



## **HOUSING AND REGENERATION SCRUTINY COMMITTEE – INFORMATION ITEM**

**SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING – PERIOD 9**

**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 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 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 £8.75m for the end of 2022/23 financial year, which represents about 16% 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 (£636k under spend)**

- 5.2.1 Salaries and associated costs within the HRA are currently expected to underspend by some £636k which represents about 3.5% 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. 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. The projections also now include the recently agreed pay award.

### **5.3 Non-Pay Related (£432k under spend)**

- 5.3.1 This includes an overspend of £53k 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 implemented on the 1st December 2022, which has been offset.
- 5.3.2 £379k underspend is attributable to budgets that are service specific such as Tenant Participation, Strategy and Development. Some costs however have increased such as Council Tax charges on void properties and energy costs which are currently being offset. There is also an under recovery of leaseholder fee income due to a review on the way the fee is currently constructed.

### **5.4 Building Maintenance & Response Repairs (£1.2m overspend)**

- 5.4.1 This area is currently projecting an overspend of some £1.2m. There are overspends within the cyclical and statutory works of £223k which includes increased servicing requirements for gas and electrical testing and an increase in contracts to cover the high inflationary increase on materials, there is an offset of these underspends against the General Projects budget which is projecting an underspend of some 357k which includes the Non DLO budget, asbestos surveys and the contingency budget. Expenditure on the Housing Response Operations (HRO) budget is anticipating a £1.3m 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 resource 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 year's 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 £2.4m 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) (£105k underspend)**

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. However, there has been a projected underspend on the interest charge. Whilst an increase in interest rates was expected it seems PWLB will peak next year and then steadily reduce. As the interest rate is based on a consolidated rate of interest across the whole Councils borrowing portfolio, this is likely to be absorbed. Furthermore, a lower interest rate has been applied for short term internal borrowing reducing the overall charge.

5.5.2 The borrowing cap of £90m was agreed by Full Council on July 19<sup>th</sup>, 2022, to accommodate anticipated borrowing in 2023/24 and 2024/25 to fund commitments for increasing housing supply. Work has just been completed on the 2023/2024 Business Plan which has reprofiled the borrowing requirement based on the Business Plan outputs using the rent increase of 6.5% and projected increased costs due to the high inflation rate. This report will be presented to Scrutiny members on the 27<sup>th</sup> February 2023, and then Cabinet on the 8<sup>th</sup> March 2023. The report is likely to recommend an increase on the borrowing cap to cover the borrowing requirements within the updated plan which will need to be approved by Full Council.

## 5.6 **Bad Debt Provision (£348k under spend)**

5.6.1 The level of bad debt provision was set at a higher level this year with the expectation the arrears will increase. However, even though arrears are increasing, (as a result of not actively pursuing evictions, and offering more focused tenant support) the new bad debt calculation method that was recently adopted is more favourable than the previous method and has resulted in less provision being required. In addition, debt relief orders have not been pursued due to resource issues.

## 5.7 **Income (£120k variance)**

5.7.1 Variations represent about 0.2% of the total income budget and is mainly as a result of a projected reduction on void loss.

## 5.8 **Revenue Contributions to Capital Outlay (RCCO) (£8.3m underspend)**

5.8.1 The HRA allows for some £14.8m of revenue contributions towards finalising and maintaining the WHQS programme.

5.8.2 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.

- 5.8.3 Total capital spend to period 9 is £9.4m which is predominantly large-scale void 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 two financial years if resources are not increased. 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 £8.3m, although this could be higher as other expected contracts are not awarded or are delayed throughout the rest of the year.
- 5.8.4 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 started in January as planned. The enabling and preparatory works will begin at the former Oakdale Comprehensive School site will commence Summer 2023 with construction starting before the end of the calendar year. 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.
- 5.8.5 A report was presented to Cabinet on the 2<sup>nd</sup> November which sought 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. The first site in the portfolio to be brought forward will be the former Aldi site in Rhymney where Caerphilly Homes are seeking to deliver a mixed tenure development. It is anticipated that Cabinet will receive a report in the Spring to consider the appropriation of the site into the HRA.

