



POLICY AND RESOURCES SCRUTINY COMMITTEE – FOR INFORMATION

**SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING - PERIOD 7
2017/18**

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

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 activities, 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 seven 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 7 is projected to be £1.6k 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 (£1.6m underspend)

4.2.1 The HRA is currently projecting a £1.6m under-spend, which represents about 3% of the total HRA budget. The main variances are summarised below and full details are provided in Appendix 1.

4.3 Salaries & Mileage (£170k overspend)

4.3.1 Salaries and associated costs within the HRA are currently expected to overspend by some £170k on a £13m salary budget. There are some offsetting over and under spends in this area given the volume of staff, but 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 also revenue projects where efficiencies have been achieved in areas such as the Non DLO budget, noted further in this report.

4.4 Service Specific Related and Office Related (£200k underspend)

4.4.1 The main area of activity relates to a projected increase in spend in materials and transport for the HRO team, along with salaries mentioned in 4.3.1 above, as a result of increased works associated with the WHQS programme. However, this has been offset by recharges to the WHQS Programme which has generated additional income to the HRO service, together with potential savings on sub-contractors and renewal of vehicles. Typically there are some budget areas within this category that tend to be quite volatile and therefore could generate further savings throughout the year, such as bad debt provisions, utility charges and various housing projects.

4.5 Capital Finance Charges (£500k underspend)

4.5.1 This underspend relates to a slightly lower interest rate than projected on a lower debt base due to the fact that borrowing has not been undertaken as yet this year.

4.6 Building Maintenance (£1.1m underspend)

4.6.1 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.

4.6.2 Revenue Projects (£770k 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 (£411k), asbestos (£30k) and dampproofing (£150k) which is an offset related to the extra work mentioned in 4.4.1 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 £82k. Recent training on door entry systems has allowed the in-house HRO team to install these on more favourable terms than a subcontractor and this has projected savings

of £29k. The contingency budget of £500k is prudently assumed to be fully committed at this stage, but will release further savings if not utilised by year end.

- 4.6.3 Planned Cyclical (£320k 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 (£74k), Fire safety doors (£50k). Other savings are anticipated due to works being completed under the WHQS Programme and revised contractual arrangements, such as Gas & Electric Servicing Contracts (£87k), Gas & Electric Remedial Works (£24k), Water Treatment (£18k), and Lift Contracts (£38k).
- 4.6.4 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 £12m has been allocated in 2017/18 along with an income recharge to the capital programme so that the HRA had a nil cost.
- 4.6.5 The In House Workforce had increased its budget by some £3.3m in 2017/18 to account for the additional work programmed for our sheltered schemes. The projected spend is still an increase on the previous year but due to the unfilled vacant posts, this spend is anticipated to be £248k less than originally planned at the start of the year. All overspends are funded by the capital programme.

4.7 **Income (£170k overspend)**

- 4.7.1 The under recovery of income is mainly due to the increase of void properties which is netted off the rental income. Void properties do not generate any income and the increase is as a consequence of our commitment to ensure all void properties are brought up to WHQS standard and to accommodate this, void times have been extended.

4.8 **Revenue Contribution to Capital (RCCO) (£190k underspend)**

- 4.8.1 The HRA allows for some £16.6m of revenue contributions towards the WHQS programme and this includes an element for the WHQS management team responsible for the delivery of the WHQS Programme which is anticipating a £190k underspend as a result of unfilled vacant posts.
- 4.8.2 The total expenditure on the WHQS capital programme as at period 7 is some £17.3m against a budget of £53.6m. However, following a review of costs earlier in the year, which was based on more accurate costs in place of Savills estimates and up to date survey information, spend for the year is likely to be in the region of £35m.
- 4.8.3 The HRA RCCO 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 if required.
- 4.8.4 Borrowing will only be actioned this year if the WHQS programme exceeds some £42m.

4.9 **HRA Working Balances**

- 4.9.1 Working balances at the beginning of the 2017/18 financial year are £15.6m. This is expected to be partly utilised this year (estimated £11m) with the remainder being carried forward to next year's programme. 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 compared to 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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Stephen Harris – Acting Head of Corporate Finance
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Appendices
Appendix 1

HRA financial plan p7 2017/18

APPENDIX 1

HOUSING	<i>Page</i>	Revised	Projected	Variance
	<i>No</i>	2017/2018	2017/2018	2017/2018
<u>HOUSING REVENUE ACCOUNT</u>			£	£
<u>SUMMARY</u>				
GENERAL MANAGEMENT		1,047,188	1,001,660	45,528
CAPITAL FINANCING		7,955,549	7,451,220	504,329
CENTRAL RECHARGES		2,216,879	2,216,879	0
STRATEGY AND PERFORMANCE		1,661,352	1,581,933	79,419
PUBLIC SECTOR HOUSING		5,166,210	5,161,096	5,114
SUPPORTED HOUSING		0	0	0
BUILDING MAINTENANCE SERVICES		30,215,448	29,033,560	1,181,888
GROSS EXPENDITURE		48,262,626	46,446,348	1,816,278
INCOME		(48,262,626)	(48,092,685)	-169,942
(SURPLUS)/DEFICIT CONTRIBUTION (TO)/FROM WORKING BALANCES		0	(1,646,337)	1,646,337
<u>HOUSING REVENUE ACCOUNT</u>			£	£
<u>GENERAL MANAGEMENT</u>		1,047,188	1,001,660	45,528
<u>CAPITAL FINANCING COSTS</u>				
Interest Charge		5,691,057	5,190,487	500,570
Principal		2,263,700	2,259,941	3,759
Debt Management		39,481	39,481	0
Resheduling Discount		(38,689)	(38,689)	0
EXPENDITURE TO HRA SUMMARY		7,955,549	7,451,220	504,329
<u>CENTRAL RECHARGES</u>				
Central Recharges		1,767,942	1,767,942	0
Grounds Maintenance recharge to HRA		448,937	448,937	0
EXPENDITURE TO HRA SUMMARY		2,216,879	2,216,879	0

