



HOUSING AND REGENERATION SCRUTINY COMMITTEE – 19TH OCTOBER 2021

SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING – PERIOD 5

REPORT BY: CORPORATE DIRECTOR FOR SOCIAL SERVICES AND HOUSING

1. PURPOSE OF REPORT

- 1.1 To inform Members of the projected position for the Housing Revenue Account (HRA) for the 2021/22 financial year, based on the income and expenditure movements of the first 5 months of the 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 Council Tax and the Revenue Support Grant (RSG). 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 taxpayers' purse and therefore value for money must always be sought.
- 2.2 The HRA budget for 2021/22 is £51.7m with its main components consisting of £17m of salaries, £8m of capital financing charges, £4.6m of building maintenance & response repairs (net of salaries), £2.7m of internal service recharges, and £15.6m of revenue contributions to fund the WHQS programme. There is also a budget of £11.5m for the PAMS (Post Asset Management Strategy) which is recharged fully to the Capital Programme and predominantly covers the maintenance of the WHQS programme, voids and remodelling works. The spend on the HRA is self-financed mainly by the rental income we collect from our Council Tenants, of which about 72% is funded by Housing Benefits. The main projected variances on the HRA are explained 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 financial position of the Housing Revenue Account.

5. THE REPORT

5.1 Introduction

- 5.1.1 The HRA has a projected under spend of £1.8m for the end of 2021/22 financial year, which represents about 3.6% of the total HRA budget. This is based on the income and expenditure patterns for the first 5 months of the year together with knowledge of the service from the respective managers. The main variances are summarised below, and full financial details are provided in Appendix 1.
- 5.1.2 At this stage there is a need to commit £1.05m of this underspend towards two areas as one-off expenditure items. Firstly, whilst Housing are in the process of migrating to a new IT system, there is a need to ensure continuity of service and to address potential migration issues as we transition to the new system. Housing therefore need to maintain technical support with the current IT support provider for the next 6 months at a cost of approx. £53k.
- 5.1.3 Secondly, £1m additional funding is required to address extensive scour and loss of riverbank support immediately behind residential properties along Montclair Avenue, Blackwood where Caerphilly Council retained the riparian ownership and liability of the watercourse. Cabinet agreed on the 29th September that total funding of £1.5m be made available to deliver this scheme (including £500k that had previously been committed within the HRA under the Contingency budget).

5.2 Salaries & Mileage (£801k under spend)

- 5.2.1 Salaries and associated costs within the HRA are currently expected to underspend by some £801k which represents about 5% of the salary budget. There are some offsetting over and under spends in this area given the volume of staff which includes sickness cover, requests for reduced hours and timing for filling vacant posts

5.3 Non-Pay Related (£193k under spend)

- 5.3.1 Part of this underspend (£93k) is associated with office related costs such as stationery, photocopying and postage, mainly as a result of offices not being occupied because of Covid-19 restrictions. These savings are likely to increase throughout the year until a decision is made on returning to the office in the future. Budgets can then be aligned more appropriately.
- 5.3.2 A further £100k underspend is attributable to budgets that are service specific such as, allocation recharges, tenant participation and utility charges within our sheltered schemes. Some costs however have increased due to Covid-19 restrictions such as security of void properties, and Council Tax charges on void properties.

5.4 Building Maintenance & Response Repairs (£605k under spend)

- 5.4.1 This area is currently projecting an underspend of some £605k. This is predominantly within the cyclical and revenue projects which includes damp proofing, non – DLO works, sheltered & infrastructure projects. Expenditure on the Housing Response Operations (HRO) budget is anticipating a £331k underspend overall which includes salaries and non-

pay savings identified in 5.2 & 5.3 above. There is currently a reduced spend on sub-contractors and materials as a result of Covid recovery and is projected based on the spend to date. However, spend is likely to increase to account for the backlog of repairs that the team were unable to complete during the pandemic. Furthermore, indications are being reported of an increase in material prices nationally which could affect contractor's ability to procure supplies efficiently.

