHQS programme. However, there were some planned works spent this year that were committed from the previous year but this

was fully funded from earmarked reserves. A residual balance of some £104k has been carried over into 2014/15 for some small unfinished planned programmes and funding for this has been identified

- 4.6.4 Revenue Projects (£200k 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 which as mentioned in 4.6.2 above was not fully utilised due to the in-house response team having priority over some of the works allocated.
- 4.6.5 Planned Cyclical (£280k 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 relate to Alarm & Light Servicing (£123k), Gas & Solid Fuel Servicing (£96k), Legionella Testing (£34k) and Electrical Testing (£32k).
- 4.6.6 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 £7.7m was allocated 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 £1.7m budget was allocated with an associated income recharge to capital.
- 4.6.7 The in house workforce for WHQS overspent its budget by some £440k (6%) and the WHQS delivery team costs were some £63k less than anticipated.

4.7. Revenue Contribution to Capital (£6m under-spend)

- 4.7.1 The HRA allowed for some £9.8m of revenue contributions towards the WHQS programme but the WHQS programme only required £6.5m at the commencement of the programme. The saving of £3.3m was earmarked for future WHQS works when the programme intensifies to include external works and external contactors.
- 4.7.2 During the year it became apparent that a high volume of work intended to be carried out had already been achieved in previous years (40% of the programme) and a further 5% of work was refused by tenants. Works from the following year was brought forward to address the underspend and maintain the in house workflow but as a result the WHQS programme did not require the full £6.5m of funding. Instead only £2.8m was required plus a further £1m for previous capital works committed from 2012/13. This resulted in an operational saving of £2.8m plus the £3.3m already identified for future works. The total under-spend of £6m will continue to fund the WHQS programme going forward.

4.8 HRA Working Balances

- 4.8.1 Working balances at the end of 2012/13 stands at £4.6m (unaudited). The 2013/14 under-spend for the HRA of £8.5m will therefore increase this to £13.1m. The majority of this funding is earmarked to fund the WHQS programme.

5. EQUALITIES IMPLICATIONS

- 5.1 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.

6. FINANCIAL IMPLICATIONS

- 6.1 This report deals with the financial implications.

7. PERSONNEL IMPLICATIONS

7.1 There are no personnel implications.

8. CONSULTATION

8.1 There are no consultation responses, which have not been included in this report.

9. RECOMMENDATIONS

9.1 CHTG are requested to note the contents of this report.

10. REASONS FOR THE RECOMMENDATIONS

10.1 To inform CHTG of the financial position of the Housing Revenue Account.

11. STATUTORY POWER

11.1 Housing Act & Local Government Act

Author: Lesley Allen - Group Accountant, Housing, (email: allenl@caerphilly.gov.uk)
Consultees: Stuart Rosser – Interim Chief Executive
Nicole Scammell - Acting Director of Corporate Services & Section 151 Officer.
Mike Eedy - Finance Manager, Environmental Directorate.
Kenyon Williams - Private Sector Housing Manager
Shaun Couzens – Chief Housing Officer
Graham North - Public Sector Housing Manager
Paul Smythe – Housing Repairs Operations Manager
Phil Davy – Head of WHQS Programme
Stephen Harris – Acting Head of Corporate Finance
Cllr G. Jones – Deputy Leader and Cabinet Member for Housing
Anna Lewis – Chair of Caerphilly Homes Task Group
Cllr D. Price – Vice Chair of Caerphilly Homes Task Group

Background Papers:
HRA closing file 2013/14, Housing Finance, Cherry Tree House