



HOUSING AND ENVIRONMENT SCRUTINY COMMITTEE – INFORMATION ITEM – 26TH MARCH 2024

SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING – PERIOD 9

REPORT BY: DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the projected position for the Housing Revenue Account (HRA) for the 2023/24 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 2023/24 is £55.500m with its main components consisting of £21.600m of salaries, £8.100m of capital financing charges, £4.300m of building maintenance and response repairs (net of salaries), £2.800m of internal service recharges, and £13.300m of revenue contributions to fund the PAMS (Post Asset Management Strategy) programme. There is also a budget of £8.900m for the PAMS programme 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 77% 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 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 £1.185m for the end of 2023/24 financial year, which represents about 2.2% 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 and Mileage (£1.371m underspend)

- 5.2.1 Salaries and associated costs within the HRA are currently expected to underspend by some £1.371m which represents about 6.41% of the salary budget. There are 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. This also accounts for the pay award announced early November 2023.

5.3 Non-Pay Related (£1.104m underspend)

- 5.3.1 This includes an underspend of £0.984m associated with office related costs.
- 5.3.2 £0.120m underspend is attributable to budgets that are service specific such as Tenant Participation, Older Persons Housing utilities and decoration allowances. Some costs however have increased such as Council Tax charges and security on void properties which are currently being offset.

5.4 Building Maintenance and Response Repairs (£1.163m overspend)

- 5.4.1 This area is currently projecting an overspend of £1.163m. There is projected underspend of £0.123m against revenue projects budget which includes Sheltered Projects and Contingency. Expenditure on the Housing Response Operations (HRO) budget is anticipating a £1.081m overspend overall which includes any salaries and non-pay savings identified in 5.2 and 5.3 above. There is an increased spend on sub-contractors due to increased material costs as a result of continued high inflation and contracts have had to be uplifted accordingly. Statutory works are projecting an underspend of £0.246m, including reduced forecast spend on Electrical Testing.
- 5.4.2 A budget of £8.900m has been allocated for the In-House team who support the capital programme with a further £2.000m allocation towards non-priority large scale repairs. The work involved includes the maintenance of the WHQS programme through the PAMS programme, sheltered remodelling and 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 £1.536m due to the re-distribution of workforce to complete void properties and reduce HRO repairs backlog.

5.5 Capital Financing Requirement (CFR) (£0.150m overspend)

- 5.5.1 The increase on the CFR charge is attributed to an increase in interest rates on our current debt.
- 5.5.2 Borrowing levels forecasted in the 2023/24 Business Plan have not changed at this stage, and no borrowing is anticipated for this financial year.
- 5.5.3 The borrowing cap of £100m was agreed by Full Council on May 23rd, 2023, to accommodate anticipated borrowing in 2024/25 and 2025/26 to fund commitments for increasing housing supply. However, an updated Business Plan that is due to be submitted to Welsh Government in March 2024, which will reflect the agreed 2024/25 rent increase and a reprofiled new build programme could impact on the borrowing requirement and will be updated within the Business Plan report that is presented to members annually.

5.6 Income (£0.078m under recovery)

- 5.6.1 Variations represent less than 0.14% of the total income budget.

5.7 Revenue Contributions to Capital Outlay (RCCO)

- 5.7.1 The HRA allows for some £13.300m of revenue contributions towards the HRA Capital programme.
- 5.7.2 The HRA RCCO allocation will fund the capital spend this year in addition to the £7.300m 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. Some expenditure will also be eligible to be claimed under various WG grants such as the Transitional Accommodation Capital Programme (TACP), Social Housing Grant (SHG) and the Optimised Retrofit Programme (ORP).
- 5.7.3 Total capital spend to period 9 is some £15.832m which is a combination of PAMS including voids and the New Build Programme. Projected capital outturn for the year is £26.600m. There has been some reprofiling of the New Build programme which is inherent of a development programme of this size, meaning spend is relatively low in this area and some contracts are now likely to progress into next financial year. However, costs have increased on existing PAMS contracts, as well as an increased specification of works on void properties, so it is estimated that the RCCO will be fully utilised this year.

5.8 HRA Working Balances

- 5.8.1 Working balances at the start of 2023/24 financial year were £22.500m. The majority of this is derived from underspends in previous years and is anticipated to be used to contribute towards the capital programme this year. Any funding not utilised will be carried forward into future years to reduce borrowing.

6. ASSUMPTIONS

- 6.1 The projected outturn position is based on actual income and expenditure details for the first nine months in the 2023/24 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

Author: Lesley Allen, Finance Manager (Housing)
Email: allenl@caerphilly.gov.uk

Consultees:

Cllr Andrew Whitcombe	- Chair Housing and Environment Scrutiny Committee
Cllr Shane Williams	- Vice Chair Housing and Environment Scrutiny Cttee
Cllr Shayne Cook	- Cabinet Member for Housing
Dave Street	- Deputy Chief Executive
Nick Taylor-Williams	- Head of Housing
Stephen R Harris	- Head of Financial Services and S151 Officer
Fiona Wilkins	- Housing Services Manager
Jane Roberts-Waite	- Head of Strategy and Development
Catherine Edwards	- Head of Asset Maintenance and Repairs
Michael Williams	- Planned Asset Maintenance Manager
Jason Fellows	- HRO Manager
Kerry Denman	- Housing Solutions Manager
Rhian Williams	- Group Accountant (Treasury and Capital)
Leanne Sykes	- Deputy Head of Financial Services and S151 Officer

Appendices: Appendix 1 HRA Financial Plan 2023/24 Period 9.

