

## ISLE OF ANGLESEY COUNTY COUNCIL

<b>REPORT TO:</b>	<b>THE EXECUTIVE</b>
<b>DATE:</b>	<b>17 JUNE 2019</b>
<b>SUBJECT:</b>	<b>HRA BUDGET MONITORING, FINANCIAL YEAR 2018/19</b>
<b>PORTFOLIO HOLDER(S):</b>	<b>COUNCILLOR ROBIN WILLIAMS</b>
<b>HEAD OF SERVICE:</b>	<b>MARC JONES</b>
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<b>LOCAL MEMBERS:</b>	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 the Financial Year 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. The budget has been revised by a further £362k to cover the remediation work at Amlwch (see below). This gives a total capital budget of £16.4m.
  - (iii) The combination of both the revenue budget and adjusted capital budget gave a planned budget deficit of £6.4m 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 Financial Year from 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019.
4. **Overview**
  - (i) The revenue financial position for the year shows an overspend of £121k. The income was £55k lower than the original budget, and the expenditure was £66k above the original budget. More detail is shown in Appendix A.
  - (ii) The capital expenditure was £7.3m below budget, as explained below. More detail is shown in Appendix B.
  - (iii) The surplus (combining both revenue and capital) is £7.2m better than the budget, largely the result of lower than budgeted capital expenditure.

## **5. Income**

- (i)** At the end of the financial year, the level of income received was £55k less than the budget, as noted below.
- (ii)** Income from tenant rents was £250k below budget. The budget assumed a level of new properties being let during the first half of the year but the numbers have been lower than the figure allowed for in the budget. The latest HRA 30 year plan has addressed this issue in order to provide a realistic budget for 2019/20.
- (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 still let is higher than planned. The income achieved was £25k better than the original budget.
- (iv)** Service Charges, which are based on the actual costs incurred, were £80k better than the original budget.
- (v)** Other income was £42k below the budget, mostly due to lower than expected income from grants during the year.
- (vi)** The bad debt provision was increased by £89k, £130k less than budgeted for. The budget had provided for the roll out of Universal Credit being more advanced than has actually occurred, and the debt recovery team has been successful in reducing the level of arrears owed by former tenants.
- (vii)** Therefore, the overall shortfall in income was £55k.

## **6. Non Repairs and Maintenance Expenditure**

- (i)** At the end of the financial year, non repairs and maintenance expenditure was £60k above budget. £200k has been spent on preparatory work for the building of new homes, which cannot be capitalized until work actually commences. There has also been expenditure on computer equipment and software. These overspends were offset by the decision to delay the stock survey.

## **7. Repairs and Maintenance**

- (i)** The Housing Maintenance Unit (HMU) shows an overspend of £320k, although this includes exceptional one-off costs following the outsourcing of the stores. There has also been increased activity around day to day maintenance and gas repairs and servicing. Expenditure on non HMU building maintenance staff was £133k below the original budget due to staff vacancies during the year.
- (ii)** Other Repairs and Maintenance costs were overspent by £56k due to additional work around fire protection and grounds maintenance.

## **8. Year End Adjustments**

- (i)** Expenditure in this heading was £237k below the budget. £389k was the result of lower than anticipated capital financing charges as a result of the lower level of capital expenditure during the year. Charges to the HRA from Central Services were £152k higher than the original budget due the revised policy to charge for Cyswllt Môn, policy and complaints services and additional office overheads. The Council continues to review the charging policy to ensure that there is a fair distribution of costs to the HRA.

## **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. An additional £362k has been added to the programme to cover remediation works (see below) giving a total programme of £16,360k. The actual expenditure was £9,028k, £7,332k below the budget. Further details are shown in Appendix B.
- (ii)** The central heating contract was £89k below budget, mainly due to the planned deferment of works into the 2019/20 financial year.
- (iii)** The energy performance improvement programme was delayed due to discussions with the utility provider with regards to upgrading the infrastructure required before the full programme can commence.
- (iv)** The environmental works programme, the majority of which relates to the remodeling of garages, was delayed due to delays in obtaining statutory consents.
- (v)** 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 financial year, the expenditure amounted to £1,525k. 25 new build developments will be on site as at 31<sup>st</sup> March; these are 6 houses in Caergeiliog, 3 Bungalows in Moelfre, with the remaining at three sites in Holyhead, Due to the delay in commencing our new build projects, there was an underspend of £6.4m at the end of the financial year.
- (vi)** The programme of remodeling of existing stock, namely the Llawr y Dref project, showed an overspend of £256k. This overspend is due to additional works being identified at the scheme following commencement of the work. This work involved the incorporation of the former warden house into the scheme.
- (vii)** The remediation work on 7 HRA dwellings at Craig y Don, Amlwch has now been incorporated into the HRA capital programme.
- (viii)** The underspend on the capital programme will be carried forward to future years.

