

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	THE EXECUTIVE
DATE:	2 MARCH 2020
SUBJECT:	HOUSING REVENUE ACCOUNT BUDGET MONITORING, QUARTER 3 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 3 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 31st December 2019.

4. Overview

- (i) The revenue financial position for Q3 shows an overspend of £220k. The forecast for income is now £146k below the original budget, and expenditure is now forecast to be £75k above the original budget as explained below. More detail is shown in Appendix A.
- (ii) The Capital expenditure is £2,896k below the profiled budget. The forecast expenditure is £3,117k below budget as explained below. More detail is shown in Appendix B.
- (iii) The forecast deficit (combining both revenue and capital) is £2,896k less than the budget (producing a surplus of £789k), compared to £40k higher shown in the Q2 report, largely the result of lower than budgeted capital expenditure.

5. Income

- (i) At the end of the third quarter, the level of income received was £22k less than the profiled budget as noted below.
- (ii) Rental income was £81k below budget, mainly as a result of the completion of new Council houses and the repurchased properties being slower than anticipated. The re-letting of the newly refurbished Llawr Y Dref scheme has taken longer than anticipated due to the delay in the utility companies installing electric meters and electric supply to the newly refurbished flats. Additionally, as the scheme is denoted as a sensitive let scheme, to ensure the right balance of tenants, the scheme will not be fully occupied until the end of March. The forecast has been amended to be £221k below the original budget as the expected commissioning of new properties in the 4th quarter is not now expected until the first quarter of 2020/21, when an additional 33 properties are expected to become available.
- (iii) Service charge income, which is based on the actual costs incurred, is £56k above the profiled budget at the end of Quarter 3. This continues the trend noted in the Q2 report, and the forecast outturn of £75k above budget remains.
- (iv) The overall forecast for income is now a reduction of £146k compared to the original budget by the end of the year.

6. Non Repairs and Maintenance Expenditure

- (i) At the end of the third quarter, non repairs and maintenance expenditure was £148k above the profiled budget. Primarily, this is due to the annual prepayment of the housing IT system, and the costs of the clean up days that are concentrated in the summer months. Expenditure is now forecast to be £65k above the original budget, reflecting the additional work from the Tenant Participation team and additional utility costs that have been incurred, arising from the delayed commissioning of new properties as the HRA is responsible for such bills until the properties are let.

7. Repairs and Maintenance

- (i) The Housing Maintenance Unit (HMU) shows an underspend of £45k. 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 revised forecast underspend of £40k 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 £5k above the profiled budget at the end of Q3. The forecasted year end position is that expenditure should be on budget.
- (iii) Other Repairs and Maintenance costs are overspent by £89k compared to the profiled budget due to the additional work undertaken in respect of fire safety, door entry systems and on the sewage treatment works. Consequently, an overspend of £50k is now forecast at the 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 a contribution from the HRA reserve (£9,825k). This includes expenditure carried forward from the 2017/18 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 £11,000k, which is £3,117k below the revised budget.
- (ii) The capital forecast has been completely revised on the basis of the current levels of expenditure. The most significant variances are in the projects for development of new council houses where schemes have been delayed into the 2020/21 financial year resulting in an underspend of £1,871k this year, and the planned maintenance contracts where the timing of letting the contracts means that £1,600k of work will also be deferred into 2020/21. These underspends have been partially offset by WHQS work that was previously deferred at tenants request being undertaken when there is a change of tenant, which is £450k higher than originally budgeted for. The timing of these costs are difficult to predict as they can only be incurred when the property is vacant.
- (iii) The underspend on capital expenditure means that the amount funded from the HRA revenue account is similarly reduced. The balance is then available to fund the projects that have been deferred into next year.

