

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	THE EXECUTIVE
DATE:	26 NOVEMBER 2018
SUBJECT:	HRA BUDGET MONITORING, QUARTER 2 2018/19
PORTFOLIO HOLDER(S):	COUNCILLOR ROBIN WILLIAMS
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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 2 2018/19.
 - (ii) The forecast outturn for 2018/19.
2. **Background**
 - (i) In March 2018, the Council agreed a revenue budget for 2018/19 that showed a planned surplus of £7.3m.
 - (ii) The capital budget for 2018/19 was £12.4m, but it should be noted that £3.6m of expenditure planned for 2017/18 had not been completed and had slipped into the 2018/19 capital programme. This gave a total capital budget of £16.0m.
 - (iii) The combination of both the revenue budget and adjusted capital budget gave a planned budget deficit of £6.0m 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 2018 to 30th September 2018.
4. **Overview**
 - (i) The revenue financial position for Quarter 2 shows an overspend of £322k. The income forecast is now £25k lower than the original budget and the expenditure is forecast to exceed the budget by £100k as explained below. More detail is shown in Appendix A.
 - (ii) The Capital expenditure is £1.6m below the profiled budget. The forecast expenditure is £5.6m lower than budget as explained below. More detail is shown in appendix B.
 - (iii) The forecast deficit (combining both revenue and capital) is £5,501k less than the budget, largely the result of lower than budgeted capital expenditure.

5. Income

- (i) At the end of the second quarter, the level of income received was £24k lower than the profiled budget.
- (ii) Income from tenant rents was £70k below budget. The budget assumed a number of new properties being let during the first half of the year but the numbers have been lower than the figure included within the budget. The anticipated shortfall is expected to reduce during the second half of the year and the forecasted shortfall at the end of the financial year is £90k.
- (iii) The budget assumed that the remodelling of the garage stock would be complete and fewer garages would be available to let. In the event, the pace of remodelling has been slower and the number of garages is higher than planned. To date, income from this source is £15k better than budget and will continue during the second half of the year. The forecast has been revised upwards by £5k since quarter 1 to give a revised forecast of £25k above budget.
- (iv) A review of Service Charges, which are based on the actual costs incurred, has shown that the variance of £24k above the budget at the end of quarter 2 will continue throughout the year. The forecast has been adjusted by £40k accordingly.
- (v) Other income was £7k above the budget but is expected to return to the budget figure by the end of the financial year.
- (vi) Therefore, the overall forecast for income is that it will be £25k below the budget by the end of the financial year, compared to a forecasted shortfall of £70k at the end of the first quarter.

6. Non Repairs and Maintenance Expenditure

- (i) At the end of the second quarter, non repairs and maintenance expenditure was £40k above the profiled budget. This was largely the result of annual maintenance charges being received in the first half of the year, offset by some staff savings. At present, it is expected that the position at the end of the financial year will be that the expenditure will be in line with the annual budget.

7. Repairs and Maintenance

- (i) The Housing Maintenance Unit (HMU) shows an overspend of £215k (£171k at the end of Q1). This is partly due to the use of subcontractors being higher than anticipated to cover empty posts and staff sickness during the earlier part of the year (some £100k above profiled budget.). Repairs and maintenance costs vary dependant on the number and types of repair work which is undertaken during the period. It is possible to manage overspend by managing the work which is being undertaken at any given time. However, given the value of the overspend during the first half of the year, it is not anticipated that the overspending position can be fully recovered and the forecast has been revised to show a projected overspend on repairs and maintenance of £100k by the end of the financial year. Following the implementation of new arrangements regarding the HMU stores function from November 2018 it is likely that we will see cost savings during the remaining part of the year but no allowance has been made for this in the forecast at this point. The situation will be closely monitored over the second half of the year to determine the savings that have been achieved.

- (ii) Expenditure on non HMU building maintenance staff is £58k below the profiled budget due to staff vacancies. Based on the current staffing levels, it is not anticipated that the same level of underspending will occur during the second half of the year and an underspend of £50k is forecast by the end of the financial year.
- (iii) Other Repairs and Maintenance costs are overspent by £125k compared to the profiled budget due to additional work around fire protection and grounds maintenance. The level of expenditure on this type of work will fall during the second half of the year and the level of overspending is expected to reduce. £50k has been forecasted as the overall overspend by the end of the financial year.

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. At this stage, no changes are envisaged.

9. Capital Expenditure

- (i) The original capital programme, approved by the Council in March 2018, totalled £12,417k which was to be funded by the Major Repairs Allowance £2,665k and contribution from the HRA reserve £9,752k. Planned capital expenditure of £3,581k was brought forward as slippage from 2017/18, to give a revised capital programme of £15,998k. Based on the current information, it is forecast that the actual expenditure will be £10,372k, which is £5,626k below the budget. The majority of the capital expenditure budget relates to the acquisition of former Council houses and the development of new properties, with £7,964k allocated. The budget allowed for the purchase of 15 former Right to Buy properties and the development of 25 new properties. At the end of the second quarter, the expenditure amounted to £353k, which funded the purchase price of 5 former Right to Buy properties. The purchase of 5 additional properties has been agreed and will take place before the end of the financial year, with a further 4 properties identified and it is anticipated that the purchase of these properties will also be completed, taking the total number of properties purchased to 14. Sites for 24 new build developments have been identified which are currently in the Planning process; these are 6 houses in Caegeiliog, 3 bungalows in Moelfre, 3 bungalows in Bodedern with the remaining sites being in Holyhead. Due to the delay in commencing our new build projects there is a projected underspend of £5.6m to the year end within this programme. The funding will be carried forward to the next financial year.

