

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	THE EXECUTIVE
DATE:	21 MAY 2018
SUBJECT:	HRA BUDGET MONITORING, QUARTER 4 2017/18
PORTFOLIO HOLDER(S):	COUNCILLOR JOHN GRIFFITH
HEAD OF SERVICE:	MARC JONES
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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 4 2017/18;
 - (ii) The outturn is subject to the usual year end audit process, and so the figures are provisional at this stage.
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 had slipped into the 2017/18 capital programme. This slippage was also funded from the HRA balances;
 - (iii) The combination of both the revenue budget and adjusted capital budget gave a planned budget deficit of £4,677k 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 31st March 2018.
4. **Overview**
 - (i) The revenue financial position for 2017/18 shows an underspend of £933k, a variance of 16.9%, mainly due to lower capital financing costs. More detail is shown in Appendix A;
 - (ii) The Capital outturn expenditure was £3,607k below the budget, mainly due to unforeseen delays in the council house development programme, including a delayed 25 new unit scheme. Any underspend is available to be spent in 2018/19. More detail is shown in appendix B;

- (iii) The forecast deficit (combining both revenue and capital) was to be £4,541k less than the revised budget, largely due to reduced capital finance charges and the effect of the reduction in capital expenditure.

5. Income

- (i) Income overall is £94k (0.6%) better than budget;
- (ii) Rental income was £167k below budget. This is primarily due to a lower number of properties commissioned during the year (see below), and the loss of rent during the planned re-modelling of Llawr Y Dref;
- (iii) The budget assumed that the remodelling of the garage stock would be complete. In the event, the income was £31k better than budget, reflecting the slower pace of the remodeling;
- (iv) Other income was £31k better than budget, mostly due to the success in obtaining grant funding in the last quarter;
- (v) The bad debt provision is now lower than last year, standing at £462k. The reduction reflects the successful work undertaken to target older debt, reducing the need for a provision. The original budget had also assumed that Universal Credit would have been rolled out during the year, but this has been deferred until December 2018.

6. Non Repairs and Maintenance Expenditure

- (i) Expenditure was £64k above budget. The increase in other revenue expenditure includes £87k for the stock survey (which would have been treated as capital expenditure in the past), £98k for consulting engineers inspecting potential properties for purchase (expenditure that would be capitalized on completion of the purchase) and CCTV work, £40k of work covered by grant, and £14k of utility bills for communal areas. The underspend in the other categories is largely the result of staff transfers, part of which has been funded from grants received.

7. Repairs and Maintenance

- (i) The Housing Maintenance Unit (HMU) shows an underspend of £51k, much better than the results shown at the beginning of the year. This shows that the revised procedures introduced to improve the coding and timeliness of purchase orders had some effect. However, expenditure will continue to be closely monitored.
- (ii) Other Repairs and Maintenance were overspent due to additional expenditure concerning the call outs for fire equipment and the installation of a new fire alarm system at Gaerwen depot.

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. Capital financing charges are £969k below budget, reflecting the lower capital expenditure which reduces the HRA's share of the Council's total interest costs. Review of the Central Recharges to the HRA indicated that a charge of £760k, £83k higher than the original budget, was justified.

9. Capital Expenditure

- (i) The original capital programme approved by the Council in February 2017, totalled £11,547k, which was to be funded by 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 outturn expenditure was £9,291k, £3,581k below budget. The most significant underspend related to the acquisition of properties, which totalled 10 rather than the planned 30, resulting in an underspend of £3,029k. Further details will be provided in the forthcoming capital expenditure report.

10. HRA balance

- (i) The opening balance of the HRA Reserve stood at £7,544k. A surplus of £6,463k was generated on the revenue account and £6,600k of reserves was required to fund capital expenditure. The resulting balance at 31st March 2018 is £7,407k.

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?

DD - Who did you consult?		What did they say?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	No comment
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer’s report
3	Legal / Monitoring Officer (mandatory)	No comment
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)

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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 3.
Appendix B – Capital expenditure and forecast to end of Quarter 3.

FF - Background papers (please contact the author of the Report for any further information):

- 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	Outturn 2017/18	Variance
	£	£	£
REVENUE ACCOUNT			
Income			
Dwellings	-16,052,000	-15,885,041	166,959
Garages	-185,000	-216,061	-31,061
Service Charges	-97,000	-97,181	-181
Other	-291,000	-321,853	-30,853
Bad Debt Provision	147,000	-52,136	-199,136
TOTAL INCOME	-16,478,000	-16,572,272	-94,272
Non Repairs & Maintenance Expenditure			
Tenant Participation	96,710	81,582	-15,128
Rent Administration	409,410	335,821	-73,589
Estate Management	206,280	135,638	-70,642
Other Revenue Expenditure	629,020	852,409	223,389
Total Non R & M Expenditure	1,341,420	1,405,450	64,030
Repairs and Maintenance			
Housing Maintenance Unit (HMU)	3,268,040	3,216,777	-51,263
Building Maintenance Staff (non HMU)	863,890	830,155	-33,735
Other Repairs and Maintenance	499,080	569,669	70,589
Total Repairs & Maintenance	4,631,010	4,616,601	-14,409
Year End Adjustments			
Capital Financing Charges	3,677,000	2,708,300	-968,700
Recharge from Housing Services	621,830	618,388	-3,442
Recharge from Central Services	677,010	759,885	82,875
Total Year End Adjustments	4,975,840	4,086,573	-889,267
TOTAL REVENUE EXPENDITURE	10,948,270	10,108,624	-839,646
TOTAL REVENUE (SURPLUS) / DEFICIT	-5,529,730	-6,463,648	-933,918
CAPITAL EXPENDITURE ACCOUNT			
2017/18 Planned Capital Expenditure	11,546,600	9,291,323	-3,581,277
2016/17 Slippage	1,326,000		
Major Repairs Allowance	-2,665,000	-2,691,101	-26,101
TOTAL CAPITAL (SURPLUS) / DEFICIT	10,207,600	6,600,222	-3,607,378

	Annual Budget 2017/18	Outturn 2017/18	Variance
	£	£	£
NET (INCREASE) / DECREASE IN HRA RESERVE	4,677,870	136,574	-4,541,296
Opening HRA Balance	-7,544,017	-7,544,017	
Net (Increase) / Decrease in HRA Reserve	4,677,870	136,574	
Closing HRA Balance	-2,866,147	-7,407,443	

APPENDIX B

Service	Annual Budget (£)	Outturn Expenditure (£)	Variance (£)
<u>Housing HRA</u>			
Central Heating Contract	600,000	557,828	-42,172
Planned Maintenance Contract	4,635,000	4,820,819	185,819
HMU Vehicles 2017/18	144,000	157,607	13,607
Environmental Works	502,580	32,752	-469,828
Remodelling of Existing Stock	693,120	697,361	4,241
Acquisition of Existing Properties	4,800,000	1,771,219	-3,028,781
Public Sector Adaptations	350,000	344,433	-5,567
Fire Risk	167,620	53,791	-113,829
WHQS	870,280	707,457	-162,823
Premises	110,000	148,056	38,056
Totals for Housing HRA	12,872,600	9,291,323	-3,581,277