10. HRA Balance

- (i) The opening balance of the HRA reserve stood at £8,387k. The revised budget allowed for the use of £2,107k of this balance. However, the forecast overspend on the revenue budget combined with the forecast underspend on the capital budget will result in an additional £789k being transferred into the reserve. This will give a reserve balance of £9,176k 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)	
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report
3	Legal / Monitoring Officer (mandatory)	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 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):		
<ul style="list-style-type: none"> • 2019/20HRA 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 9	Actual to Month 9	Variance to Month 9	Year End Forecast	Year End Variance
	£	£	£	£	£	£
REVENUE ACCOUNT						
Income						
Dwellings	(17,970,000)	(13,477,500)	(13,396,257)	81,243	(17,749,000)	221,000
Garages	(219,000)	(164,250)	(168,249)	(3,999)	(219,000)	0
Service Charges	(133,000)	(99,750)	(155,931)	(56,181)	(208,000)	(75,000)
Other	(221,000)	(144,002)	(142,843)	1,159	(221,000)	0
Bad Debt Provision	274,000	0	0	0	274,000	0
TOTAL INCOME	(18,269,000)	(13,885,502)	(13,863,280)	22,222	(18,123,000)	146,000
Non Repairs & Maintenance Expenditure						
Tenant Participation	117,930	88,396	107,570	19,174	132,930	15,000
Rent Administration	381,940	285,931	307,740	21,809	381,940	0
Estate Management	229,890	171,719	160,838	(10,881)	229,890	0
Other Revenue	693,090	513,893	631,598	117,705	743,090	50,000
Total Non R & M Expenditure	1,422,850	1,059,939	1,207,746	147,807	1,487,850	65,000
Repairs and Maintenance						
Housing Maintenance Unit (HMU)	3,252,750	2,439,653	2,394,744	(44,909)	3,212,750	(40,000)
Building Maintenance Staff (non HMU)	834,220	624,465	629,416	4,951	834,220	0
Other Repairs and Maintenance	461,110	345,845	435,304	89,459	511,110	50,000
Total Repairs & Maintenance	4,548,080	3,409,963	3,459,464	49,501	4,558,080	10,000
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	4,469,902	4,667,210	197,308	10,526,000	75,000
TOTAL REVENUE (SURPLUS) /	(7,818,000)	(9,415,600)	(9,196,070)	219,530	(7,597,000)	221,000

DEFICIT						
CAPITAL EXPENDITURE ACCOUNT						
2019/20 Expenditure	14,117,000	10,587,750	7,692,183	(2,895,567)	11,000,000	(3,117,000)
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	10,587,750	7,692,183	(2,895,567)	6,808,000	(3,117,000)
NET (INCREASE) / DECREASE IN HRA RESERVE	2,107,000	1,172,150	(1,503,887)	(2,676,037)	(789,000)	(2,896,000)
Opening HRA Balance	(8,387,000)				(8,387,000)	
Net (Increase) / Decrease in HRA Reserve	2,107,000				(789,000)	
Closing HRA Balance	(6,280,000)				(9,176,000)	

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	300,000	201,763	(98,237)	400,000	0
Planned Maintenance Contract	4,850,000	3,637,500	2,165,013	(1,472,487)	3,250,000	(1,600,000)
Energy Performance Improvement	400,000	300,000	10,333	(289,667)	150,000	(250,000)
Environmental Works	450,000	337,500	137,824	(199,676)	250,000	(200,000)
Acquisition of Existing Properties/ Development of New Properties	6,371,000	4,778,250	3,407,773	(1,370,477)	4,500,000	(1,871,000)
Premises Remodelling of Existing Stock	16,000	12,000	65,377	53,377	70,000	54,000
Public Sector Adaptations	350,000	262,500	267,650	5,150	350,000	0
Fire Risk	200,000	150,000	31,900	(118,100)	200,000	0
WHQS	750,000	562,500	929,050	366,550	1,200,000	450,000
Remediation Work	330,000	247,500	322,500	75,000	330,000	0
HMU Tools	0	0	0	0	100,000	100,000
Mobile Working Module	0	0	153,000	153,000	200,000	200,000
Totals for Housing HRA	14,117,000	10,587,750	7,692,183	(2,895,567)	11,000,000	(3,117,000)