## 5.9 HRA Working Balances

- 5.9.1 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 from these balances include contributions towards the Transitional Accommodation Capital Programme (TACP) of £4.4m. A further £1.2m will be needed to support the works at Bryn Carno which is part funded by WG.

## 6. ASSUMPTIONS

- 6.1 The projected outturn position is based on actual income and expenditure details for the first nine 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 9

## Appendix 1

Housing	Estimate	Projected	Variance
	2022/23	Outturn	2022/23
	£	2022/23	£
<b><u>HOUSING REVENUE ACCOUNT</u></b>			
<b><u>SUMMARY</u></b>			
<b>GENERAL MANAGEMENT</b>	2,306,532	1,745,544	560,988
<b>CAPITAL FINANCING</b>	8,391,786	8,286,551	105,135
<b>CENTRAL RECHARGES</b>	2,544,249	2,603,085	-58,836
<b>STRATEGY AND DEVELOPMENT</b>	2,769,588	2,150,364	619,224
<b>PUBLIC SECTOR HOUSING</b>	6,644,206	6,434,707	209,499
<b>SUPPORTED HOUSING</b>	-	-	-
<b>BUILDING MAINTENANCE SERVICES</b>	30,170,884	22,977,265	7,193,619
<b>GROSS EXPENDITURE</b>	52,827,245	44,197,617	8,629,628
<b>INCOME</b>	(52,827,245)	(52,947,553)	120,308
<b>(SURPLUS)/DEFICIT CONTRIBUTION (TO)/FROM WORKING BALANCES</b>	-	(8,749,936)	8,749,936
<b><u>HOUSING REVENUE ACCOUNT</u></b>			
	£	£	£
<b><u>GENERAL MANAGEMENT</u></b>	2,306,532	1,745,544	560,988
<b><u>CAPITAL FINANCING COSTS</u></b>			
Interest Charge	5,664,018	5,558,883	105,135
Principal	2,677,768	2,677,768	-
Debt Management	50,000	50,000	-
Rescheduling Discount	-	-	-
<b>EXPENDITURE TO HRA SUMMARY</b>	8,391,786	8,286,651	105,135
<b><u>CENTRAL RECHARGES</u></b>			
Central Recharges	2,043,633	2,092,886	(49,253)
Grounds Maintenance recharge to HRA	500,616	510,199	(9,583)
<b>EXPENDITURE TO HRA SUMMARY</b>	2,544,249	2,603,085	(58,836)

<b><u>HOUSING REVENUE ACCOUNT</u></b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>STRATEGY AND DEVELOPMENT</u></b>			
Housing Strategy and Development	1,919,958	1,436,096	483,862
Transforming Lives and Communities	-	-	-
<b>EXPENDITURE TO HRA SUMMARY</b>	<b>1,919,958</b>	<b>1,436,096</b>	<b>483,862</b>
<b><u>HOUSING REVENUE ACCOUNT</u></b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>PUBLIC SECTOR HOUSING</u></b>			
Landlord General	481,440	399,711	81,729
Sheltered Accommodation	1,611,504	1,591,001	20,053
Holly Road Community Support	4,849	5,565	(716)
Eastern Valley Area Housing Office	832,517	868,065	(35,548)
Upper Rhymney Area Housing Office	924,641	924,340	301
Lower Rhymney Valley Area Housing Office	-	341	(341)
Lansbury Park Neighbourhood Housing Office	330,745	337,725	(6,980)
Graig Y Rhacca Neighbourhood Housing Office	314,464	292,867	21,597
Housing Allocations Contribution	125,643	121,978	3,665
Tenants & Communities Involvement	377,250	327,118	50,132
Leaseholders Management	(1,718)	22,268	(23,968)
Tenancy Enforcement	355,209	339,267	15,942
Rents	1,077,959	955,510	122,449
Community Wardens	(39,527)	(44,215)	4,688
Renting Homes Wales Act Implementation	249,230	293,165	(43,935)
<b>EXPENDITURE TO HRA SUMMARY</b>	<b>6,644,206</b>	<b>6,434,707</b>	<b>209,499</b>