## 10. HRA Balance

- (i) The opening balance of the HRA reserve stood at £7,380k. The revised budget allowed for the use of £6,412k of this balance, however, the underspend on the capital budget combined with the overspend on the revenue budget resulted in a surplus of £1,007k. This will give a reserve balance of £8,387k at 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?

	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)

	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 to the end of the Financial Year  
Appendix B – Capital expenditure to the end of the Financial Year

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

- 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).

## APPENDIX A

<b>HRA ACCOUNT 2018/19</b>			
	<b>Annual Budget 2018/19</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>REVENUE ACCOUNT</b>			
<b>Income</b>			
Dwellings	(17,339,000)	(17,089,211)	249,789
Garages	(190,000)	(215,431)	(25,431)
Service Charges	(99,000)	(179,808)	(80,808)
Other	(311,000)	(269,405)	41,595
Bad Debt Provision	219,000	88,918	(130,082)
<b>TOTAL INCOME</b>	<b>(17,720,000)</b>	<b>(17,664,937)</b>	<b>55,063</b>
<b>Non Repairs &amp; Maintenance Expenditure</b>			
Tenant Participation	115,820	106,052	(9,768)
Rent Administration	135,360	164,902	29,542
Estate Management	369,560	370,662	1,102
Other Revenue Expenditure	1,167,040	1,206,010	38,970
<b>Total Non Repairs &amp; Maintenance Expenditure</b>	<b>1,787,780</b>	<b>1,847,626</b>	<b>59,846</b>
<b>Repairs and Maintenance</b>			
Housing Maintenance Unit (HMU)	3,016,840	3,337,021	320,181
Building Maintenance Staff (non HMU)	852,560	719,242	(133,318)
Other Repairs and Maintenance	463,730	520,559	56,829
<b>Total Repairs &amp; Maintenance</b>	<b>4,333,130</b>	<b>4,576,822</b>	<b>243,692</b>
<b>Year End Adjustments</b>			
Capital Financing Charges	2,987,000	2,597,979	(389,021)
Recharge from Housing Services	635,120	634,872	(248)
Recharge from Central Services	693,360	845,213	151,853
<b>Total Year End Adjustments</b>	<b>4,315,480</b>	<b>4,077,664</b>	<b>(237,416)</b>
<b>TOTAL REVENUE EXPENDITURE</b>	<b>10,436,390</b>	<b>10,502,512</b>	<b>66,122</b>
<b>TOTAL REVENUE (SURPLUS) / DEFICIT</b>	<b>(7,283,610)</b>	<b>(7,162,425)</b>	<b>121,185</b>

	<b>Annual Budget 2018/19</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>CAPITAL EXPENDITURE ACCOUNT</b>			
2018/19 Expenditure	16,360,280	9,028,451	(7,331,829)
Major Repairs Allowance	(2,665,000)	(2,671,000)	(6,000)
<b>TOTAL CAPITAL (SURPLUS) / DEFICIT</b>	<b>13,695,280</b>	<b>6,357,451</b>	<b>(7,337,829)</b>
<b>NET (INCREASE) / DECREASE IN HRA RESERVE</b>	<b>6,411,670</b>	<b>(804,974)</b>	<b>(7,216,644)</b>
Adjustment to Reserve		(202,000)	
Opening HRA Balance	(7,380,000)	(7,380,000)	
<b>Net (Increase) / Decrease in HRA Reserve</b>	<b>6,411,670</b>	<b>(1,007,974)</b>	
<b>Closing HRA Balance</b>	<b>(968,330)</b>	<b>(8,387,974)</b>	

**APPENDIX B**

<b>Service</b>	<b>Annual Budget (£)</b>	<b>Outturn (£)</b>	<b>Variance (£)</b>
<b>Housing HRA</b>			
Central Heating Contract	500,000	411,218	(88,782)
Planned Maintenance Contract	3,983,500	4,838,159	854,659
Energy Performance Improvement	1,000,000	16,048	(983,952)
Environmental Works	500,000	0	(500,000)
Acquisition of Existing Properties/Development of New Properties	7,964,780	1,524,910	(6,439,870)
Premises - Remodelling of Existing Stock	500,000	756,164	256,164
Public Sector Adaptations	350,000	374,038	24,038
Fire Risk	200,000	130,187	(69,813)
WHQS	1,000,000	737,148	(262,852)
Remediation Work	362,000	240,579	(121,421)
<b>Total for Housing HRA</b>	<b>16,360,280</b>	<b>9,028,451</b>	<b>(7,331,829)</b>