

## ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	THE EXECUTIVE
DATE:	18 FEBRUARY 2019
SUBJECT:	HRA BUDGET MONITORING, QUARTER 3 2018/19
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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 2018/19.
  - (ii) The forecast outturn for 2018/19.
2. **Background**
  - (i) In March 2018, the Council agreed a revenue budget for 2018/19 that showed a planned surplus of £7.3m.
  - (ii) The capital budget for 2018/19 was £12.4m but it should be noted that £3.6m of expenditure planned for 2017/18 had not been completed and had slipped into the 2018/19 capital programme. The budget has been revised by a further £362k to cover the remediation work at Amlwch (see below). This gives a total capital budget of £16.4m.
  - (iii) The combination of both the revenue budget and adjusted capital budget gave a planned budget deficit of £6.4m which would be funded from the HRA reserve.
  - (iv) The HRA is 'ringfenced' and its reserves cannot be transferred to the General Fund.
3. This report sets out the financial performance of the HRA for the period from 1<sup>st</sup> April 2018 to 31<sup>st</sup> December 2018.
4. **Overview**
  - (i) The revenue financial position for Q3 shows an underspend of £110k. The income forecast remains £25k lower than the original budget and the expenditure is now forecast to be £350k below the original budget, as explained below. More detail is shown in Appendix A.
  - (ii) The capital expenditure is £4.1m below the profiled budget. The forecast expenditure is £7.6m lower than budget as explained below. More detail is shown in Appendix B.
  - (iii) The forecast surplus (combining both revenue and capital) is £7.9m better than the budget, 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 £18k higher than the profiled budget, as noted below.
- (ii)** Income from tenant rents was £63k below budget. The budget assumed a level of new properties being let during the first half of the year but the numbers have been lower than the figure allowed for in the budget. The forecasted shortfall at the end of the financial year is £90k.
- (iii)** The budget assumed that the remodelling of the garage stock would be complete and fewer garages would be available to let. In the event, the pace of remodelling has been slower and the number of garages still let is higher than planned. To date, income from this source is £19k better than budget and will continue during the second half of the year. The forecast remains at £25k better than budget.
- (iv)** Service Charges, which are based on the actual costs incurred, are now £33k above the profiled budget at the end of quarter 3, indicating that the forecast of £40k better than budget is realistic.
- (v)** Other income was £30k above the budget (mostly due to higher than predicted income from tenants paying for home insurance) but is expected to return to the budget figure by the end of the financial year.
- (vi)** Therefore, the overall forecast for income remains a shortfall of £25k at the end of the financial year.

## **6. Non Repairs and Maintenance Expenditure**

- (i)** At the end of the third quarter, non repairs and maintenance expenditure was £196k below the profiled budget. This has arisen from the decision to defer the full stock survey to the 2019/20 financial year, meaning that the budget set aside will no longer be required this year. The forecast has been revised to show an underspend of £400k at the year end.

## **7. Repairs and Maintenance**

- (i)** The Housing Maintenance Unit (HMU) shows an overspend of £115k (£215k at the end of Q2). This is partly due to the use of subcontractors (some £96k above the profiled budget) which had been used to cover staff absence earlier in the year. Repairs and maintenance costs vary dependant on the number and types of repair work which is reported, particularly during the winter period, but historically it has been possible to recover some of the overspending through the management of the work undertaken. Whilst there has been some success since the Quarter 2 report, it is prudent to continue to forecast an overspend of £100k at the end of the year. There are potential savings to be realized following the outsourcing of the stores function from November 2018, however, no allowance has been made for this in the forecast at this point. The situation will be closely monitored over the final quarter of the year to determine the savings that have been achieved.
- (ii)** Expenditure on non HMU building maintenance staff is £93k below the profiled budget due to staff vacancies. Based on the current staffing levels, it is not anticipated that the same level of underspending will occur during the final quarter of the year and an underspend of £100k is forecast by the end of the financial year.

