

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	THE EXECUTIVE
DATE:	27 NOVEMBER 2017
SUBJECT:	HRA BUDGET MONITORING, QUARTER 2 2017/18
PORTFOLIO HOLDER(S):	COUNCILLOR JOHN GRIFFITH
HEAD OF SERVICE:	MARC JONES
REPORT AUTHOR:	STEPHEN MOORE
TEL:	01248 752634
E-MAIL:	StephenMoore@ynysmon.gov.uk
LOCAL MEMBERS:	n/a

A - Recommendation/s and reason/s

1. The Executive is requested to note the following:-
 - (i) The position set out in respect of the financial performance of the Housing Revenue Account (HRA) for Quarter 2 2017/18.
2. **Background**
 - (i) In March 2017, the Council agreed a revenue budget for 2017/18 that showed a planned surplus of £5,530k.
 - (ii) The budget for 2017/18 included a contribution to the capital programme of £8,882k but it should be noted that £1,326k of expenditure, planned for 2016/17, had not been completed and has slipped into the 2017/18 capital programme. This slippage will also be funded from the HRA balances
 - (iii) The combination of both the revenue budget and adjusted capital budget gave a planned budget deficit of £4,678k which would be funded from the HRA reserve.
 - (iv) The HRA is 'ringfenced', and its reserves cannot be transferred to the General Fund.
3. This report sets out the financial performance of the HRA for the period from 1st April 2017 to 30th September 2017.
4. **Overview**
 - (i) The revenue financial position for 2017/18 shows an underspend of £35k, a variance of 0.6%. More detail is shown in Appendix A.
 - (ii) Capital expenditure is behind profiled expenditure and is expected to be £1,383k below the revised capital budget by the end of the year. More detail is shown in Appendix B.
 - (iii) The forecast deficit (combining both revenue and capital) is expected to be £1,418k less than the revised budget, largely due to the improved income from garage rents and the effect of the forecast reduction in capital expenditure.

5. Income

- (i) Income is £55k (1%) better than the profiled budget.
- (ii) The budget assumed that the remodelling of the garage stock would be complete. The forecast has been amended to show additional income of £35k to account for the phasing of the project.

6. Non Repairs and Maintenance Expenditure

- (i) Overall, expenditure is £21k below budget. To date, the only significant variances are due to increased utility charges for communal areas, offset by savings in rent administration. The forecasted underspend of £60k has been revised to account for this.

7. Repairs and Maintenance

- (i) The Housing Maintenance Unit (HMU) shows an overspend of £6k, much reduced from the £53k overspend shown at Quarter 1. This shows that the revised procedures introduced to improve the coding and timeliness of purchase orders has had some effect. However, expenditure will continue to be closely monitored.
- (ii) Other Repairs and Maintenance are overspent due to the procurement of services (particularly ground maintenance) that covers much of the financial year. There has also been additional expenditure concerning the call outs for fire equipment and the installation of a new fire alarm system at Gaerwen depot. Subsequent investigation has revealed that commitments are overstated by £10k. Consequently, the forecast expenditure has been increased by £60k to cover these factors.

8. Year End Adjustments

- (i) This heading covers items of expenditure (capital financing costs and recharges from the General Fund) that form part of the year end accounting process and are not generally monitored during the year. The latest capital report shows that the contribution required from HRA revenue is reduced by £57k.

9. Capital Expenditure

- (i) The original capital programme approved by the Council in February 2017, totalled £11,547k which was to be funded with the Major Repairs Allowance £2,665k and contribution from the HRA reserve £8,882k. Planned capital expenditure of £1,326k was brought forward as slippage from 2016/17 to give a revised capital programme of £12,873k. The projected expenditure for 2017/18 is forecasted to be £11,490k, with the underspend of £1,383k rolling forward into 2018/19.

10. HRA balance

- (i) The opening balance of the HRA Reserve stood at £7,544k. A surplus of £5,565k on the revenue account is forecast and £8,825k of reserves will be required to fund capital expenditure. This will result in a forecast HRA reserve balance as at 31 March 2018 of £4,284k.

B - What other options did you consider and why did you reject them and/or opt for this option?		
n/a		
C - Why is this a decision for the Executive?		
This matter is delegated to the Executive.		
CH - Is this decision consistent with policy approved by the full Council?		
Yes		
D - Is this decision within the budget approved by the Council?		
Yes		
DD - Who did you consult? What did they say?		
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report
3	Legal / Monitoring Officer (mandatory)	Will be consulted as part of SLT
4	Human Resources (HR)	
5	Property	
6	Information Communication Technology (ICT)	
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	
E - Risks and any mitigation (if relevant)		
1	Economic	
2	Anti-poverty	
3	Crime and Disorder	
4	Environmental	
5	Equalities	
6	Outcome Agreements	
7	Other	
F - Appendices:		
Appendix A – Revenue expenditure and forecasts to end of Quarter 2. Appendix B – Capital expenditure and forecast to end of Quarter 2.		
FF - Background papers (please contact the author of the Report for any further information):		
<ul style="list-style-type: none"> • 2017/18 HRA budget (as approved by this Committee on 20 March 2017). • HRA 30 Year Business Plan 2017/47 (as approved by this Committee on 20 March 2017). 		

