



HOUSING AND REGENERATION SCRUTINY COMMITTEE – 15TH MARCH 2022

SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING – PERIOD 9

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 9 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 75% 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 underspend of £9.7m for the end of 2021/22 financial year, which represents about 18.8% of the total HRA budget. This is based on the income and expenditure patterns for the first 9 months of the year together with knowledge of the service from the respective managers. The surplus is split between general revenue underspends and capital related underspends. The main variances are summarised below, and full financial details are provided in Appendix 1.

5.2 Salaries & Mileage (£1.2m under spend)

- 5.2.1 Salaries and associated costs within the HRA are currently expected to underspend by some £1.2m which represents about 7% 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. There has also been difficulty in backfilling vacant posts in particular within the Housing Repairs service where more competitive rates are being offered in the private sector and Registered Social Landlord providers.

5.3 Non-Pay Related (£425k under spend)

- 5.3.1 This includes an overspend of £85k associated with office related costs where although there has been savings in areas such as stationery, photocopying and postage, mainly as a result of offices not being occupied because of Covid-19 restrictions, there have been additional costs in respect of the new IT system which were unforeseen, and this has offset the office cost savings overall.
- 5.3.2 £510k underspend is attributable to budgets that are service specific such as Strategy & Development, 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 (£754k overspend)

- 5.4.1 This area is currently projecting an overspend of some £754k. There are some under spends within the cyclical and revenue projects which includes damp proofing, non – DLO works, sheltered & infrastructure projects but this has been offset by the costs for Montclair Avenue estimated at £1.5m. and although this has been committed this year, it is likely that this budget will need to be earmarked into 2022/2023 due to survey delays. Expenditure on the Housing Response Operations (HRO) budget is anticipating a £59k overspend 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 has been expected 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. Contractors have recently been awarded a significant increase on the prices originally submitted as result of these increased costs. Members will be aware of our Single Source Supplier arrangement which appears to have protected us initially from the material increases due to advance ordering, but the budget is being closely monitored, with the expectation that the year-end pain/gain arrangement is likely to be in the region of £30k cost to the HRA.

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 £3.1m 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. The underspend is a result of not being able to progress with the PAMS programme whilst the WHQS programme was being finalised. Members will be aware that Welsh Government confirmed the extended deadline for authorities to achieve WHQS by December 2021. Caerphilly Homes has now achieved that target and is fully WHQS compliant in all its eligible stock.

5.5 **Capital Financing Requirement (CFR) (£154k 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. Work is currently underway on updating the Housing Business Plan in preparation for the 2022/2023 MRA application. This will include an updated position on increasing housing supply and will also reprofile the borrowing requirement. This will be reported to members on the 15th March 2022 and to Cabinet on the 23rd March 2022. Full Council is provisionally planned for June 7th 2022 to formally approve any increase in borrowing.

5.6 **Income (£120k 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) (£8.6m underspend)**

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 Total capital spend to period 9 is some £8.6m which is predominantly WHQS work. Spend is lower to this quarter compared to previous years quarters for a number of reasons. Finalising the last tranche of properties to meet WHQS which although smaller in volume to previous years, took longer to complete due to Covid restrictions. Reduced expenditure has inevitably arisen from the delay in progressing with the PAMS programme, and the full funding allocated from the RCCO will now not be needed this year. It is estimated that the RCCO will need to fund £7m, meaning an underspend of £8.6m against this budget. The underspend will be retained within the HRA and will be earmarked for Housing related activities, which is likely to be increasing housing supply and the PAMS programme.
- 5.7.4 WHQS Internal works as at the end of period 9 is 100% compliant
- 5.7.5 WHQS External works as at the end of period 9 is 100% compliant
- 5.7.6 Full WHQS compliance (where properties have achieved both internal and external compliance on a contract basis) is 100%.

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 and was anticipated to be used to contribute towards the capital programme this year. However due to the delay with progressing with the PAMS programme and the associated underspend on the RCCO budget mentioned above, these balances, together with the accumulated surpluses this year, will be retained and earmarked towards funding the 2022/2023 capital programme, and beyond where appropriate.

6. ASSUMPTIONS

- 6.1 The projected outturn position is based on actual income and expenditure details for the first nine 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 This report is for information only so an IIA is not required

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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Consultees: Cllr J Ridgewell, Chair Housing and Regeneration Scrutiny Committee
Cllr M Adams, Vice Chair Housing and Regeneration Scrutiny Committee
Cllr S Cooke, Cabinet Member for Social Care and Housing
D Street, Corporate Director Social Services and Housing
N Taylor-Williams, Head of Housing
S Harris, Head of Financial Services & S151 Officer
F Wilkins, Housing Services Manager
A Edmunds, WHQS Implementation Project Manager
J Fellows, Housing Repair Operations Manager
J Roberts-Waite, Strategic Co-ordination Manager
S Isaacs, Rents Manager
K Denman, Housing Solutions Manager
R Williams – Group Accountant (Treasury & Capital)

Appendices:

