

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	THE EXECUTIVE
DATE:	25 NOVEMBER 2019
SUBJECT:	HOUSING REFENUE ACCOUNT BUDGET MONITORING, QUARTER 2 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 2 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 September 2019.
4. **Overview**
 - (i) The revenue financial position for Q2 shows an overspend of £71k. The income forecast remains £75k better than the original budget, and expenditure is now forecast to be £75k better than the original budget, as explained below. More detail is shown in Appendix A.
 - (ii) The Capital expenditure is £1,791k below the profiled budget. The forecast expenditure is £190k higher than budget, as explained below. More detail is shown in Appendix B.
 - (iii) The forecast deficit (combining both revenue and capital) is £40k higher than the budget (compared to £67k shown in the Q1 report), 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 £27k higher than the profiled budget, as noted below.
- (ii) Income from tenant rents was £33k below budget. The commissioning of new and purchased properties has been slower than anticipated, but it is still anticipated that the forecast will be achieved.
- (iii) Service Charges, which are based on the actual costs incurred, are now £40k above the profiled budget at the end of quarter 2. This continues the trend noted in the Q1 report, and the forecast outturn of £75k above budget remains.
- (iv) Other income was £19k above the budget (mostly due to the receipt of the income from the Feed In Tariff scheme that is generated from solar panels, which is higher during the summer months) but is expected to return to the budget figure by the end of the financial year.
- (v) Therefore, the overall forecast for income remains an improvement of £75k by the end of the year.

6. Non Repairs and Maintenance Expenditure

- (i) At the end of the second quarter non repairs and maintenance expenditure was £139k 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, and the costs of the clean up days that are concentrated in the summer months. 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 £121k. This is the first full year of the outsourcing of the HMU stores, and savings are expected and included in the budget. It is apparent that the savings realised are greater than budgeted for, so a forecast underspend of £75k has now been included which includes provision for the extra demand that arises during the winter months. The situation will continue to be monitored.
- (ii) Expenditure on non HMU building maintenance staff is £2k above the profiled budget. The forecast is that expenditure should be on budget at year end.
- (iii) Other Repairs and Maintenance costs are overspent by £77k 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.

9. Capital Expenditure

- (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 of £9,825k. This includes expenditure carried forward from the 2018/19 capital programme. There has been a minor revision to the budget, in that the cost of the remediation work has increased by £100k, which will be funded from the HRA reserve. Based on the current information, it is forecast that the actual expenditure will be £14,307k, which is £190k above the revised budget.
- (ii) At this time, it is expected that capital expenditure will largely be on budget at the end of the year. There are two exceptions, with expenditure on the acquisition and development of new properties being forecast as is for an overspend of £142k (although this is dependent on factors such as planning consent), and an overspend of £48k due to further investment being required to complete the premises remodelling scheme. Both projects will continue to be closely monitored.

10. HRA balance

- (i) The opening balance of the HRA Reserve stood at £8,387k. The revised budget allows for the use of £2,107k of this balance. However, the forecast overspend on the capital budget combined with the forecast underspend on the revenue budget will result in £2,147k being used. This will give a reserve balance of £6,240k 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)	The report has been considered by the SLT and the points raised have been incorporated into the final report
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report
3	Legal / Monitoring Officer (mandatory)	The Monitoring Officer is a member of the SLT and the Monitoring Officer's comments were considered by the 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"> • 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 6	Actual to Month 6	Variance to Month 6	Year End Forecast	Year End Variance
	£	£	£	£	£	£
REVENUE ACCOUNT						
Income						
Dwellings	(17,970,000)	(8,985,000)	(8,952,325)	32,675	(17,970,000)	0
Garages	(219,000)	(109,500)	(110,703)	(1,203)	(219,000)	0
Service Charges	(133,000)	(66,500)	(106,217)	(39,717)	(208,000)	(75,000)
Other	(221,000)	(96,004)	(114,546)	(18,542)	(221,000)	0
Bad Debt Provision	274,000	0	0	0	274,000	0
TOTAL INCOME	(18,269,000)	(9,257,004)	(9,283,791)	(26,787)	(18,344,000)	(75,000)
Non Repairs & Maintenance Expenditure						
Tenant Participation	117,930	58,923	80,575	21,652	117,930	0
Rent Administration	381,940	190,580	203,502	12,922	381,940	0
Estate Management	229,890	114,327	105,730	(8,597)	229,890	0
Other Revenue Expenditure	693,090	342,514	455,960	113,446	693,090	0
Total Non R & M Expenditure	1,422,850	706,344	845,767	139,423	1,422,850	0
Repairs and Maintenance						
Housing Maintenance Unit (HMU)	3,252,750	1,626,500	1,505,597	(120,903)	3,177,750	(75,000)
Building Maintenance Staff (non HMU)	834,220	416,189	418,625	2,436	834,220	0
Other Repairs and Maintenance	461,110	230,578	307,601	77,023	461,110	0
Total Repairs & Maintenance	4,548,080	2,273,267	2,231,823	(41,444)	4,473,080	(75,000)

	Annual Budget 2019/20	Profiled Budget to Month 6	Actual to Month 6	Variance to Month 6	Year End Forecast	Year End Variance
	£	£	£	£	£	£
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	2,979,611	3,077,590	97,979	10,376,000	(75,000)
TOTAL REVENUE (SURPLUS) / DEFICIT	(7,818,000)	(6,277,393)	(6,206,201)	71,192	(7,968,000)	(150,000)
CAPITAL EXPENDITURE ACCOUNT						
2019/20 Expenditure	14,117,000	7,058,500	5,267,424	(1,791,076)	14,306,540	189,540
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	9,925,000	7,058,500	5,267,424	(1,791,076)	10,114,540	189,540
NET (INCREASE) / DECREASE IN HRA RESERVE	2,107,000	781,107	(938,777)	(1,719,884)	2,146,540	39,540
Opening HRA Balance	(8,387,000)				(8,387,000)	
Net (Increase) / Decrease in HRA Reserve	2,107,000				2,146,540	
Closing HRA Balance	(6,280,000)				(6,240,460)	

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	200,000	50,730	(149,270)	400,000	0
Planned Maintenance Contract	4,850,000	2,425,000	1,864,144	(560,856)	4,850,000	0
Energy Performance Improvement	400,000	200,000	7,459	(192,541)	400,000	0
Environmental Works	450,000	225,000	89,930	(135,070)	450,000	0
Acquisition of Existing Properties/Development of New Properties	6,371,000	3,185,000	2,097,785	(1,087,715)	6,512,540	141,540
Premises Remodelling of Existing Stock	16,000	8,000	64,329	56,329	64,000	48,000
Public Sector Adaptations	350,000	175,000	182,987	7,987	350,000	0
Fire Risk	200,000	100,000	31,900	(68,100)	200,000	0
WHQS	750,000	375,000	561,044	186,004	750,000	0
Remediation Work	330,000	165,000	317,115	152,115	230,000	0
Totals for Housing HRA	14,117,000	7,058,500	5,267,424	(1,791,076)	14,306,540	(189,540)