

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	THE EXECUTIVE
DATE:	28 SEPTEMBER 2020
SUBJECT:	HRA BUDGET MONITORING, QUARTER 1 2020/21
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 2020/21.
 - (ii) The forecast outturn for 2020/21.
2. **Background**
 - (i) In March 2020, the Council agreed a revenue budget for 2020/21 that showed a planned surplus of £7.8m.
 - (ii) The capital budget for 2020/21 was £19.1m including allowance for expenditure that was not completed from the 2019/20 capital budget.
 - (iii) The combination of both the revenue budget and adjusted capital budget gave a planned budget deficit of £7.2m 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 2020 to 30th June 2020.
4. **Overview**
 - (i) The revenue financial position for Q1 shows an underspend of £220k. The forecast for income is £50k below the original budget, and expenditure is forecast to be £50k below the original budget, as explained below. More detail is shown in Appendix A.
 - (ii) The capital expenditure is £421k below the profiled budget. The forecast expenditure is £2,112k below budget as explained below. More detail is shown in Appendix B.
 - (iii) The forecast deficit (combining both revenue and capital) is £2,112k less than the budget (reducing the planned deficit to £4,976k), largely the result of lower than budgeted capital expenditure.

5. Income

- (i) At the end of the first quarter, the level of income received was £52k better than the profiled budget, as noted below.
- (ii) Rental income was £52k above budget. The budget, however, assumes that new properties will come on stream during the year that have been delayed (see also the 'capital' section below). Consequently, the forecast is that income will be £50k below budget by the end of the year.
- (iii) Service charge income, which is based on the actual costs incurred, is just £1k better than budget. The budget was completely reviewed following last year's significant budget underspend.
- (iv) The 30 year plan includes a provision of £280k towards bad debts. 1.5% of the total rent income. This was an increase from 1.25% in the previous year to allow for the continuing roll out of Universal Credit. A bad debt only arises when there is no realistic prospect of recovering the arrears of rent owed. The actual provision in the 2019/20 annual account was £118k, just 0.65% of the total rent income, reflecting the efforts made to ensure that the rent due is recovered.

These provisions were made before the Covid 19 pandemic affected Anglesey. At the end of March 2020, the level of rent arrears was 2.41% of rental income (£438k). At the end of June, this had risen to 3.4% (£625k), an increase of 50%. At this stage there can be no certainty how much of this increase will be recovered over time, or will become irrecoverable and so have to be written off. Past experience would seem to indicate that the provision is currently adequate, but this will be kept under review.

- (v) The overall forecast for income is now a reduction of £50k compared to the original budget 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 £12k below the profiled budget. Primarily, this is due to the effects of Covid 19, where staff have been re-deployed meaning that other work, such as clean up days, has been cancelled. The forecast has been reviewed and, whilst still expected to be on budget in total, has taken into account the reduced work from the tenant participation team and the additional costs from the development of the mobile working module.

7. Repairs and Maintenance

- (i) The Housing Maintenance Unit (HMU) shows an underspend of £226k. This is the direct result of the Covid 19 situation, where only essential repairs are being undertaken which has reduced the costs of materials and the use of subcontractors. The effect of increased activity once normal service can be offered is hard to quantify, but a conservative forecast of a £50k reduction in expenditure compared to the original budget has been made. The situation will continue to be monitored.

- (ii) Expenditure on non HMU building maintenance staff is £14k below the profiled budget at the end of Q1. The forecasted year-end position is that expenditure should be on budget.
- (iii) Other Repairs and Maintenance costs are overspent by £83k compared to the profiled budget. This is largely due to the seasonal nature of grounds maintenance, so the forecast is that it will be on budget by the end of the year.

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 2020, totalled £19,144k which was to be funded by the Major Repairs Allowance (£2,660k), other capital grants (£1,450k) and a contribution from the HRA reserve of £15,034k. This includes expenditure carried forward from the 2019/20 capital programme. In the event, not all of the expenditure to be carried over was required, so there is now a revised gross budget of £19,032k and a net budget (after the funding from grants and the Major repairs allowance) of £14,922k. Based on the current information, it is forecast that the actual expenditure will be £16,920k, which is £2,112k below the revised gross budget.
- (ii) Capital projects have been seriously affected by Covid 19, leading to significant delays in projects. This is particularly so in the case of acquiring ex right to buy properties due to the effective suspension of the house property market. The capital forecast has been completely revised on this basis, and expenditure is forecast to be £2,112k below the revised budget at the end of the year. Further details are shown in Appendix B below.
- (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 £8,597k. The revised budget allowed for the use of £7,088k of this balance. However, forecast underspend on the capital budget will result in an additional £2,112k being transferred into the reserve. This will give a reserve balance of £3,621k 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)	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"> • 2020/21 HRA budget (as approved by this Committee in March 2020). • HRA 30 Year Business Plan 2020/50 (as approved by this Committee in June 2020). 		