5.4.2 A budget of £11.5m has been allocated for the In-House team who support the capital programme. The work involved includes the final delivery of the WHQS Programme, maintenance of the WHQS programme through the PAMS programme, sheltered remodelling and some void works. There is a nil cost to the HRA because the cost is fully recharged to the capital programme. However, there is a predicted underspend of £2.7m due to reduced expenditure on sub-contractors, materials and salary savings which means this will be passed onto the capital programme in year. Covid-19 had a detrimental effect on the commencement of the PAMS programme which has been reprofiled to fit in with the revised completion of WHQS. Members will be aware that Welsh Government have confirmed that the extended deadline for authorities to achieve WHQS is now December 2021. Members are informed, however, that Caerphilly Homes was on target to meet our June 2020 deadline had the pandemic not occurred and are confident of completion prior to the revised deadline.

5.5 **Capital Financing Requirement (CFR) (£171k under spend)**

5.5.1 Current forecasts on the HRA debt charges are slightly lower than budgeted, due to a higher level of capital receipts in the previous year, which has resulted in a lower Minimal Revenue Provision (MRP) charge and interest charge.

5.5.2 Further borrowing to complete the WHQS programme this year is not anticipated. This is due to the £10m underspend the previous year which has been carried over to fund the remainder of the WHQS work.

5.5.3 The 2021/22 Housing Business Plan shows borrowing from 2022/23 and 2023/24 of £17.7m to fund the commitments built into the plan for increasing housing supply.

5.6 **Income (£110k variance)**

5.6.1 Variations represent less than 0.5% of the total income budget and includes a 7.5% reduction on the service charges to tenants due to restricted use of communal areas during Covid.

5.7 **Revenue Contributions to Capital Outlay (RCCO)**

5.7.1 The HRA allows for some £15.6m of revenue contributions towards finalising and maintaining the WHQS programme.

5.7.2 The HRA RCCO allocation will fund the capital spend this year in addition to the £7.3m Major Repairs Allowance (MRA) from Welsh Government. The MRA allowance will need to be utilised first as this funding does not carry over into financial years.

5.7.3 Although there is some predicted underspend on the In-house workforce delivery team, it is assumed that the RCCO will be fully utilised at this stage, and HRA balances will receive the reduction first, but any variations will be reported in further budget monitoring reports throughout the year. The internal WHQS programme for the in-house team has been completed with a small number outstanding with one contractor due to be completed by the end of September 2021. External work also has a small number outstanding but has been

extended to December 2021 due to one contractor going into administration.

5.7.4 Total capital spend to period 5 is some £1.9m which is predominantly WHQS work. Spend is lower this quarter compared to previous years quarters for a number of reasons. This year we are focussing on finalising the last tranche of properties to meet WHQS which although smaller in volume to previous years, is taking longer to complete due to Covid restrictions. Reduced expenditure will inevitably arise from the delay in progressing with the PAMS programme but any savings are retained within Housing. In previous years, HRA underspends and capital slippage was earmarked towards completing the WHQS programme. Going forward, as we finalise the achievement of WHQS, any surpluses should be redirected into increasing housing supply.

5.7.5 WHQS Internal works as at the end of period 5 is 99.89% compliant

5.7.6 WHQS External works as at the end of period 5 is 99.72% compliant

5.7.7 Full WHQS compliance (where properties have achieved both internal and external compliance on a contract basis) is 99.41%.

5.8 HRA Working Balances

5.8.1 Working balances at the start of 2021/22 financial year were £14.1m. The majority of this is derived from underspends in 2020/21 as reported in previous reports and will be utilised this year against the remainder of the WHQS Programme if needed.

5.9 COVID-19

5.9.1 Members will recall the significant financial impact Covid-19 had on the HRA last financial year, with no support from Welsh Government. Whilst some costs have reduced (eg buddy schemes) we have tried to absorb some of the costs going forward, although there are still some areas that are experiencing higher cost levels than normal (eg additional vehicles for social distancing), and of course we still require a suitable level of PPE equipment. However, as mentioned earlier in the report, there are some offsetting savings such as office related costs and mileage due to the majority of staff working from home.

6. ASSUMPTIONS

6.1 The projected outturn position is based on actual income and expenditure details for the first five months in the 2021/22 financial year. However, spend and income activity has been unprecedented during this time which makes it difficult to compare results to preceding years or indeed forecast for future years.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

7.1 An IIA has not been completed to accompany this report as it is for information.

8. FINANCIAL IMPLICATIONS

8.1 As detailed throughout the report.

9. PERSONNEL IMPLICATIONS

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

10. CONSULTATIONS

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

11. STATUTORY POWER

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

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Appendices:

Appendix 1 HRA Financial Plan 2021/22 period 5