Appendix 1 HRA Financial Plan 2021/22 period 9

Appendix 1

Housing	Estimate	Projected	Variance
	2021/22	Outturn	2021/22
	£	2021/22	£
<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>SUMMARY</u>			
GENERAL MANAGEMENT	1,874,613	1,956,056	(81,443)
CAPITAL FINANCING	8,083,135	7,929,441	153,694
CENTRAL RECHARGES	2,745,024	2,745,024	-
STRATEGY AND PERFORMANCE	1,919,958	1,436,096	483,862
PUBLIC SECTOR HOUSING	6,086,179	5,383,132	703,047
SUPPORTED HOUSING	-	-	-
BUILDING MAINTENANCE SERVICES	31,018,422	22,647,739	8,370,683
GROSS EXPENDITURE	51,727,331	42,097,487	9,629,844
INCOME	(51,727,331)	(51,847,064)	119,733
(SURPLUS)/DEFICIT CONTRIBUTION (TO)/FROM WORKING BALANCES	-	(9,749,577)	9,749,577
<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>GENERAL MANAGEMENT</u>	1,874,613	1,956,056	(81,443)
<u>CAPITAL FINANCING COSTS</u>			
Interest Charge	5,660,208	5,509,544	150,664
Principal	2,372,927	2,369,897	3,030
Debt Management	50,000	50,000	-
Rescheduling Discount	-	-	-
EXPENDITURE TO HRA SUMMARY	8,083,135	7,912,569	153,694
<u>CENTRAL RECHARGES</u>			
Central Recharges	2,248,134	2,248,134	-
Grounds Maintenance recharge to HRA	496,890	496,890	-
EXPENDITURE TO HRA SUMMARY	2,745,024	2,745,024	-

<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>STRATEGY AND PERFORMANCE</u>			
Housing Strategy and Development	1,919,958	1,436,096	483,862
Transforming Lives and Communities	-	-	-
EXPENDITURE TO HRA SUMMARY	1,919,958	1,436,096	483,862
<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>PUBLIC SECTOR HOUSING</u>			
Landlord General	349,520	297,288	52,232
Sheltered Accommodation	1,516,702	1,295,225	221,477
Holly Road Community Support	4,782	4,918	(136)
Eastern Valley Area Housing Office	821,998	752,795	69,203
Upper Rhymney Area Housing Office	895,888	796,324	99,564
Lower Rhymney Valley Area Housing Office	31,002	27,946	3,056
Lansbury Park Neighbourhood Housing Office	322,495	288,359	34,136
Graig Y Rhacca Neighbourhood Housing Office	303,759	277,493	26,266
Housing Allocations Contribution	128,845	105,406	23,439
Tenants & Communities Involvement	371,885	316,380	55,505
Leaseholders Management	46,635	35,175	11,460
Tenancy Enforcement	338,675	311,140	27,535
Rents	991,213	912,676	78,536
Community Wardens	(37,219)	(37,995)	776
EXPENDITURE TO HRA SUMMARY	6,086,179	5,383,132	703,047

<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>RESPONSE REPAIRS AND MAINTENANCE</u>			
Employee Expenses net of recharges	655,194	607,031	48,163
Repairs & Maintenance on Housing Stock			
Responsive Repairs	10,873,564	10,932,947	(59,383)
Revenue Contribution to Capital – WHQS Programme	15,589,241	7,000,000	8,589,241
Group/Planned Repairs (priorities 5 & 8)	-	-	-
Void Repairs (priority 6)	-	-	-
Depot Recharges	100,000	100,000	-
Revenue Projects	1,894,000	2,205,969	(311,969)
Planned Cyclical	1,762,600	1,668,541	94,059
Planned Programme	-	-	-
	30,219,405	21,907,457	8,311,948
Transport Related	15,980	14,806	1,175
Supplies and Services	127,843	118,445	9,398
EXPENDITURE TO HRA SUMMARY	31,018,422	22,647,739	8,370,683

<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>INCOME</u>			
<u>Rents – Dwelling</u>			
Gross Rent – Dwellings	(46,165,179)	(46,785,441)	620,262
Gross Rent – Sheltered	(4,675,807)	(4,071,621)	(604,186)
Gross Rent – Hostel	-	-	-
Voids – General Needs Dwelling/Sheltered	1,271,025	1,110,896	160,129
Additional Income O/Side Rent Debit (WHQS)	-	(1,333)	1,333
Voids – Hostel	-	-	-
Net Rent	(49,569,961)	(49,747,500)	177,539
<u>Rents – Other</u>			
Garages	(351,694)	(351,191)	(503)
Garage Voids	117,099	113,388	3,711
Shop Rental	(54,488)	(54,488)	-
	(289,083)	(292,291)	3,208
<u>Service Charges</u>			
Sheltered – Service Charges	(1,271,043)	(1,217,266)	(53,777)
Sheltered – Heating & Lighting	(106,268)	(70,586)	(35,682)
Sheltered & Dispersed – Alarms	-	-	-
Catering Recharge – Sheltered Accommodation	-	-	-
Voids Schedule Water	114,507	81,191	33,316
Non Scheduled Water Rates	(31,914)	(27,043)	(4,871)
Welsh Water Commission	(560,569)	(560,569)	-
Leaseholder – Service Charges	-	-	-
	(1,855,287)	(1,794,273)	(61,014)
<u>Government Subsidies</u>			
Housing Subsidy	-	-	-
	-	-	-
<u>Interest Receivable</u>			
Mortgage Interest	-	-	-
Investment Income	(10,000)	(10,000)	-
	(10,000)	(10,000)	-
<u>Miscellaneous</u>			
Miscellaneous	-	-	-
Private Alarms	-	-	-
Ground Rent	(3,000)	(3,000)	-
	(3,000)	(3,000)	-
INCOME TO HRA SUMMARY	(51,727,331)	(51,847,064)	119,733