APPENDIX A

HRA ACCOUNT 2017/18

	Annual Budget 2017/18	Profiled Budget to Month 6	Actual to Month 6	Variance to Month 6	Year End Forecast	Year End Variance
	£	£	£	£	£	£
REVENUE ACCOUNT						
Income						
Dwellings	(16,052,000)	(8,026,000)	(8,050,196)	(24,196)	(16,052,000)	0
Garages	(185,000)	(92,500)	(112,762)	(20,262)	(220,000)	(35,000)
Service Charges	(97,000)	(48,500)	(49,743)	(1,243)	(97,000)	0
Other	(291,000)	(128,500)	(137,975)	(9,475)	(291,000)	0
Bad Debt Provision	147,000	0	0	0	147,000	0
TOTAL INCOME	(16,478,000)	(8,295,500)	(8,350,676)	(55,176)	(16,513,000)	(35,000)
Non Repairs & Maintenance Expenditure						
Tenant Participation	96,710	48,307	41,502	(6,805)	96,710	0
Rent Administration	409,410	204,705	29,711	(174,994)	349,410	(60,000)
Estate Management	206,280	102,227	218,975	116,748	206,280	0
Other Revenue	629,020	314,548	358,179	43,631	629,020	0
Expenditure						
Total Non R & M Expenditure	1,341,420	669,787	648,367	(21,420)	1,281,420	(60,000)
Repairs and Maintenance						
Housing Maintenance Unit (HMU)	3,268,040	1,628,093	1,634,189	6,096	3,268,040	0
Building Maintenance Staff (non HMU)	863,890	430,606	432,329	1,723	863,890	0
Other Repairs and Maintenance	498,570	249,574	397,597	148,023	558,570	60,000
Total Repairs & Maintenance	4,630,500	2,308,273	2,464,115	155,842	4,690,500	60,000
Year End Adjustments						
Capital Financing Charges	3,677,000	0	0	0	3,677,000	0
Recharge from Housing Services	621,830	0	0	0	621,830	0
Recharge from Central Services	677,010	0	0	0	677,010	0
Total Year End Adjustments	4,975,840	0	0	0	4,975,840	0
TOTAL REVENUE EXPENDITURE	10,947,760	2,978,060	3,112,482	134,422	10,947,760	0
TOTAL REVENUE (SURPLUS) / DEFICIT	(5,530,240)	(5,317,440)	(5,238,194)	79,246	(5,565,240)	(35,000)

	Annual Budget 2017/18 £	Profiled Budget to Month 6 £	Actual to Month 6 £	Variance to Month 6 £	Year End Forecast £	Year End Variance £
CAPITAL EXPENDITURE ACCOUNT						
2017/18 Planned Capital Expenditure	11,547,000	3,847,640	4,216,252	368,612	11,490,020	(1,382,980)
2016/17 Slippage	1,326,000					
Major Repairs Allowance	(2,665,000)	(2,665,000)	(2,665,000)	0	(2,665,000)	0
TOTAL CAPITAL (SURPLUS) / DEFICIT	10,208,000	1,182,640	1,551,252	368,612	8,825,020	(1,382,980)
NET (INCREASE) / DECREASE IN HRA RESERVE	4,677,760	(4,134,800)	(3,686,942)	447,858	3,259,780	(1,417,980)
Opening HRA Balance	(7,544,017)				(7,544,017)	
Net (Increase) / Decrease in HRA Reserve	4,677,760				3,259,780	
CLOSING HRA BALANCE	(2,866,257)				(4,284,237)	

APPENDIX B

Service	Annual Budget (£)	Profiled Budget (£)	Total Expenditure (£)	Variance to profile (£)	Projected Expenditure (£)	Projected Under / Over (£)
<u>Housing HRA</u>						
Central Heating Contract	600,000	180,000	169,026	-10,974	600,000	0
Planned Maintenance Contract	4,635,000	2,317,500	2,694,921	377,421	4,635,000	0
HMU Vehicles 2017/18	144,000	0	0	0	144,000	0
Environmental Works	502,580	35,000	32,906	-2,094	200,000	-302,580
Remodelling of Existing Stock	693,120	0	14,497	14,497	693,120	0
Acquisition of Existing Properties	4,800,000	650,000	662,886	12,886	3,700,000	-1,100,000
Public Sector Adaptations	350,000	175,000	195,296	20,296	350,000	0
Fire Risk	167,620	0	0	0	167,620	0
WHQS	870,280	435,140	407,343	-27,797	870,280	0
Premises	110,000	55,000	39,378	-15,622	130,000	20,000
Totals for Housing HRA	12,872,600	3,847,640	4,216,252	368,612	11,490,020	-1,382,580