APPENDIX A

HRA ACCOUNT 2020/21

	Annual Budget 2020/21	Profiled Budget to Month 3	Actual to Month 3	Variance to Month 3	Year End Forecast	Year End Variance
	£	£	£	£	£	£
REVENUE ACCOUNT						
Income						
Dwellings	(18,407,000)	(4,601,751)	(4,653,505)	(51,754)	(18,357,000)	50,000
Garages	(218,000)	(54,501)	(54,442)	59	(218,000)	0
Service Charges	(212,000)	(53,000)	(54,331)	(1,331)	(212,000)	0
Other	(199,000)	(39,000)	(37,475)	1,525	(199,000)	0
Bad Debt Provision	280,000	0	0	0	280,000	0
TOTAL INCOME	(18,756,000)	(4,748,252)	(4,799,753)	(51,501)	(18,706,000)	50,000
Non Repairs & Maintenance Expenditure						
Tenant Participation	136,170	34,029	20,266	(13,763)	122,170	(14,000)
Rent Administration	450,220	112,391	119,071	6,680	450,220	0
Estate Management	247,430	61,785	41,307	(20,478)	247,430	0
Other Revenue	899,340	224,760	240,355	15,595	913,340	14,000
Total Non R & M Expenditure	1,733,160	432,965	420,999	(11,966)	1,733,160	0
Repairs and Maintenance						
Housing Maintenance Unit (HMU)	3,112,000	777,863	551,911	(225,952)	3,062,000	(50,000)
Building Maintenance Staff (non HMU)	926,020	231,179	216,886	(14,293)	926,020	0
Other Repairs and Maintenance	448,200	112,059	195,984	83,925	448,200	0
Total Repairs & Maintenance	4,486,220,	1,121,101	964,781	(156,320)	4,436,220	(50,000)
Year End Adjustments						
Capital Financing Charges	3,093,000	0	0	0	3,093,000	0
Recharge from Housing Services	790,630	0	0	0	790,630	0
Recharge from Central Services	818,990	0	0	0	818,990	0
Total Year End Adjustments	4,702,620	0	0	0	4,702,620	0
TOTAL REVENUE EXPENDITURE	10,922,000	1,554,066	1,385,780	(168,286)	10,872,000	(50,000)

TOTAL REVENUE (SURPLUS) / DEFICIT	(7,834,000)	(3,194,186)	(3,413,973)	(219,787)	(7,834,000)	0
CAPITAL EXPENDITURE ACCOUNT						
2020/21 Expenditure	19,032,093	1,125,000	703,937	(421,063)	16,920,000	(2,112,093)
Major Repairs Allowance	(2,660,000)	0	0	0	(2,660,000)	0
Other Grants	(1,450,000)	0	0	0	(1,450,000)	0
TOTAL CAPITAL (SURPLUS) / DEFICIT	14,922,093	1,125,000	703,937	(421,063)	12,810,000	(2,112,093)
NET (INCREASE) / DECREASE IN HRA RESERVE	7,088,093	(2,069,186)	(2,710,036)	(640,850)	4,976,000	(2,112,093)
Opening HRA Balance	(8,597,000)				(8,597,000)	
Net (Increase) / Decrease in HRA Reserve	7,088,093				4,976,000	
Closing HRA Balance	1,508,097				(3,621,000)	

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	0	0	0	200,000	(200,000)
Planned Maintenance Contract	6,120,000	35,000	32,170	(2,830)	6,120,000	0
Energy Performance Improvement	537,000	0	0	0	500,000	(37,000)
Environmental Works	750,000	0	13,957	13,957	750,000	0
Acquisition of Existing Properties / Development of New Properties	9,230,000	1,010,000	561,983	(448,017)	7,680,000	(1,550,000)
Premises Remodelling of Existing Stock	0	0	2,569	2,569	0	0
Public Sector Adaptations	350,000	30,000	31,430	1,430	350,000	0
Fire Risk	450,000	0	0	0	300,000	(150,000)
WHQS	1,175,093	50,000	61,828	11,828	1,000,000	(175,093)
Remediation Work	20,000	0	0	0	20,000	0
Totals for Housing HRA	19,032,093	1,125,000	703,937	(421,063)	16,920,000	(2,112,093)