



HOUSING AND REGENERATION SCRUTINY COMMITTEE – INFORMATION ITEM

SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING – PERIOD 3

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 2022/23 financial year, based on the income and expenditure movements of the first 3 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 2022/23 is £52.8m with its main components consisting of £18.3m of salaries, £8.4m of capital financing charges, £3.6m of building maintenance & response repairs (net of salaries), £2.7m of internal service recharges, and £14.8m of revenue contributions to fund the WHQS programme. There is also a budget of £10.6m 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 78% 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 £1.3m for the end of 2022/23 financial year, which represents about 2.5% of the total HRA budget. This is based on the income and expenditure patterns for the first 3 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 (£554k under spend)

- 5.2.1 Salaries and associated costs within the HRA are currently expected to underspend by some £554k which represents about 3% 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 (£163k under spend)

- 5.3.1 This includes an overspend of £113k 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 fully due to Covid-19 restrictions, there have been additional costs in respect of the new IT system which is ongoing and also the transition towards the new Renting Homes Wales Act by December 2022, which has been offset.
- 5.3.2 £50k underspend is attributable to budgets that are service specific such as Tenant Participation and decoration allowances. Some costs however have increased such as Council Tax charges on void properties and energy costs which are currently being offset.

5.4 Building Maintenance & Response Repairs (£438k underspend)

- 5.4.1 This area is currently projecting an underspend of some £438k. There are some under spends within the cyclical and revenue projects which includes, non – DLO works and Contingency. Expenditure on the Housing Response Operations (HRO) budget is anticipating a £470k underspend overall which includes salaries and non-pay savings identified in 5.2 & 5.3 above. There is currently an increased spend on sub-contractors as Contractors have recently been awarded a significant increase on the prices originally submitted as a result of Covid recovery and material costs are expected to rise as inflation continues to increase. Spend is also expected to increase to account for the backlog of repairs that the team were unable to complete during the pandemic, although resources issues have delayed progress. Members will be aware of our Single Source Supplier arrangement that is due to end in a years' time which could impact the cost of materials in the future.
- 5.4.2 A budget of £10.6m has been allocated for the In-House team who support the capital

programme. The work involved includes the 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 £319k due to reduced expenditure on materials and salary savings which means this will be passed onto the capital programme in year. The reduction is as a result of resource issues unable to progress with delivery.

5.5 Capital Financing Requirement (CFR)

5.5.1 Borrowing levels forecasted in the 2022/23 Business Plan have not changed at this stage, and no borrowing is anticipated for this financial year.

5.5.2 The borrowing cap of £90m was agreed by Full Council on 19th July 2022 to accommodate anticipated borrowing in 2023/24 and 2024/25 to fund commitments for increasing housing supply.

5.6 Income (£174k variance)

5.6.1 Variations represent less than 0.3% of the total income budget and is mainly as a result of a projected reduction on void loss.

5.7 Revenue Contributions to Capital Outlay (RCCO)

5.7.1 The HRA allows for some £14.8m 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 3 is some £2.3m which is predominantly WHQS work. There has been a delay in awarding contracts due to resource issues meaning spend is relatively low this quarter. Some contracts are now likely to progress into next financial year. The initial capital budget of 27.9m will be reprofiled but at this stage it is estimated that the RCCO will be fully utilised, however once the initial capital budget of £27.9m has been reprofiled, it is likely there will be an underspend on this budget.

5.8 HRA Working Balances

5.8.1 Working balances at the start of 2022/23 financial year were £21.5m. The majority of this is derived from underspends in previous years 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 mentioned above, these balances, together with the accumulated surpluses this year, will be retained and earmarked towards funding the 2023/2024 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 three months in the 2022/23 financial year.

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 Andrew Whitcombe	- Chair Housing & Regeneration Scrutiny Committee
	Cllr Patricia Cook	- Vice Chair Housing & Regeneration Scrutiny Committee
	Cllr Shayne Cook	- Cabinet Member for Housing
	Dave Street	- Corporate Director Social Services and Housing
	Nick Taylor-Williams	- Head of Housing
	Stephen R Harris	- Head of Corporate Finance and S151 Officer
	Fiona Wilkins	- Housing Services Manager
	Jane Roberts-Waite	- Strategic Co-ordination Manager
	Alan Edmunds	- WHQS Project Manager
	Jason Fellows	- HRO Manager
	Kerry Denman	- Housing Solutions Manager
	Rhian Williams	- Group Accountant (Treasury & Capital)

