

ISLE OF ANGLESEY COUNTY COUNCIL

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| REPORT TO: | THE EXECUTIVE |
| DATE: | 16 SEPTEMBER 2019 |
| SUBJECT: | HOUSING REVENUE ACCOUNT BUDGET MONITORING, QUARTER 1 2019/20 |
| PORTFOLIO HOLDER(S): | COUNCILLOR ROBIN WILLIAMS |
| 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 1 2019/20.
- (ii) The forecast outturn for 2019/20.

2. Background

- (i) In March 2019, the Council agreed a revenue budget for 2019/20 that showed a planned surplus of £7.8m.
- (ii) The capital budget for 2019/20 is £14.0m, including allowance for expenditure that was not completed from the 2018/19 capital budget.
- (iii) The combination of both the revenue budget and adjusted capital budget gave a planned budget deficit of £2.0m, which would be funded from the HRA reserve.
- (iv) The HRA is 'ringfenced', and its reserves cannot be transferred to the General Fund, nor can General Fund reserves be used to fund the HRA.

3. This report sets out the financial performance of the HRA for the period from 1st April 2019 to 30th June 2019.

4. Overview

- (i) The revenue financial position for Q1 shows an overspend of £4k. The income forecast is now £75k better than the original budget, and expenditure is forecast to be on budget as explained below. More detail is shown in Appendix A.
- (ii) The Capital expenditure is £342k above the profiled budget. The forecast expenditure is £142k higher than budget as explained below. More detail is shown in Appendix B.
- (iii) The forecast deficit (combining both revenue and capital) is £67k higher than the budget, largely the result of higher than budgeted capital expenditure.

5. Income

- (i) At the end of the first quarter, the level of income received was £41k higher than the profiled budget as noted below.
- (ii) Income from tenant rents was £14k below budget. The budget and forecast have been reviewed to take account of the commissioning of new and purchased properties, so the forecast is that the budget will be achieved.
- (iii) Service Charges, which are based on the actual costs incurred, are now £20k above the profiled budget at the end of Quarter 1. The forecast income has been increased by £75k as this trend is expected to continue.
- (iv) Other income was £35k above the budget (mostly due to earlier than expected receipt of the income from the Feed In Tariff scheme that is generated from solar panels) but is expected to return to the budget figure by the end of the financial year.
- (v) Therefore the overall forecast for income is an improvement of £75k by the end of the year.

6. Non Repairs and Maintenance Expenditure

- (i) At the end of the first quarter, non repairs and maintenance expenditure was £78k above the profiled budget. Primarily, this is due to the raising of purchase orders to cover the full year's expected expenditure on the Housing IT system. Expenditure is expected to be on budget by the end of the year.

7. Repairs and Maintenance

- (i) The Housing Maintenance Unit (HMU) shows an underspend of £40k. This is the first full year of the outsourcing of the HMU stores, and savings are expected and included in the budget. At this stage, however, there is no ready indication of the trend, so the forecast remains unchanged.
- (ii) Expenditure on non HMU building maintenance staff is £8k below the profiled budget due to staff vacancies. The forecast is that expenditure should be on budget at year end.
- (iii) Other Repairs and Maintenance costs are overspent by £14k compared to the profiled budget. The main variances are grounds maintenance where more work has been concentrated in the summer period and receipt of a full year's charges early in the year for the sewage treatment works. Expenditure is expected to be on budget at year end.

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.

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| 9. Capital Expenditure | | |
| <p>(i) The original capital programme approved by the Council in March 2019 totalled £14,017k, which was to be funded by the Major Repairs Allowance £2,660k, other capital grants £1,532k and contribution from the HRA reserve £9,825k. This includes expenditure carried forward from the 2018/19 capital programme . Based on the current information, it is forecast that the actual expenditure will be £14,159k, which is £142k above the budget.</p> <p>(ii) At this time, it is expected that capital expenditure will be on budget at the end of the year, with the exception of expenditure on the acquisition and development of new properties where the forecast is for an overspend of £142k. This, however, is dependent on factors such as planning consent, and will continue to be closely monitored.</p> | | |
| 10. HRA balance | | |
| <p>(i) The opening balance of the HRA Reserve stood at £8,387k. The budget allowed for the use of £2,007k of this balance. However, the forecast overspend on the capital budget combined with the forecast underspend on the revenue budget will result in £2,074k being used. This will give a reserve balance of £6,313k by the end of the financial year. This balance is ringfenced, so is available to fund future HRA expenditure only.</p> | | |
| 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 1. Appendix B – Capital expenditure and forecast to end of Quarter 1. | | |
| FF - Background papers (please contact the author of the Report for any further information): | | |
| <ul style="list-style-type: none"> • 2019/20 HRA budget (as approved by this Committee in March 2019). • HRA 30 Year Business Plan 2019/49 (as approved by this Committee in March 2019). | | |

