



HOUSING AND REGENERATION SCRUTINY COMMITTEE – INFORMATION ITEM

SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING – PERIOD 3

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 2021/22 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 the Council taxpayer. 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 72% 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 under spend of £1.5m for the end of 2021/22 financial year, which represents about 3% 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 main variances are summarised below, and full financial details are provided in Appendix 1.

5.2 Salaries & Mileage (£463k under spend)

- 5.2.1 Salaries and associated costs within the HRA are currently expected to underspend by some £463k which represents about 4% of the salary budget. There are some offsetting over and under spends in this area given the volume of staff which includes sickness cover, request for reduced hours and timing for filling vacant posts

5.3 Non-Pay Related (£132k under spend)

- 5.3.1 Part of this underspend (£36k) is associated with office related costs such as stationery, photocopying and postage, mainly as a result of offices not being occupied because of lockdown. These savings are likely to increase throughout the year until a decision is made on returning to the office in the future.
- 5.3.2 A further £96k underspend is attributable to budgets that are service specific such as, shop management, 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 (£912k under spend)

- 5.4.1 This area is currently projecting an underspend of some £912k. This is predominantly made up of £237k projected under spend in cyclical and revenue projects which includes damp proofing, non – DLO works, sheltered & infrastructure projects. Expenditure on the Housing Response Operations (HRO) budget is anticipating a £675k underspend which is mainly as a result of reduced spend on sub-contractors, materials and tipping charges. Reduced expenditure is a result of Covid recovery and is projected based on the spend to date. However, spend is likely 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 contractors' ability to procure supplies efficiently. Officers are reviewing the current schedule of rates to ascertain if is suitable going forward.
- 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 £741k 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. Members will be aware that Welsh Government have confirmed that the extended deadline for authorities to achieve WHQS is now December 2021. Members are informed, however, that Caerphilly Homes was on target to meet our June 2020 deadline had the pandemic not occurred and are confident of completion prior to the revised deadline.

5.5 Capital Financing Requirement (CFR) (£13k 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.

5.6 Income (£30k under recovered)

- 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 Rent Arrears and Tenancy Support

- 5.7.1 The arrears position at the end of financial year 2020/21 for our current tenants represented 4.2% of the total debit raised (including rent, service charges, water, fuel and garages). Officers have been liaising with Welsh Government and the other stock retaining authorities on a regular basis since the pandemic to compare performance and share best practise. The average arrears level across all stock retaining authorities was 3.5% and data received on the Housing Associations show an average arrears level of 3.6%.
- 5.7.2 It is difficult to compare in year arrears levels across the sector until we reach an end of year figure, as not all providers charge the same way throughout the year (i.e. some are over 48 weeks or 52 weeks etc) and the Department of Works & Pension pays housing benefits in arrears. Direct Debits are also received differently. However, we are working closely with the rent arrears group mentioned above and should have some in year comparators by the time of the next budget monitoring report in October.
- 5.7.3 Members will be aware from previous reports of the volatility of the rent arrears during 2020/21 and the eviction embargo imposed by the Government (ended June 2021) which meant we could not pursue those tenants who were already in the system prior to lockdown for breach of tenancy. A change in the way housing benefit payments were made by the Department of Work & Pensions and the redirection of payment facilities for our tenants were also factors which helped the arrears position stabilise by the end of the year together with the intense level of support offered to our tenants throughout the pandemic, which has transformed the way we work with tenants by embracing new ways of working. This has assisted in developing a post covid recovery plan.

5.7.4 The post Covid recovery plan is based upon 4 key principles:-

1. **Creating the right culture** – Our principle objective is the management and sustainment of tenancies. Eviction is a last resort and we will consider all avenues to sustain the tenancy and have fully embraced the Welsh Government aim of no evictions into homelessness.
2. **Prevention and early Intervention** – The tenancy support and welfare benefits teams are involved as soon as a tenancy starts. Welfare benefit checks are completed and financial health checks are undertaken to ensure benefits are maximised. Any barriers to the sustainment of the tenancy are identified and addressed immediately, e.g. high debt levels. We work with other departments with the Authority to offer a wide range of services e.g. employment support. Investing in prevention will reduce the incidence of crisis situations and likelihood of homelessness. The introduction of pre tenancy support is an important next step.
3. **Person centres not process driven** – Staff have the discretion and flexibility to deal with differing individual circumstances when tenancies are in difficulty. All recovery processes have been refreshed ensuring this transformation approach is embedded
4. **Persevere and continue trying to help** – Engagement is a key barrier and the service uses different communication channels tailored to tenants needs. We endeavour to work with everyone and staff are empowered to deliver innovative solutions.

