

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	THE EXECUTIVE
DATE:	15 JUNE 2020
SUBJECT:	HRA BUDGET MONITORING, OUTTURN 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 the financial year 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 was £14.1m, 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 £2.1m 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 March 2020.
4. **Overview**
 - (i) The revenue financial position for 2019/20 shows an underspend of £1k. The outturn for income is £264k better than the original budget and expenditure is £263k above the original budget as explained below. More detail is shown in Appendix A.
 - (ii) The Capital expenditure is £2,305k below budget as explained below. More detail is shown in Appendix B.
 - (iii) The deficit (combining both revenue and capital) is £2,316k less than the budget (producing a surplus of £209k).

5. Income

- (i) Income at the end of the year was £264k better than budget as noted below.
- (ii) The outturn for rental income was £18,026k, £56k above budget. Regrettably, the forecast at the end of Q3 was incorrect, as the free week was not properly accounted for in this 53 week year. Whilst the new properties have been slower than expected coming on stream, this has been compensated for by the void rate reducing and the policy of re-letting vacated properties at the target rent upon re-letting.
- (iii) Service charge income, which is based on the actual costs incurred, was £82k above budget compared with the forecast of £75k at the end of Q3.
- (iv) The provision for bad debts was £118k, £156k better than budget. The budget was set on the basis that the transfer to Universal Credit would have been further advanced and, whilst the level of debt has increased, it is not as bad as envisaged when the budget was drawn up. The Covid 19 lockdown occurred too late in the financial year to have had any appreciable effect.

6. Non Repairs and Maintenance Expenditure

- (i) At the end of the year, non repairs and maintenance expenditure was £406k above budget. Of this total, some £269k related to expenditure on major projects that was not eligible to be capitalised - £71k for HMU staff tools, £81k for ICT consultancy relating to the mobile working project and £117k relating to items such as EPC testing and asbestos removal that cannot be capitalised. Of the remainder, the main variances were utility bills incurred (£47k) arising from the delayed commissioning of new properties, as the HRA is responsible for such bills until the properties are let, £24k for postage costs and £28k for additional work from the Tenant Participation team.

7. Repairs and Maintenance

- (i) The Housing Maintenance Unit (HMU) achieved an underspend of £17k, compared to the forecast at the end of Q3 of £40k, reflecting the demand on the service. This is the first full year of the outsourcing of the HMU stores and savings were expected, and included in the budget, so the underspend is an addition to that.
- (ii) Expenditure on non HMU building maintenance staff was £9k above budget.
- (iii) Other Repairs and Maintenance costs were overspent by £83k compared to the budget, due to the additional work undertaken in respect of fire safety, door entry systems and on a sewage treatment works. The outturn figure was slightly higher than the forecasted overspend of £50k at the end of Q3.

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.

- (ii) The outturn has been an underspend of £220k. Capital charges, which includes interest payable on loans, were £384k below budget. The recharge from Housing Services was £2k below budget. The recharge from Central Services was £166k above budget, arising from a review of the costs of the Council's buildings recharged to the HRA. All the recharges to the HRA are reviewed annually.

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 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. The outturn of £11,812k is £2,305k below budget, compared to the forecast of £3,117k below budget at the end of Q3.
- (ii) The significant change from the last quarter is that the projects for the development of new Council houses progressed better than expected, resulting in expenditure being £772k below budget rather than the anticipated shortfall of £1,871k. As expected, the planned maintenance contracts, which were let later in the financial year, were £1,600k below budget for this year, with the work deferred into 2020/21. There was an overspend in WHQS work, which is the result of work being undertaken that was previously deferred at the tenants request. This work generally takes place as the property becomes vacant, which is difficult to predict.
- (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 outturn is for a surplus of £210k, leaving a final HRA balance of £8,597k. 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)	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 Q3. Appendix B – Capital expenditure and forecast to end of Q3.		
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
HOUSING REVENUE ACCOUNT OUTTURN 2019/20