Appendices: Appendix 1 HRA Financial Plan 2022/23 period 3

Appendix 1

Housing	Estimate 2022/23	Projected Outturn 2022/23	Variance 2022/23
<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>SUMMARY</u>			
GENERAL MANAGEMENT	2,306,532	2,281,270	25,262
CAPITAL FINANCING	8,391,786	8,391,786	-
CENTRAL RECHARGES	2,544,249	2,544,587	(338)
STRATEGY AND PERFORMANCE	2,769,588	2,674,189	95,399
PUBLIC SECTOR HOUSING	6,644,206	6,389,724	254,482
SUPPORTED HOUSING	-	-	-
BUILDING MAINTENANCE SERVICES	30,170,884	29,390,210	780,674
GROSS EXPENDITURE	52,827,245	51,671,766	1,155,479
INCOME	(52,827,245)	(53,001,500)	174,255
(SURPLUS)/DEFICIT CONTRIBUTION (TO)/FROM WORKING BALANCES	-	(1,329,734)	1,329,734
<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>GENERAL MANAGEMENT</u>	2,306,532	2,281,270	25,262
<u>CAPITAL FINANCING COSTS</u>			
Interest Charge	5,664,018	5,664,018	-
Principal	2,677,768	2,677,768	-
Debt Management	50,000	50,000	-
Rescheduling Discount	-	-	-
EXPENDITURE TO HRA SUMMARY	8,391,786	8,391,786	-
<u>CENTRAL RECHARGES</u>			
Central Recharges	2,043,633	2,043,971	(338)
Grounds Maintenance recharge to HRA	500,616	500,616	-
EXPENDITURE TO HRA SUMMARY	2,544,249	2,544,587	(338)

<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>STRATEGY AND PERFORMANCE</u>			
Housing Strategy and Development	2,769,588	2,674,189	95,399
Transforming Lives and Communities	-	-	-
EXPENDITURE TO HRA SUMMARY	2,769,588	2,674,189	95,399
<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>PUBLIC SECTOR HOUSING</u>			
Landlord General	481,440	455,467	25,973
Sheltered Accommodation	1,611,504	1,606,260	5,244
Holly Road Community Support	4,849	5,283	(434)
Eastern Valley Area Housing Office	832,517	807,943	24,574
Upper Rhymney Area Housing Office	924,641	873,426	51,215
Lower Rhymney Valley Area Housing Office	-	-	-
Lansbury Park Neighbourhood Housing Office	330,745	315,410	15,335
Graig Y Rhacca Neighbourhood Housing Office	314,464	307,790	6,674
Housing Allocations Contribution	125,643	126,689	(1,046)
Tenants & Communities Involvement	377,250	341,772	35,478
Leaseholders Management	(1,718)	(15,339)	13,621
Tenancy Enforcement	355,209	340,499	14,710
Rents	1,077,959	1,002,483	75,476
Community Wardens	(39,527)	(39,527)	-
Renting Homes Act	249,230	261,568	(12,338)
EXPENDITURE TO HRA SUMMARY	6,644,206	6,389,724	254,482

<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>RESPONSE REPAIRS AND MAINTENANCE</u>			
Employee Expenses net of recharges	650,188	616,649	33,539
Repairs & Maintenance on Housing Stock			
Responsive Repairs	11,138,273	10,668,329	469,944
Revenue Contribution to Capital – WHQS Programme	14,763,099	14,763,099	-
Group/Planned Repairs (priorities 5 & 8)	-	-	-
Void Repairs (priority 6)	-	-	-
Depot Recharges	-	-	-
Revenue Projects	1,394,000	1,124,171	269,829
Planned Cyclical	2,082,600	2,082,600	-
Planned Programme	-	-	-
	29,377,972	28,638,199	739,773
Transport Related	15,858	15,040	818
Supplies and Services	126,866	120,322	6,544
EXPENDITURE TO HRA SUMMARY	30,170,884	29,390,210	780,674

<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>INCOME</u>			
<u>Rents – Dwelling</u>			
Gross Rent – Dwellings	(47,738,243)	(47,858,134)	119,891
Gross Rent – Sheltered	(4,160,280)	(4,071,621)	(88,659)
Gross Rent – Hostel	-	-	-
Voids – General Needs Dwelling/Sheltered	1,309,688	1,127,184	182,504
Additional Income O/Side Rent Debit (WHQS)	-	-	-
Voids – Hostel	-	-	-
Net Rent	(50,588,835)	(50,802,571)	213,736
<u>Rents – Other</u>			
Garages	(352,380)	(358,018)	5,638
Garage Voids	105,110	104,583	527
Shop Rental	(50,604)	(50,604)	-
	(297,874)	(304,039)	6,165
<u>Service Charges</u>			
Sheltered – Service Charges	(1,217,441)	(1,204,891)	(12,550)
Sheltered – Heating & Lighting	(79,776)	(48,400)	(31,376)
Sheltered & Dispersed – Alarms	-	-	-
Catering Recharge – Sheltered Accommodation	-	-	-
Voids Schedule Water	86,249	86,117	132
Non Scheduled Water Rates	(28,728)	(26,876)	(1,852)
Welsh Water Commission	(557,840)	(557,840)	-
Leaseholder – Service Charges	-	-	-
	(1,797,536)	(1,751,890)	(45,646)
<u>Government Subsidies</u>			
Housing Subsidy	-	-	-
	-	-	-
<u>Interest Receivable</u>			
Mortgage Interest	-	-	-
Investment Income	(140,000)	(140,000)	-
	(140,000)	(140,000)	-
<u>Miscellaneous</u>			
Miscellaneous	-	-	-
Private Alarms	-	-	-
Ground Rent	(3,000)	(3,000)	-
	(3,000)	(3,000)	-
INCOME TO HRA SUMMARY	(52,827,245)	(53,001,500)	174,255