5.7.5 Our void position increased during 2020/21 showing 2.8% as a percentage of stock. In the previous year this was 1.8%. However, as part of our sheltered remodelling programme it is necessary to decant tenants to other suitable accommodation whilst work is being carried out at the schemes, and this has impacted on the void position. If we take out the decant schemes our void position is 1.8%. We have yet been unable to compare with the remaining stock retaining authorities but are currently trying to gather data. Welsh Government have confirmed that the 2019/20 and 2020/21 data statistics which were not collected due to the pandemic, will be called on, but it is not mandatory, neither will they be published, so it may be difficult to obtain this information for comparison. We have managed to source some information on Housing Associations which showed them improving from 2.3% in July 2020 to 1.5% by March 2021 on average.

5.8 Revenue Contributions to Capital Outlay (RCCO)

5.8.1 The HRA allows for some £15.6m 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 Although there is some predicted underspend on the In-house workforce delivery team, it is assumed that the RCCO will be fully utilised at this stage, but any variations will be reported in further budget monitoring reports throughout the year. indications are that internal and external works on the WHQS programme will be completed by August 2021, with one contract likely to extend further due to recently going into administration.

5.8.4 Total capital spend to Quarter 1 is some £891k which is predominantly WHQS work. Spend is lower this quarter compared to previous years quarters for a number of reasons. This year we are focussing on finalising the last tranche of properties to meet WHQS which although smaller in volume to previous years, is taking longer to complete due to Covid restrictions.

- 5.8.5 WHQS Internal works at the end of Q1 is 99.36% compliant.
- 5.8.6 WHQS External works at the end of Q1 is 99.70% compliant.
- 5.8.7 Full WHQS compliance (where properties have achieved both internal and external compliance on a contract basis) is 99.20%.
- 5.8.8 A Post Asset Management Strategy (PAMS) working group has been set up to ensure that the WHQS standard is continuously maintained once full compliance is achieved. A 5-year external programme is currently being worked on, and will commence once the WHQS programme is completed. However early indications are that there could be a delay in progressing whilst we await suitable recruitment.

5.9 HRA Working Balances

- 5.9.1 Working balances at the start of 2021/22 financial year were £14.1m. The majority of which was derived from underspends in 2020/21 as reported in previous reports and is expected to be utilised this year against the remainder of the WHQS Programme.

5.10 COVID-19

- 5.10.1 Members will recall the significant financial impact Covid-19 had on the HRA last financial year, with no support from Welsh Government. Whilst some costs have reduced (e.g. buddy schemes) we have tried to absorb some of the costs going forward, although there are still some areas that are experiencing higher cost levels than normal (e.g. additional vehicles for social distancing), and of course we still require a suitable level of PPE equipment. However, as mentioned earlier in the report, there are some offsetting savings such as office related costs and mileage due to the majority of staff working from home.

6. ASSUMPTIONS

- 6.1 The projected outturn position is based on actual income and expenditure details for the first three 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 An IIA has not been completed to accompany this report as it is for information.

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 John Ridgewell, Chair Housing and Regeneration Scrutiny Committee
Cllr Mike Adams, Vice Chair Housing and Regeneration Scrutiny Committee
Cllr L Phipps, Cabinet Member for Housing & Property
Dave Street, Corporate Director Social Services and Housing
Stephen R Harris, Head of Corporate Finance & S151 Officer
Fiona Wilkins, Housing Services Manager
Alan Edmunds, WHQS Implementation Project Manager
Jason Fellows, Housing Repair Operations Manager
Jane Roberts-Waite, Strategic Co-ordination Manager
Sandra Isaacs, Rents Manager
Kerry Denman, Housing Solutions Manager

Appendices:

Appendix 1 HRA Financial Plan 2021/22 Period 3

Appendix 1

Housing	Estimate	Projected	Variance
	2020/21	2020/21	2020/21
<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>SUMMARY</u>			
GENERAL MANAGEMENT	1,759,257	1,830,687	(71,430)
CAPITAL FINANCING	8,348,031	7,771,807	576,224
CENTRAL RECHARGES	2,793,870	2,573,614	220,256
STRATEGY AND PERFORMANCE	1,053,637	555,376	498,261
PUBLIC SECTOR HOUSING	5,750,762	5,115,769	634,993
BUILDING MAINTENANCE SERVICES	31,978,154	23,641,983	8,336,171
GROSS EXPENDITURE	51,683,711	41,489,236	10,194,475
INCOME	(51,683,711)	(51,507,062)	(176,649)
(SURPLUS)/DEFICIT CONTRIBUTION (TO)/FROM WORKING BALANCES	-	(10,017,825)	10,017,825
<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>GENERAL MANAGEMENT</u>	1,759,257	1,830,687	(71,430)
<u>CAPITAL FINANCING COSTS</u>			
Interest Charge	5,556,468	5,307,249	249,219
Principal	2,740,513	2,438,729	301,784
Debt Management	51,050	25,829	25,221
Rescheduling Discount	-	-	-
EXPENDITURE TO HRA SUMMARY	8,348,031	7,771,807	576,224
<u>CENTRAL RECHARGES</u>			
Central Recharges	2,301,671	2,086,467	215,204
Grounds Maintenance recharge to HRA	492,199	487,147	5,052
EXPENDITURE TO HRA SUMMARY	2,793,870	2,573,614	220,256

