

HOUSING AND REGENERATION SCRUTINY COMMITTEE – FOR INFORMATION

**SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING – PERIOD 7
2019/20**

REPORT BY: CORPORATE DIRECTOR FOR SOCIAL SERVICES & HOUSING

1. PURPOSE OF REPORT

- 1.1 To inform Members of projected revenue expenditure for the Housing Revenue Account (HRA) for the 2019/20 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 are 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 are 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 2019/20 is £51.7m with its main components consisting of £11m of salaries (net of WHQS funding), £9.5m of capital financing charges, £9.3m of response repairs, and £17m of revenue contributions to fund the WHQS programme. The spend on the HRA is self financed mainly by the rental income we collect from our Council Tenants of which about 71% is funded by Housing Benefits. The underspend at period 7 is projected to be £3.4m and the main reason for this is detailed 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 projected financial position of the Housing Revenue Account

5. THE REPORT

5.1 Introduction

- 5.1.1 The HRA is currently projecting a £3.4m under-spend, which represents about 6% of the total HRA budget. The main variances are summarised below and full financial details are provided in Appendix 1.

5.2 Salaries & Mileage (£550k under spend)

5.2.1 Salaries and associated costs within the HRA are currently expected to underspend by some £550k against a £12m salary. There are some offsetting over and under spends in this area given the volume of staff which includes sickness cover, request for reduced hours and timing for filling vacant posts.

5.3 Non Pay related (£485k under spend)

5.3.1 The main area of underspend is associated with office related costs of £285k such as stationery, photocopying, postage, office equipment, maintenance and cleaning. A further £200k underspend is attributable to budgets that are service specific such as void security, shop management, and catering & utility charges within our sheltered schemes.

5.3.2 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, various housing projects and other office costs.

5.4 Building Maintenance & Response Repairs (£545k under spend)

5.4.1 This area is currently projecting an underspend of some £545k. This is made up of £835k under spend in cyclical and revenue projects which includes damp proofing, non – DLO works, sheltered & infrastructure projects, gas & electrical servicing, and safety works, offset by a £290k over spend in Response Repairs which includes transport costs and sub contractors.

5.4.2 The increase in spend in Response Repairs is as a result of increased works associated with supporting the WHQS Programme. Integration within the HRO and WHQS teams has however been evidenced on areas such as mopping up works, electrical works for no access issues and ensuring all void properties are brought up to WHQS standard before being re-let. There has been additional income into this budget as a result of recharging the WHQS budget for the work, and efficiencies have also been made within the revenue projects budget where HRO have absorbed costs within its core budget.

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

5.4.4 As a result of incorporating the costs of delivering the Building Maintenance service within the HRA, the WHQS holding account was set up to monitor the in house workforce costs that are recharged to the WHQS capital programme. A budget of £10.5m has been allocated in 2019/20 along with an income recharge to the capital programme so that the HRA has a nil cost. This budget is currently projecting an increase spend of £244k but work is ongoing to ensure adequate resource is available as we head into the final stages of the WHQS programme.

5.4.5 A further budget is set in the HRA for the Management and Delivery of the WHQS Programme. Current projections are showing an underspend of some £625k due to staff turnover but as per the In house holding account, this is also recharged fully to the WHQS Programme and is therefore a nil cost to the HRA. The WHQS programme will therefore benefit from this saving.

5.5 Capital Financing Requirement (CFR) (£1m underspend)

5.5.1 There is a CFR budget of £9.5m which is a Minimum Revenue Provision (MRP) of £2.6m to repay the HRA debt and £6.9m of interest charges. The HRA debt consists of historical debt and the debt which was taken up in 2015 as part of the Buy Out of the Housing Revenue Account Subsidy (HRAS) system. More recently the CFR debt has increased due to the borrowing needed to part fund the WHQS Programme (£23m in 2018/19) but this was not

actioned until the 2019/20 financial year where more favourable rates were available.

5.5.2 This has resulted in a lower CFR figure brought forward from 2018/19 year end than anticipated which means a lower MRP charge in 2019/20 (because MRP is charged a year after the borrowing has been taken up) and a lower interest charge (because the interest is applied against a lower figure) thus creating a £1m saving this year.

5.6 **Income (£155k under spend)**

5.6.1 Based on our quarter 2 projections the HRA income is likely to increase slightly. Income varies throughout the year especially on rental and service charges due to void fluctuations.

5.7 **Revenue Contributions to Capital Outlay (RCCO) (£625k under spend)**

5.7.1 The HRA allows for some £17m 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 £625k underspend as explained in 5.4.5 above.

5.7.2 The total expenditure on the WHQS capital programme as at period 7 is some £23m against a budget of £56m. £7.3m of the spend relates to internal spend and £12.8m relates to external spend with the remainder on large scale voids, garages and works of adaptations

5.7.3 The HRA RCCO allocation 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

5.7.4 Borrowing of £23m was taken up for the first time since the start of the WHQS Programme to fund expenditure in 2018/19. A further £34m borrowing was projected for 2019/20 based on a £56m spend in that financial year. However, due to recent concerns regarding the performance and quality of work by some of the DPS (Dynamic Purchasing System) contractors within the final stages of the programme, it has been agreed to allocate the remaining contracts to the In-House workforce. This has resulted in a revised target completion date from March 2020 to June 2020 to allow the In-House workforce time to absorb the additional properties (approx. 150). This is still ahead of our deadline of December 2020.