Appendix 1 HRA Financial Plan 2023/24 period 9

Housing	Estimate 2023/24	Projected Outturn 2023/24	Variance 2023/24
<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>SUMMARY</u>			
GENERAL MANAGEMENT	1,810,093	1,599,395	210,698
CAPITAL FINANCING	8,077,566	8,227,706	(150,140)
CENTRAL RECHARGES	2,822,441	2,833,777	(11,336)
STRATEGY AND PERFORMANCE	2,995,632	1,885,546	1,110,086
PUBLIC SECTOR HOUSING	7,834,404	7,134,102	700,302
SUPPORTED HOUSING	-	-	-
BUILDING MAINTENANCE SERVICES	31,998,293	32,595,487	(597,194)
GROSS EXPENDITURE	55,538,429	54,276,014	1,262,415
INCOME	(55,538,429)	(55,460,753)	(77,676)
(SURPLUS)/DEFICIT CONTRIBUTION (TO)/FROM WORKING BALANCES	-	(1,184,740)	1,184,740
<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>GENERAL MANAGEMENT</u>	1,810,093	1,599,395	210,698
<u>CAPITAL FINANCING COSTS</u>			
Interest Charge	5,418,353	5,568,493	(150,140)
Principal	2,624,213	2,624,213	-
Debt Management	35,000	35,000	-
Rescheduling Discount	-	-	-
EXPENDITURE TO HRA SUMMARY	8,077,566	8,227,706	(150,140)
<u>CENTRAL RECHARGES</u>			
Central Recharges	2,302,038	2,309,119	(7,081)
Grounds Maintenance recharge to HRA	520,403	524,658	(4,255)

EXPENDITURE TO HRA SUMMARY	2,822,441	2,833,777	(11,336)
<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>STRATEGY AND PERFORMANCE</u>			
Housing Strategy and Development	2,995,632	1,885,546	1,110,086
Transforming Lives and Communities	-	-	-
EXPENDITURE TO HRA SUMMARY	2,995,632	1,885,546	1,110,086
<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>PUBLIC SECTOR HOUSING</u>			
Landlord General	614,740	542,896	71,844
Sheltered Accommodation	2,064,352	1,763,454	300,897
Floating Support	34,673	35,732	(1,059)
Holly Road Community Support	5,063	3,675	1,388
Eastern Valley Area Housing Office	913,478	1,026,377	(112,899)
Upper Rhymney Area Housing Office	1,061,681	1,016,771	44,910
Lower Rhymney Valley Area Housing Office	-	-	-
Lansbury Park Neighbourhood Housing Office	433,854	369,059	64,795
Graig Y Rhacca Neighbourhood Housing Office	334,467	327,700	6,767
Housing Allocations Contribution	153,807	146,924	6,883
Tenants and Communities Involvement	396,698	374,480	22,218
Leaseholders Management	45,662	32,292	13,370
Tenancy Enforcement	375,743	359,702	16,041
Rents	1,382,021	1,112,638	269,382
Community Wardens	(51,834)	(54,406)	2,572
Renting Homes Act	70,000	76,809	(6,809)

EXPENDITURE TO HRA SUMMARY	7,834,404	7,134,102	700,302

<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>RESPONSE REPAIRS AND MAINTENANCE</u>			
Employee Expenses net of recharges	766,098	672,124	93,974
Repairs and Maintenance on Housing Stock			
Responsive Repairs	13,551,742	14,633,020	(1,081,278)
Revenue Contribution to Capital – WHQS Programme	13,335,447	13,335,447	-
Group/Planned Repairs (priorities 5 and 8)	-	-	-
Void Repairs (priority 6)	-	-	-
Depot Recharges	-	-	-
Revenue Projects	1,114,000	990,727	123,273
Planned Cyclical	3,062,838	2,816,629	246,209
Planned Programme	-	-	-
	31,064,027	31,775,823	(711,796)
Transport Related	18,685	16,393	2,292
Supplies and Services	149,483	131,146	18,336
EXPENDITURE TO HRA SUMMARY	31,998,293	32,595,487	(597,194)

<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>INCOME</u>			
<u>Rents – Dwelling</u>			
Gross Rent – Dwellings	(51,160,935)	(51,094,345)	(66,590)
Gross Rent – Sheltered	(4,132,185)	(4,145,323)	13,138
Gross Rent – Hostel	-	-	-
Voids – General Needs Dwelling/Sheltered	1,496,433	1,567,574	(71,141)
Additional Income O/Side Rent Debit (WHQS)	-	-	-
Voids – Hostel	-	-	-
Net Rent	(53,796,687)	(53,672,094)	(124,593)
<u>Rents – Other</u>			
Garages	(376,859)	(374,119)	(2,740)
Garage Voids	107,050	108,919	(1,869)
Shop Rental	(45,204)	(45,204)	-
	(315,013)	(310,404)	(4,609)
<u>Service Charges</u>			
Sheltered – Service Charges	(1,205,711)	(1,282,501)	76,790
Sheltered – Heating and Lighting	(51,530)	(32,857)	(18,673)
Sheltered and Dispersed – Alarms	-	-	-
Catering Recharge – Sheltered Accommodation	-	-	-
Voids Schedule Water	-	-	-
Non-Scheduled Water Rates	(26,488)	(19,897)	(6,591)
Welsh Water Commission	-	-	-
Leaseholder – Service Charges	-	-	-
	(1,283,729)	(1,335,255)	51,526
<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

(55,538,429)

(55,460,753)

(77,676)