10. HRA balance

- (i) The opening balance of the HRA Reserve stood at £7,407k. The budget allowed for the use of £6,050k of this balance, however, the forecast underspend on the capital budget combined with the forecast overspend on the revenue budget will result in only £549k of the reserve being used. This will give a reserve balance of £6,858k by the end of the financial year. This balance is ringfenced, so is available to fund future HRA expenditure only.

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)	Comments incorporated in the report
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report
3	Legal / Monitoring Officer (mandatory)	Comments incorporated in the report
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"> 2018/19 HRA budget (as approved by this Committee in March 2018). HRA 30 Year Business Plan 2018/48 (as approved by this Committee in March 2018). 		

HRA ACCOUNT 2018/19

	Annual Budget 2018/19	Profiled Budget to Month 6	Actual to Month 6	Variance to Month 6	Year End Forecast	Year End Variance
	£	£	£	£	£	£
REVENUE ACCOUNT						
Income						
Dwellings	(17,339,000)	(8,669,500)	(8,599,709)	69,791	(17,249,000)	90,000
Garages	(190,000)	(95,000)	(110,076)	(15,076)	(215,000)	(25,000)
Service Charges	(99,000)	(49,500)	(73,304)	(23,804)	(139,000)	(40,000)
Other	(311,000)	(133,000)	(140,421)	(7,421)	(311,000)	0
Bad Debt Provision	219,000	0	0	0	219,000	0
TOTAL INCOME	(17,720,000)	(8,947,000)	(8,923,510)	23,490	(17,695,000)	25,000
Non Repairs & Maintenance Expenditure						
Tenant Participation	115,820	57,883	43,228	(14,655)	115,820	0
Rent Administration	135,360	67,481	66,892	(589)	135,360	0
Estate Management	369,560	183,964	183,872	(92)	369,560	0
Other Revenue	1,167,040	544,483	599,795	55,312	1,167,040	0
Total Non R & M Expenditure	1,787,780	853,811	893,787	39,976	1,787,780	0
Repairs and Maintenance						
Housing Maintenance Unit (HMU)	3,016,840	1,508,519	1,723,355	214,836	3,116,840	100,000
Building Maintenance Staff (non HMU)	852,560	425,252	367,352	(57,900)	802,560	-50,000
Other Repairs and Maintenance	463,730	231,892	356,858	124,966	513,730	50,000
Total Repairs & Maintenance	4,333,130	2,165,663	2,447,565	281,902	4,433,130	100,000
Year-End Adjustments						
Capital Financing Charges	2,987,000	0	0	0	2,987,000	0
Recharge from Housing Services	635,120	0	0	0	635,120	0
Recharge from Central Services	693,360	0	0	0	693,360	0
Total Year-End Adjustments	4,315,480	0	0	0	4,315,480	0
TOTAL REVENUE EXPENDITURE	10,436,390	3,019,474	3,341,352	321,878	10,436,390	0
TOTAL REVENUE (SURPLUS) / DEFICIT	(7,283,610)	(5,927,526)	(5,582,158)	345,368	(7,158,610)	125,000

CAPITAL EXPENDITURE ACCOUNT						
2018/19 Expenditure	15,998,280	4,742,814	3,103,482	(1,639,333)	10,372,149	(5,626,131)
Major Repairs Allowance	(2,665,000)	0	0	0	(2,665,000)	0
TOTAL CAPITAL (SURPLUS) / DEFICIT	13,333,280	4,782,814	3,103,482	(1,639,333)	7,707,149	(5,626,131)
NET (INCREASE) / DECREASE IN HRA RESERVE	6,049,670	(1,144,712)	(2,478,676)	(1,293,965)	548,539	(5,501,131)
Opening HRA Balance	(7,406,916)				(7,406,916)	
Net (Increase) / Decrease in HRA Reserve	6,049,670				548,539	
Closing HRA Balance	(1,357,246)				(6,858,377)	

APPENDIX B

Service	Annual Budget (£)	Profiled Budget (£)	Total Expenditure (£)	Variance To Profile (£)	Projected Expenditure (£)	Projected Under / Over (£)
<u>Housing HRA</u>						
Central Heating Contract	500,000	70,000	53,253	(16,747)	500,000	0
Planned Maintenance Contract	3,983,500	1,573,149	1,843,150	270,001	3,983,149	(351)
Energy Performance Improvement	1,000,000	200,000	0	(200,000)	1,000,000	0
Environmental Works	500,000	0	14,615	14,615	500,000	0
Acquisition of Existing Properties/ Development of New Properties	7,964,780	2,254,665	353,290	(1,901,375)	2,339,000	(5,625,780)
Premises Remodelling of Existing Stock	500,000	250,000	274,430	24,430	190,000	0
Public Sector Adaptations	350,000	175,000	186,061	11,061	350,000	0
Fire Risk	200,000	50,000	18,366	(31,634)	200,000	0
WHQS	1,000,000	170,000	360,316	190,316	1,000,000	0
Totals for Housing HRA	15,998,280	4,742,814	3,103,481	(1,639,333)	10,372,149	(5,626,131)