<b><u>HOUSING REVENUE ACCOUNT</u></b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>RESPONSE REPAIRS AND MAINTENANCE</u></b>			
<b>Employee Expenses net of recharges</b>	<b>650,188</b>	<b>603,386</b>	<b>46,802</b>
<b>Repairs &amp; Maintenance on Housing Stock</b>			
Responsive Repairs	11,138,273	12,429,022	(1,290,749)
Revenue Contribution to Capital – WHQS Programme	14,763,099	6,468,776	8,294,323
Revenue Projects	1,394,000	1,037,129	356,871
Planned Cyclical	2,082,600	2,306,502	(223,902)
Planned Programme	-	-	-
	<b>29,377,972</b>	<b>22,241,428</b>	<b>7,136,544</b>
<b>Transport Related</b>	<b>15,858</b>	<b>14,717</b>	<b>1,142</b>
<b>Supplies and Services</b>	<b>126,866</b>	<b>117,734</b>	<b>9,132</b>
<b>EXPENDITURE TO HRA SUMMARY</b>	<b>30,170,884</b>	<b>22,977,265</b>	<b>7,193,619</b>



<b><u>HOUSING REVENUE ACCOUNT</u></b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>INCOME</u></b>			
<b><u>Rents – Dwelling</u></b>			
Gross Rent – Dwellings	(47,738,243)	(47,792,430)	54,187
Gross Rent – Sheltered	(4,160,280)	(4,071,621)	(88,659)
Gross Rent – Hostel	-	-	-
Voids – General Needs Dwelling/Sheltered	1,309,688	1,119,758	189,930
Additional Income O/Side Rent Debit (WHQS)	-	(2,611)	2,611
Voids – Hostel	-	-	-
<b>Net Rent</b>	<b>(50,588,835)</b>	<b>(50,746,904)</b>	<b>158,069</b>
<b><u>Rents – Other</u></b>			
Garages	(352,380)	(357,582)	5,202
Garage Voids	105,110	103,483	1,627
Shop Rental	(50,604)	(50,604)	-
	<b>(297,874)</b>	<b>(304,703)</b>	<b>6,829</b>
<b><u>Service Charges</u></b>			
Sheltered – Service Charges	(1,217,441)	(1,205,869)	(11,572)
Sheltered – Heating & Lighting	(79,776)	(46,845)	(32,931)
Sheltered & Dispersed – Alarms	-	-	-
Catering Recharge – Sheltered Accommodation	-	-	-
Voids Schedule Water	86,249	83,325	2,924
Non-Scheduled Water Rates	(28,728)	(25,717)	(3,011)
Welsh Water Commission	(557,840)	(557,840)	-
Leaseholder – Service Charges	-	-	-
	<b>(1,797,536)</b>	<b>(1,752,946)</b>	<b>(44,590)</b>
<b><u>Government Subsidies</u></b>			
Housing Subsidy	-	-	-
	-	-	-
<b><u>Interest Receivable</u></b>			
Mortgage Interest	-	-	-
Investment Income	(140,000)	(140,000)	-
	<b>(140,000)</b>	<b>(140,000)</b>	-
<b><u>Miscellaneous</u></b>			
Miscellaneous	-	-	-
Private Alarms	-	-	-
Ground Rent	(3,000)	(3,000)	-
	<b>(3,000)</b>	<b>(3,000)</b>	-
<b>INCOME TO HRA SUMMARY</b>	<b>(52,827,245)</b>	<b>(52,947,553)</b>	<b>120,308</b>