	Annual Budget 2019/20	Outturn	Variance	Q3 Forecasted Outturn	Change from Q3 Forecast
	£	£	£		
REVENUE ACCOUNT					
Income					
Dwellings	(17,970,000)	(18,025,653)	(55,653)	(17,749,000)	(276,653)
Garages	(219,000)	(219,052)	(52)	(219,000)	(52)
Service Charges	(133,000)	(214,731)	(81,731)	(208,000)	(6,731)
Other	(221,000)	(191,815)	29,185	(221,000)	29,185
Bad Debt Provision	274,000	118,346	(155,654)	274,000	(155,654)
TOTAL INCOME	(18,269,000)	(18,532,905)	(263,905)	(18,123,000)	(409,905)
Non Repairs & Maintenance Expenditure					
Tenant Participation	117,930	145,529	27,599	132,930	12,599
Rent Administration	381,940	413,048	31,108	381,940	31,108
Estate Management	229,890	208,716	(21,174)	229,890	(21,174)
Other Revenue Expenditure	693,090	1,061,353	368,263	743,090	318,263
Total Non R & M Expenditure	1,422,850	1,828,646	405,796	1,487,850	340,796
Repairs and Maintenance					
Housing Maintenance Unit (HMU)	3,252,750	3,236,025	(16,725)	3,212,750	23,275
Building Maintenance Staff (non HMU)	834,220	843,568	9,348	834,220	9,348
Other Repairs and Maintenance	461,110	544,917	83,807	511,110	33,807
Total Repairs & Maintenance	4,548,080	4,624,510	76,430	4,558,080	66,430
Year End Adjustments					
Capital Financing Charges	3,015,080	2,631,318	(383,762)	3,015,080	(383,762)
Recharge from Housing Services	771,630	769,535	(2,095)	771,630	(2,095)
Recharge from Central Services	693,360	859,567	166,207	693,360	166,207
Total Year End Adjustments	4,480,070	4,260,420	(219,650)	4,480,070	(219,650)
TOTAL REVENUE EXPENDITURE	10,451,000	10,713,576	262,576	10,526,000	187,576
TOTAL REVENUE (SURPLUS) / DEFICIT	(7,818,000)	(7,819,329)	(1,329)	(7,597,000)	(222,329)

CAPITAL EXPENDITURE ACCOUNT					
2019/20 Expenditure	14,117,000	11,812,025	(2,304,975)	11,000,000	812,025
Major Repairs Allowance	(2,660,000)	(2,660,000)	0	(2,660,000)	0
Other Grants	(1,532,000)	(1,542,564)	(10,564)	(1,532,000)	(10,564)
TOTAL CAPITAL (SURPLUS) / DEFICIT	9,925,000	7,609,461	(2,315,539)	6,808,000	801,461
NET (INCREASE) / DECREASE IN HRA RESERVE	2,107,000	(209,868)	(2,316,868)	(789,000)	579,132
Opening HRA Balance	(8,387,000)	(8,387,000)		(8,387,000)	0
Net (Increase) / Decrease in HRA Reserve	2,107,000	(209,868)	(2,316,868)	(789,000)	579,132
Closing HRA Balance	(6,280,000)	(8,596,868)	(2,316,868)	(9,176,000)	579,132

APPENDIX B

Service	Annual Budget (£)	Outturn (£)	Variance (£)	Q3 Forecasted Outturn (£)	Change from Q3 Forecast (£)
<u>Housing HRA</u>					
Central Heating Contract	400,000	353,698	(46,302)	400,000	(46,302)
Planned Maintenance Contract	4,850,000	3,879,990	(970,010)	3,250,000	629,990
Energy Performance Improvement	400,000	9,433	(390,567)	150,000	(140,567)
Environmental Works	450,000	140,386	(309,614)	250,000	(109,614)
Acquisition of Existing Properties/Development of New Properties	6,371,000	5,598,765	(772,235)	4,500,000	1,098,765
Premises Remodelling of Existing Stock	16,000	65,047	49,047	70,000	(4,953)
Public Sector Adaptations	350,000	421,145	71,145	350,000	71,145
Fire Risk	200,000	22,399	(177,601)	200,000	(177,601)
WHQS	750,000	974,504	224,504	1,200,000	(225,496)
Remediation Work	330,000	346,658	16,658	330,000	16,658
HMU Tools	0	0	0	100,000	(100,000)
Mobile Working Module	0	0	0	200,000	(200,000)
Totals for Housing HRA	14,117,000	11,812,025	(2,304,975)	11,000,000	812,025