APPENDIX A

HRA ACCOUNT 2019/20

| | Annual Budget 2019/20 | Profiled Budget to Month 3 | Actual to Month 3 | Variance to Month 3 | Year End Forecast | Year End Variance |
|--|-----------------------|----------------------------|--------------------|---------------------|---------------------|-------------------|
| | £ | £ | £ | £ | £ | £ |
| REVENUE ACCOUNT | | | | | | |
| Income | | | | | | |
| Dwellings | (17,970,000) | (4,492,500) | (4,478,047) | 14,453 | (17,970,000) | 0 |
| Garages | (219,000) | (54,750) | (55,741) | (991) | (219,000) | 0 |
| Service Charges | (133,000) | (33,250) | (52,985) | (19,735) | (208,000) | (75,000) |
| Other | (221,000) | (48,003) | (82,242) | (34,239) | (221,000) | 0 |
| Bad Debt Provision | 274,000 | 0 | 0 | 0 | 274,000 | 0 |
| TOTAL INCOME | (18,269,000) | (4,628,503) | (4,669,015) | (40,512) | (18,344,000) | (75,000) |
| Non Repairs & Maintenance Expenditure | | | | | | |
| Tenant Participation | 117,930 | 29,428 | 28,844 | (584) | 117,930 | 0 |
| Rent Administration | 381,940 | 95,226 | 102,622 | 7,396 | 381,940 | 0 |
| Estate Management | 229,890 | 56,931 | 50,971 | (5,960) | 229,890 | 0 |
| Other Revenue | 693,090 | 171,312 | 248,864 | 77,552 | 693,090 | 0 |
| Expenditure | | | | | | |
| Total Non R & M Expenditure | 1,422,850 | 352,897 | 431,301 | 78,404 | 1,422,850 | 0 |
| Repairs and Maintenance | | | | | | |
| Housing Maintenance Unit (HMU) | 3,252,750 | 813,270 | 773,727 | (39,543) | 3,252,750 | 0 |
| Building Maintenance Staff (non HMU) | 834,220 | 207,900 | 199,563 | (8,337) | 834,220 | 0 |
| Other Repairs and Maintenance | 461,110 | 115,296 | 129,568 | 14,272 | 461,110 | 0 |
| Total Repairs & Maintenance | 4,548,080 | 1,136,466 | 1,102,858 | (33,608) | 4,548,080 | 0 |
| Year End Adjustments | | | | | | |
| Capital Financing Charges | 3,015,080 | 0 | 0 | 0 | 3,015,080 | 0 |
| Recharge from Housing Services | 771,630 | 0 | 0 | 0 | 771,630 | 0 |
| Recharge from Central Services | 693,360 | 0 | 0 | 0 | 693,360 | 0 |
| Total Year End Adjustments | 4,480,070 | 0 | 0 | 0 | 4,480,070 | 0 |
| TOTAL REVENUE EXPENDITURE | 10,451,000 | 1,489,363 | 1,534,159 | 44,796 | 10,451,000 | 0 |

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|---|--------------------|--------------------|--------------------|----------------|--------------------|-----------------|
| TOTAL REVENUE (SURPLUS) / DEFICIT | (7,818,000) | (3,139,140) | (3,134,856) | 4,284 | (7,893,000) | (75,000) |
| CAPITAL EXPENDITURE ACCOUNT | | | | | | |
| 2019/20 Expenditure | 14,017,000 | 1,946,000 | 2,284,744 | 341,744 | 14,158,540 | 141,540 |
| Major Repairs Allowance | (2,660,000) | 0 | 0 | 0 | (2,660,000) | 0 |
| Other Grants | (1,532,000) | 0 | 0 | 0 | (1,532,000) | 0 |
| TOTAL CAPITAL (SURPLUS) / DEFICIT | 9,825,000 | 1,946,000 | 2,284,744 | 341,744 | 9,966,540 | 141,540 |
| NET (INCREASE) / DECREASE IN HRA RESERVE | 2,007,000 | (1,193,140) | (850,112) | 346,028 | 2,073,540 | 66,540 |
| Opening HRA Balance | (8,387,000) | | | | (8,387,000) | |
| Net (Increase) / Decrease in HRA Reserve | 2,007,000 | | | | 2,073,540 | |
| Closing HRA Balance | (6,380,000) | | | | (6,313,460) | |
| | | | | | | |

APPENDIX B

| Service | Annual Budget (£) | Profiled Budget (£) | Total Expenditure (£) | Variance To Profile (£) | Projected Expenditure (£) | Projected Under / Over (£) |
|--|----------------------|------------------------|--------------------------|----------------------------|------------------------------|-------------------------------|
| <u>Housing HRA</u> | | | | | | |
| Central Heating Contract | 400,000 | 15,000 | 22,501 | 7,501 | 400,000 | 0 |
| Planned Maintenance Contract | 4,850,000 | 500,000 | 527,464 | 8,043 | 4,850,000 | 0 |
| Energy Performance Improvement | 400,000 | 10,000 | 7,459 | (2,541) | 400,000 | 0 |
| Environmental Works | 450,000 | 0 | 12,328 | 12,328 | 450,000 | 0 |
| Acquisition of Existing Properties/Development of New Properties | 6,371,000 | 900,000 | 995,677 | 95,677 | 6,512,540 | 141,540 |
| Premises Remodelling of Existing Stock | 16,000 | 16,000 | 15,947 | (53) | 16,000 | 0 |
| Public Sector Adaptations | 350,000 | 65,000 | 90,181 | 25,181 | 350,000 | 0 |
| Fire Risk | 200,000 | 0 | 31,900 | 31,900 | 200,000 | 0 |
| WHQS | 750,000 | 210,000 | 351,770 | 141,770 | 750,000 | 0 |
| Remediation Work | 230,000 | 230,000 | 229,517 | (483) | 230,000 | 0 |
| Totals for Housing HRA | 14,017,000 | 1,946,000 | 2,284,744 | 338,744 | 14,158,540 | (141,540) |