- (iii) Other Repairs and Maintenance costs are overspent by £82k (£125k at the end of Quarter 2) compared to the profiled budget due to additional work around fire protection and grounds maintenance. The level of expenditure on this type of work has fallen during the last quarter and it is expected that the overspend will reduce to £50k at 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 2018, totalled £12,417k which was to be funded by the Major Repairs Allowance £2,665k and contribution from the HRA reserve £9,752k. Planned capital expenditure of £3,581k was brought forward as slippage from 2017/18 to give a revised capital programme of £15,998k. An additional £362k has been added to the programme to cover remediation works (see below), giving a total programme of £16,360k. Based on the current information, it is forecast that the actual expenditure will be £8,804k, which is £7,556k below the budget.
- (ii) The central heating contract is forecast to be £100k below budget, mainly due to the planned deferment of works into the 2019/20 financial year.
- (iii) The energy performance improvement programme is forecast to be £800k underspent due to discussions with the utility provider with regards to upgrading the infrastructure required before the full programme can commence.
- (iv) The environmental works programme, the majority of which relates to the remodeling of garages, is forecast to be £400k below budget due to delays in commencement and delays in obtaining statutory consents.
- (v) The majority of the capital expenditure budget relates to the acquisition of former Council houses and the development of new properties, with £7,964k allocated. The budget allowed for the purchase of 15 former Right to Buy properties and the development of 25 new properties. At the end of the third quarter, the expenditure amounted to £645k. It is now envisaged that 12 former Right to Buy properties will be completed by the end of the financial year, totalling £1,009k. It is anticipated that 25 new build developments will be on site as at 31<sup>st</sup> March; these are 6 houses in Caergeiliog, 3 bungalows in Moelfre, with the remaining at three sites in Holyhead. Due to the delay in commencing our new build projects, there is a projected underspend of £6.5m to the year end within this programme.
- (vi) The programme of remodeling of existing stock, namely the Llawr y Dref project, shows an overspend of £190k. This overspend is due to additional works being identified at the scheme following commencement of the work. This work involved the incorporation of the former warden house into the scheme.
- (vii) The remediation work on 7 HRA dwellings at Craig Y Don, Amlwch, has now been incorporated into the HRA capital programme.

(viii) The underspend on the capital programme will be carried forward to future years.

## 10. HRA Balance

- (i) The opening balance of the HRA Reserve stood at £7,407k. The revised budget allowed for the use of £6,412k of this balance, however, the forecast underspend on the capital budget combined with the forecast underspend on the revenue budget will result in a surplus of £1,469k. This will give a reserve balance of £8,876k 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 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):

- 2018/19 HRA budget (as approved by this Committee in March 2018).
- HRA 30 Year Business Plan 2018/48 (as approved by this Committee in March 2018)