<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>STRATEGY AND PERFORMANCE</u>			
Housing Strategy and Development	537,382	189,315	348,067
Transforming Lives and Communities	516,255	366,061	150,194
EXPENDITURE TO HRA SUMMARY	1,053,637	555,376	498,261
<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>PUBLIC SECTOR HOUSING</u>			
Landlord General	308,641	165,488	143,153
Sheltered Accommodation	1,432,175	1,292,801	139,374
Holly Road Community Support	4,129	4,687	(558)
Eastern Valley Area Housing Office	669,116	714,465	(45,349)
Upper Rhymney Area Housing Office	844,428	745,289	99,139
Lower Rhymney Valley Area Housing Office	37,450	38,260	(810)
Lansbury Park Neighbourhood Housing Office	322,430	323,640	(1,210)
Graig Y Rhacca Neighbourhood Housing Office	291,857	263,571	28,286
Housing Allocations Contribution	128,857	85,077	43,780
Tenants & Communities Involvement	473,558	250,910	222,648
Leaseholders Management	73,333	77,266	(3,933)
Tenancy Enforcement	295,830	277,416	18,414
Rents	912,690	919,423	(6,733)
Community Wardens	(43,732)	(42,526)	(1,206)
EXPENDITURE TO HRA SUMMARY	5,750,762	5,115,769	634,993

<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>RESPONSE REPAIRS AND MAINTENANCE</u>			
Employee Expenses net of recharges	1,260,628	898,372	362,256
Repairs & Maintenance on Housing Stock			
Responsive Repairs	9,438,067	9,948,617	(510,550)
Revenue Contribution to Capital – WHQS Programme	17,809,772	11,175,296	6,634,476
Group/Planned Repairs (priorities 5 & 8)	-	-	-
Void Repairs (priority 6)	-	-	-
Depot Recharges	100,000	5,274	94,726
Revenue Projects	1,444,000	143,382	1,300,618
Planned Cyclical	1,747,336	1,295,746	451,590
Planned Programme	-	-	-
	30,539,175	22,568,315	7,970,860
Transport Related	52,500	49,129	3,371
Supplies and Services	125,851	126,167	(316)
EXPENDITURE TO HRA SUMMARY	31,978,154	23,641,983	8,336,171

<u>HOUSING REVENUE ACCOUNT</u>	£	£	£
<u>INCOME</u>			
<u>Rents – Dwelling</u>			
Gross Rent – Dwellings	(45,953,276)	(46,025,336)	72,060
Gross Rent – Sheltered	(4,158,368)	(3,965,328)	(193,040)
Gross Rent – Hostel	-	-	-
Voids – General Needs Dwelling/Sheltered	800,000	820,363	(20,363)
Additional Income O/Side Rent Debit (WHQS)	-	351	(351)
Voids – Hostel	-	-	-
Net Rent	(49,311,644)	(49,169,950)	(141,694)
<u>Rents – Other</u>			
Garages	(346,497)	(346,070)	(427)
Garage Voids	121,215	118,998	2,217
Shop Rental	(59,872)	(57,489)	(2,383)
	(285,154)	(284,561)	(593)
<u>Service Charges</u>			
Sheltered – Service Charges	(1,394,522)	(1,226,476)	(168,046)
Sheltered – Heating & Lighting	(113,786)	(101,873)	(11,913)
Sheltered & Dispersed – Alarms	-	-	-
Catering Recharge – Sheltered Accommodation	-	-	-
Voids Schedule Water	64,372	108,726	(44,354)
Non Scheduled Water Rates	(38,448)	(30,122)	(8,326)
Welsh Water Commission	(579,379)	(628,975)	49,596
Leaseholder – Service Charges	(10,000)	(29,931)	19,931
	(2,071,763)	(1,908,651)	(163,112)
<u>Government Subsidies</u>			
Housing Subsidy	-	-	-
	-	-	-
<u>Interest Receivable</u>			
Mortgage Interest	(150)	-	(150)
Investment Income	(10,000)	(143,305)	133,305
	(10,150)	(143,305)	133,155
<u>Miscellaneous</u>			
Miscellaneous	-	-	-
Private Alarms	-	-	-
Ground Rent	(5,000)	(595)	(4,405)
	(5,000)	(5,000)	(4,405)
INCOME TO HRA SUMMARY	(51,683,711)	(51,507,062)	(176,649)