5.7.5 The budget therefore needs to span 2 financial years and has been reprofiled accordingly. The revised estimate is a £45m spend in 2019/20 and £11m spend in 2020/21 to finalise the WHQS Programme by June 2020. Borrowing requirements have also been reprofiled to match the revised anticipated spend and £15m is expected to be required in 2019/20, instead of the original £34m.

5.7.6 WHQS Internal works as at week 35 (29/11/19) is 94.23% compliant – monitored weekly

5.7.7 WHQS External works at week 35 (29/11/19) is 89.38% compliant – monitored monthly

5.7.8 Full WHQS compliance (where properties have achieved both internal and external compliance) is 77.73% achieved up to 29/11/19

5.7.9 100% full compliance is expected to be achieved by June 2020 ahead of the December 2020 deadline.

5.7.10 A Post Asset Management Strategy (PAMS) working group has been set up to ensure that the WHQS standard is continuously maintained once full compliance is achieved. A 5 year external programme is currently being worked on which will be costed out and applied to the Housing Business Plan to ensure it remains financially viable. A viable Housing Business Plan has to be submitted to Welsh Government as part of the annual MRA application. The next submission is due on the 31st March 2020.

5.8 HRA Working Balances

- 5.8.1 Working balances at the start of 2019/20 financial year were £5.5m. This is expected to be fully utilised this year against the WHQS Programme
- 5.8.2 Whilst priority will be given to the delivery and achievement of the WHQS Programme, borrowing may be required to increase the supply of council housing to meet the Welsh Governments proposal that 20,000 new homes be delivered in Wales by 2021 (Caerphilly Homes Building Together report presented to Housing & Regeneration Scrutiny Committee on 26th November 2019)

6. ASSUMPTIONS

- 6.1 Assumptions linked to this report were detailed in the budget report to Council on 21st February 2019.
- 6.3 The projected outturn position is based on actual income and expenditure details to the end of October 2019, together with data used to forecast future income and expenditure, following discussions with Managers.

7. LINKS TO RELEVANT COUNCIL POLICIES

- 7.1 The contents of this report are in accordance with the Budget Strategy agreed by Council at its meeting on 21st February 2019.
- 7.2 Effective financial planning and financial control contribute to the following Well-being Goals within the Well-being of Future Generations (Wales) Act 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.

8. WELL-BEING OF FUTURE GENERATIONS

- 8.1 Effective financial management including the effective utilisation of external grant funding is a key element in ensuring that the Well-being Goals within the Well-Being of Future Generations (Wales) Act 2015 are met

9. EQUALITIES IMPLICATIONS

- 9.1 This report is for information purposes, so the Council's Equalities Impact Assessment (EqIA) process does not need to be applied.

10. FINANCIAL IMPLICATIONS

- 10.1 As detailed throughout the report.

11. PERSONNEL IMPLICATIONS

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

12. CONSULTATIONS

12.1 There are no consultation responses that have not been reflected in this report.

13. STATUTORY POWER.

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

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Consultees: Cllr J Ridgewell, Chair Housing & Regeneration Scrutiny Committee
Cllr C Forehead, Vice Chair Housing & Regeneration Scrutiny Committee
Cllr L. Phipps, Cabinet Member for Homes, Places and Tourism
D Street, Corporate Director Social Services
S Couzens, Chief Housing Officer
S. Harris – Interim Head of Business Improvement Services and Acting S151 Officer
F Wilkins – Public Sector Housing Manager
P Smythe – Housing Technical Manager

Appendices:

Appendix 1 HRA Financial Plan 2019/20 (Period 7).

HOUSING	Page	Estimate	Projected	Variance
	No	2019/2020	2019/2020	2019/2020
<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>SUMMARY</u>				
GENERAL MANAGEMENT		1,236,433	1,202,032	34,401
CAPITAL FINANCING		9,503,210	8,450,389	1,052,821
CENTRAL RECHARGES		2,292,722	2,290,477	2,245
STRATEGY AND PERFORMANCE		1,747,372	1,348,952	398,420
PUBLIC SECTOR HOUSING		5,616,070	5,304,251	311,819
SUPPORTED HOUSING		-	-	-
BUILDING MAINTENANCE SERVICES		31,354,060	29,891,697	1,462,363
GROSS EXPENDITURE		51,749,867	48,487,798	3,262,069
INCOME		(51,749,867)	(51,905,689)	155,822
(SURPLUS)/DEFICIT CONTRIBUTION (TO)/FROM WORKING BALANCES		-	(3,417,891)	3,417,891
<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>GENERAL MANAGEMENT</u>		1,236,433	1,202,032	34,401
<u>CAPITAL FINANCING COSTS</u>				
Interest Charge		6,903,221	6,314,414	588,807
Principal		2,556,989	2,092,975	464,014
Debt Management		43,000	43,000	-
Resheduling Discount		-	-	-
EXPENDITURE TO HRA SUMMARY		9,503,210	8,450,389	1,052,821
<u>CENTRAL RECHARGES</u>				
Central Recharges		1,810,175	1,810,175	-
Grounds Maintenance recharge to HRA		482,547	480,302	2,245
EXPENDITURE TO HRA SUMMARY		2,292,722	2,290,477	2,245

