



HOUSING AND REGENERATION SCRUTINY COMMITTEE – INFORMATION ITEM

SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING – PERIOD 5

REPORT BY: CORPORATE DIRECTOR FOR SOCIAL SERVICES AND HOUSING

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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 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 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 £746k for the end of 2022/23 financial year, which represents about 1.4% 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 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 (£1.07m under spend)

- 5.2.1 Salaries and associated costs within the HRA are currently expected to underspend by some £1.07m which represents about 6% 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 (£12k over spend)

- 5.3.1 This includes an overspend of £56k 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 £44k 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 (£2.06m overspend)

- 5.4.1 This area is currently projecting an overspend of some £2m. There are some under spends within the cyclical and revenue projects of £262k which includes, non – DLO works and asbestos surveys. Expenditure on the Housing Response Operations (HRO) budget is anticipating a £1.9m overspend 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 rising as inflation continues to increase. Spend is also increasing to account for the backlog of repairs that the team were unable to complete during the pandemic, although resources issues have delayed progress. Due to resource issues within the PAMS team, more work has been focussed in the response area. 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 £2.3m due to resource issues and therefore being unable to progress with delivery. Some of the workforce have been diverted to the Housing Response Team as noted in 5.4.1 above. Underspends are retained within the HRA and carried forward for future capital works.

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 July 19th 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) (£1.57m underspend)

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 5 is just over £5m which is predominantly WHQS work but work is also progressing on the new build projects.. There has been a delay in awarding contracts for the PAMS programme due to resource issues meaning spend is relatively low. 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 not be fully utilised by some £1.6m.

5.7.4 The part funded Innovative Housing Programme pilot sites in Trecenydd and Trethomas are complete. The Caerphilly Homes development programme will now concentrate on bringing forward the Ty Darran and former Oakdale Comprehensive School sites. The site investigation and enabling works at the proposed 46 unit later living scheme at Ty Darran, Risca will begin January 2023. The start on site at Oakdale is scheduled for Summer 2023. Both schemes will be part funded by Social Housing Grant with the exact grant rate to be determined by the Welsh Government's Standard Viability Model. Acquisition funding has already been secured for both schemes.

5.7.5 A report will be presented to Cabinet on the 2nd November which will seek approval to bring forward a further 5 potential development sites in order to meet the Cabinet ambition of delivering 400 new affordable homes by 2025.

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. Future earmarks also include contributions towards the Transitional Accommodation Capital Programme (TACP).

6. ASSUMPTIONS

- 6.1 The projected outturn position is based on actual income and expenditure details for the first five 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 and Regeneration Scrutiny Committee
Cllr Patricia Cook - Vice Chair Housing and 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 and Capital)

Appendices:

Appendix 1 HRA Financial Plan 2022/23 period 5

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 DEVELOPMENT	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 DEVELOPMENT</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