



HOUSING AND ENVIRONMENT SCRUTINY COMMITTEE – INFORMATION ITEM 31ST OCTOBER 2023

**SUBJECT: HOUSING REVENUE ACCOUNT BUDGET MONITORING – OUTTURN
2022/23**

REPORT BY: DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the outturn position for the Housing Revenue Account (HRA) for the 2022/23 financial year, based on the income and expenditure movements during 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 is reporting an underspend of £5.3m. The surplus is split between general revenue underspends (£3.5m) and capital related underspends (£1.8m). The main variances are summarised below, and full financial details are provided in Appendix 1.

5.2 Salaries and Mileage (925k under spend)

- 5.2.1 Salaries and associated costs within the HRA underspent by some £925k which represents about 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, vacant posts and timing for filling vacant posts. There has also been difficulty in backfilling vacant posts in particular within the Building Maintenance Team where more competitive rates are being offered in the private sector and Registered Social Landlord providers.

5.3 Non-Pay Related (£2.2m under spend)

- 5.3.1 This includes an underspend of £371k associated with office related costs where although there has been savings in areas such as stationery, photocopying and postage, mainly as a result of staff operating on a hybrid working basis, there have been additional costs in respect of the new IT system which is ongoing
- 5.3.2 £1.9m underspend is attributable to budgets that are service specific such as Tenant Participation, Strategy and Development commissioning costs and Area environmental projects. The costs of transitioning towards the new Renting Homes Wales Act which was implemented on the 1st December 2022 is still ongoing and will be carried over into 2023/24. 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 and Response Repairs (£639k overspend)

- 5.4.1 There are a variety of under and overspends within the Building Maintenance budget and the cyclical and statutory works budget realised a net overspend of some £154k 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 underspent by £822k which includes the Non DLO budget, asbestos surveys and the contingency budget. Expenditure on the Housing Response Operations (HRO) budget including the support team overspent by £1.2m overall which includes salaries and non-pay savings already identified in 5.2 and 5.3 above. There was a marked increased spend on the sub-contractor's budget as Contractors were awarded a significant increase on the prices originally submitted as a result of Covid recovery, together with material costs rising due to the high Inflationary increases. Spend also increased to account for the backlog of repairs that the team were unable to complete during the pandemic, together with an increase in specification costs across our void properties, although resources issues have delayed progress. Due to resource issues within the PAMS team, more work has been focussed in the response

area.

- 5.4.2 A budget of £10.6m had 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, the budget underspent by some £2.4m due to resource issues which impacted on delivery, also resulting in less funding being required by the RCCO budget (shown in 5.8 below). Some of the workforce were 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) (£310k underspend)

- 5.5.1 Borrowing levels forecasted in the 2022/23 HRA Business Plan were reprofiled when setting the 2023/24 HRA Business Plan, partly down to the significant increase in inflation and the impact of having a lower rent increase compared to the level of inflation. However, as anticipated, no borrowing was required in 2022/23 due to the levels of HRA underspends reported in the previous years which were carried forward. A lower interest rate was applied for short term internal borrowing in this year however, reducing the overall interest charge resulting in a £310k saving.
- 5.5.2 The increase in the borrowing cap to £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 and inflationary uplifts. This is included within 2023/2024 Business Plan which was submitted to Welsh Government in March 2023 and has since been approved.

5.6 Bad Debt Provision (£70k over spend)

- 5.6.1 Even though a new bad debt calculation was adopted last year which resulted in a more favourable provision financially, the level of bad debt provision increased significantly this year due to the increase in rent arrears. Rent arrears have risen from £3.4m to £4.6m since last year and have risen steadily since the pandemic. This is as a result of not actively pursuing evictions and offering more focused tenant support to retain tenancies rather than spending the resource on rent recovery. The Welsh Governments rent policy for 2023/24 also requests that no evictions are actioned where tenants/contract holders who are in arrears actively engage with their landlord, so the position is likely to continue to increase. In addition, debt relief orders have not been pursued due to resource issues.

5.7 Income (£789k under spend)

- 5.7.1 Variations represent about 1.5% of the total income budget and is mainly as a result of a higher level of interest on HRA balances due to the increase in interest rates.

5.8 Revenue Contributions to Capital Outlay (RCCO) (£1.8m underspend)

- 5.8.1 The HRA allowed for some £14.8m of revenue contributions towards finalising and maintaining the WHQS programme.
- 5.8.2 The HRA RCCO allocation funded the capital spend this year in addition to the £7.3m

Major Repairs Allowance (MRA) from Welsh Government.

- 5.8.3 Total capital spend was £23.7m against a budget of £27.9m. The main underspend is as a result of delays in awarding contracts for the PAMS programme due to resource issues, but this has been offset by a significant increase in spend for our void properties to almost £8m. The specification for large scale void properties has increased which is also impacting on the timescales.
- 5.8.4 Final payments were also made towards the pilot sites in Trecenydd and Trethomas which was part funded by the Innovative Housing Programme and preparatory work is underway on bringing forward the Ty Darran and former Oakdale Comprehensive School sites which 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 The Transitional Accommodation Capital Programme (TACP) grant awarded by Welsh Government has also been successful with officers acquiring 5 ex council properties back into stock together with returning to use 4 long term void flats, in addition to assisting the private sector in the provision of flats for affordable rent in previously empty properties, most of which was funded by the TACP grant.

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. Closing working balances are £22.5m. There is also an earmarked balance of £795k which will be used to support tenants sustain their tenancy during the cost of living crisis and officers are currently working on a strategy to utilise this funding.

6. ASSUMPTIONS

- 6.1 The projected outturn position is based on actual income and expenditure details for 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 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	- Strategic Co-ordination Manager
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)

Appendices:

Appendix 1 HRA Financial Plan 2022/23 Outturn