<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
STRATEGY & PERFORMANCE		143,299	88,305	54,994
PERFORMANCE DEVELOPMENT		693,118	454,467	238,651
COMMUNICATIONS & ENGAGEMENT		117,281	115,764	1,516.67
TRANSFORMING LIVES & COMMUNITIES		793,674	689,756	103,918
HOUSING SUPPLY (HRA)		-	660	(660)
EXPENDITURE TO HRA SUMMARY		1,747,372	1,348,952	398,420
<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>PUBLIC SECTOR HOUSING</u>				
Landlord General		173,862	151,259	22,603
Sheltered Accommodation		1,477,027	1,334,360	142,667
Holly Road Community Support		3,922	4,224	(302)
Eastern Valley AHO		679,443	732,636	(53,193)
Upper Rhymney AHO		831,354	836,050	(4,696)
Lower Rhymney Valley AHO		33,091	37,621	(4,530)
Gilfach NHO		-		-
Lansbury Park NHO		357,514	326,952	30,562
Graig Y Rhacca NHO		288,836	271,234	17,602
Housing Allocations Cont.		144,839	111,406	33,433.36
Tenants & Communities Involment		510,761	405,452	105,309
Leaseholders Management		66,167	80,713	(14,546)
Tenancy Enforcement		283,474	269,936	13,538
Rents		811,455	788,083	23,372
Community Wardens		(45,675)	(45,675)	-
EXPENDITURE TO HRA SUMMARY		5,616,070	5,304,251	311,819

<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>RESPONSE REPAIRS & MAINTENANCE</u>				
<i>Employee Expenses net of recharges</i>		1,470,448	1,265,870	204,578
<i>Repairs & Maintenance on Housing Stock</i>				
Responsive Repairs		9,340,056	9,602,223	(262,167)
Revenue Contribution to Capital - WHQS Programme		17,086,210	16,461,773	624,437
Group/Planned Repairs (priorities 5 & 8)		-	-	-
Void Repairs (priority 6)		-	-	-
Revenue Projects		1,444,000	987,861	456,139
Planned Cyclical		1,747,336	1,367,320	380,016
Planned Programme		-	-	-
		29,617,602	28,419,176	1,198,426
<i>Transport Related</i>		42,800	36,156	6,644
<i>Supplies & Services</i>		223,210	170,494	52,716
<i>EXPENDITURE TO HRA SUMMARY</i>		31,354,060	29,891,697	1,462,363

<u>HOUSING REVENUE ACCOUNT</u>		£	£	£
<u>INCOME</u>				
<u>Rents - Dwelling</u>				
Gross Rent - Dwellings	(45,563,933)	(46,059,025)	495,092	
Gross rent - Sheltered	(4,556,918)	(4,234,242)	(322,676)	
Gross Rent - Hostel	-	-	-	
Voids - General Needs Dwelling/Sheltered	815,000	774,272	40,728	
Add'l Income O/Side Rent Debit (WHQS)	-	(1,693)	1,693	
Voids - Hostel	-	-	-	
Net Rent	(49,305,851)	(49,520,688)	214,837	
<u>Rents - Other</u>				
Garages	(355,307)	(351,563)	(3,744)	
Garage Voids	157,163	135,939	21,224	
Shop Rental	(59,872)	(64,612)	4,740	
	(258,016)	(280,235)	22,219	
<u>Service Charges</u>				
Sheltered - Service Charges	(1,447,744)	(1,419,270)	(28,474)	
Sheltered - Heating & Lighting	(151,798)	(116,369)	(35,429)	
Sheltered & Dispersed- Alarms	-	-	-	
Catering Recharge - Sheltered Accommodation	(33,438)	(17,227)	(16,211)	
Voids Schedule Water	69,741	65,150	4,591	
Non Scheduled Water Rates	(45,654)	(39,943)	(5,711)	
Welsh Water Commission	(546,807)	(546,807)	-	
Leaseholder - Service Charges	(10,000)	(10,000)	-	
	(2,165,700)	(2,084,465)	(81,235)	
<u>Government Subsidies</u>				
Housing Subsidy	-	-	-	
	-	-	-	
<u>Interest Receivable</u>				
Mortgage Interest	(300)	(300)	-	
Investment Income	(10,000)	(10,000)	-	
	(10,300)	(10,300)	-	
<u>Miscellaneous</u>				
Miscellaneous	-	-	-	
Private Alarms	-	-	-	
Ground Rent	(10,000)	(10,000)	-	
	(10,000)	(10,000)	-	
<u>INCOME TO HRA SUMMARY</u>				
	(51,749,867)	(51,905,689)	155,822	