<u>HOUSING REVENUE ACCOUNT</u>			£	£
STRATEGY & PERFORMANCE		86,776	49,536	37,240
PERFORMANCE DEVELOPMENT		650,793	652,346	-1,553
COMMUNICATIONS & ENGAGEMENT		99,576	98,304	1,272
TRANSFORMING LIVES & COMMUNITIES		824,207	781,747	42,460
EXPENDITURE TO HRA SUMMARY		1,661,352	1,581,933	79,419
<u>HOUSING REVENUE ACCOUNT</u>			£	£
<u>PUBLIC SECTOR HOUSING</u>				
Landlord General		173,311	147,186	26,125
Sheltered Accommodation		1,367,613	1,368,219	-606
Holly Road Community support		1,884	3,550	-1,666
Eastern Valley AHO		649,340	647,288	2,052
Upper Rhymney AHO		770,932	794,480	-23,548
Lower Rhymney Valley		0	23,169	-23,169
Gilfach NHO		0	0	0
Lansbury Park NHO		333,546	332,524	1,022
Graig Y Rhacca NHO		273,184	260,038	13,146
Housing Allocations Cont.		118,445	128,881	-10,436
Tenants & Communities Involment		497,097	477,038	20,059
Leaseholders Management		49,083	61,561	-12,478
Tenancy Enforcement		272,693	257,528	15,165
Rents		703,435	703,987	-552
Community Wardens		(44,353)	(44,353)	0
EXPENDITURE TO HRA SUMMARY		5,166,210	5,161,096	5,114

<u>HOUSING REVENUE ACCOUNT</u>			£	£
<u>SUPPORTED HOUSING</u>				
Dispersed Alarms		0	0	0
Telecare Centre		0	0	0
Ty Croeso Hostel		0	0	0
EXPENDITURE TO HRA SUMMARY			0	0
<u>HOUSING REVENUE ACCOUNT</u>			£	£
<u>RESPONSE REPAIRS & MAINTENANCE</u>				
Employee Expenses net of recharges		1,360,647	1,332,713	27,934
Repairs & Maintenance on Housing Stock				
Responsive Repairs	8,114,142	8,237,338	-123,196	
Revenue Contribution to Capital - WHQS Programme	16,648,485	16,456,028	192,457	
Group/Planned Repairs (priorities 5 & 8)	0	0	0	
Void Repairs (priority 6)	0	0	0	
Revenue Projects	2,234,000	1,467,994	766,006	
Planned Cyclical	1,632,336	1,314,533	317,803	
Planned Programme	0	0	0	
	28,628,963	27,475,893	1,153,070	
Transport Related		8,950	10,207	-1,257
Supplies & Services		216,888	214,747	2,141
EXPENDITURE TO HRA SUMMARY		30,215,448	29,033,560	1,181,888

<u>HOUSING REVENUE ACCOUNT</u>			£	£
<u>INCOME</u>				
<u>Rents - Dwelling</u>				
Gross Rent - Dwellings		(41,756,862)	(38,710,861)	-3,046,001
Gross rent - Sheltered		(4,639,651)	(7,721,698)	3,082,047
Gross Rent - Hostel		0	0	0
Voids - General Needs Dwelling/Sheltered		700,000	821,036	-121,036
Voids - Hostel		0	0	0
Net Rent		(45,696,513)	(45,611,523)	-84,990
<u>Rents - Other</u>				
Garages		(383,876)	(382,873)	-1,003
Garage Voids		138,195	155,842	-17,647
Shop Rental		(60,092)	(82,508)	22,416
		(305,773)	(309,539)	3,766
<u>Service Charges</u>				
Sheltered - Service Charges		(1,420,280)	(1,301,514)	-118,766
Sheltered - Heating & Lighting		(151,668)	(182,644)	30,976
Sheltered & Dispersed- Alarms		0	0	0
Catering Recharge - Sheltered Accommodation		(38,378)	(35,029)	-3,349
Voids Schedule Water		58,945	70,832	-11,887
Non Scheduled Water Rates		(42,813)	(57,128)	14,315
Welsh Water Commission		(615,447)	(615,447)	0
Leaseholder - Service Charges		(10,000)	(10,000)	0
		(2,219,640)	(2,130,930)	-88,711
<u>Government Subsidies</u>				
Housing Subsidy		0	0	0
		0	0	0
<u>Interest Receivable</u>				
Mortgage Interest		(700)	(700)	0
Investment Income		(10,000)	(10,000)	0
		(10,700)	(10,700)	0
<u>Miscellaneous</u>				
Miscellaneous		0	7	-7
Private Alarms		0	0	0
Ground Rent		(30,000)	(30,000)	0
		(30,000)	(29,993)	-7
<u>INCOME TO HRA SUMMARY</u>				
		(48,262,626)	(48,092,685)	-169,942