## APPENDIX A

**HRA ACCOUNT 2018/19**

	<b>Annual Budget 2018/19</b>	<b>Profiled Budget to Month 9</b>	<b>Actual to Month 9</b>	<b>Variance to Month 9</b>	<b>Year End Forecast</b>	<b>Year End Variance</b>
	£	£	£	£	£	£
<b>REVENUE ACCOUNT</b>						
<b>Income</b>						
Dwellings	(17,339,000)	(12,653,913)	(12,590,478)	63,435	(17,249,000)	90,000
Garages	(190,000)	(142,310)	(160,963)	(18,653)	(215,000)	(25,000)
Service Charges	(99,000)	(74,151)	(107,335)	(33,184)	(139,000)	(40,000)
Other	(311,000)	(224,734)	(254,363)	(29,629)	(311,000)	0
Bad Debt Provision	219,000	0	0	0	219,000	0
<b>TOTAL INCOME</b>	<b>(17,720,000)</b>	<b>(13,095,108)</b>	<b>(13,113,139)</b>	<b>(18,031)</b>	<b>(17,695,000)</b>	<b>25,000</b>
<b>Non Repairs &amp; Maintenance Expenditure</b>						
Tenant Participation	115,820	86,719	67,821	(18,898)	115,820	0
Rent Administration	135,360	101,148	113,008	11,860	135,360	0
Estate Management	369,560	275,830	277,808	1,978	369,560	0
Other Revenue Expenditure	1,167,040	815,624	624,221	(191,403)	767,040	(400,000)
<b>Total Non R &amp; M Expenditure</b>	<b>1,787,780</b>	<b>1,279,321</b>	<b>1,082,858</b>	<b>(196,463)</b>	<b>1,387,780</b>	<b>(400,000)</b>
<b>Repairs and Maintenance</b>						
Housing Maintenance Unit (HMU)	3,016,840	2,259,705	2,374,888	115,183	3,116,840	100,000
Building Maintenance Staff (non HMU)	852,560	637,267	544,287	(92,980)	752,560	(100,000)
Other Repairs and Maintenance	463,730	347,352	429,313	81,961	513,730	50,000
<b>Total Repairs &amp; Maintenance</b>	<b>4,333,130</b>	<b>3,244,324</b>	<b>3,348,488</b>	<b>104,164</b>	<b>4,383,130</b>	<b>50,000</b>
<b>Year End Adjustments</b>						
Capital Financing Charges	2,987,000	0	0	0	2,987,000	0
Recharge from Housing Services	635,120	0	0	0	635,120	0
Recharge from Central Services	693,360	0	0	0	693,360	0
<b>Total Year End Adjustments</b>	<b>4,315,480</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,315,480</b>	<b>0</b>
<b>TOTAL REVENUE EXPENDITURE</b>	<b>10,436,390</b>	<b>4,523,645</b>	<b>4,431,346</b>	<b>(92,299)</b>	<b>10,086,390</b>	<b>(350,000)</b>
<b>TOTAL REVENUE (SURPLUS) / DEFICIT</b>	<b>(7,283,610)</b>	<b>(8,571,463)</b>	<b>(8,681,793)</b>	<b>(110,330)</b>	<b>(7,608,610)</b>	<b>(325,000)</b>

<b>CAPITAL EXPENDITURE ACCOUNT</b>						
2018/19 Expenditure	16,360,280	9,502,479	5,380,156	(4,122,323)	8,804,149	(7,556,131)
Major Repairs Allowance	(2,665,000)	0	0	0	(2,665,000)	0
<b>TOTAL CAPITAL (SURPLUS) / DEFICIT</b>	<b>13,695,280</b>	<b>9,502,479</b>	<b>5,380,156</b>	<b>(4,122,323)</b>	<b>6,139,149</b>	<b>(7,556,131)</b>
<b>NET (INCREASE) / DECREASE IN HRA RESERVE</b>	<b>6,411,670</b>	<b>931,016</b>	<b>(3,301,637)</b>	<b>(4,232,653)</b>	<b>(1,469,461)</b>	<b>(7,881,131)</b>
<b>Opening HRA Balance</b>	<b>(7,406,916)</b>				<b>(7,406,916)</b>	
<b>Net (Increase) / Decrease in HRA Reserve</b>	<b>6,411,670</b>				<b>(1,469,461)</b>	
<b>Closing HRA Balance</b>	<b>(995,246)</b>				<b>(8,876,377)</b>	

APPENDIX B

Service	Annual Budget (£)	Profiled Budget (£)	Total Expenditure (£)	Variance To Profile (£)	Projected Expenditure (£)	Projected Under / Over (£)
<b><u>Housing HRA</u></b>						
Central Heating Contract	500,000	280,000	252,986	(27,014)	400,000	(100,000)
Planned Maintenance Contract	3,983,500	2,793,149	2,960,116	166,966	3,983,149	(351)
Energy Performance Improvement	1,000,000	550,000	15,328	(534,672)	200,000	(800,000)
Environmental Works	500,000	200,000	26,238	(173,762)	100,000	(400,000)
Acquisition of Existing Properties/ Development of New Properties	7,964,780	4,359,330	644,886	(3,714,445)	1,469,000	(6,495,780)
Premises Remodelling of Existing Stock	500,000	375,000	512,918	137,918	690,000	190,000
Public Sector Adaptations	350,000	260,000	269,573	9,573	400,000	50,000
Fire Risk	200,000	120,000	116,764	(3,236)	200,000	0
WHQS	1,000,000	550,000	567,483	17,483	1,000,000	0
Remediation Work	362,000	15,000	13,864	(1,136)	362,000	0
<b>Totals for Housing HRA</b>	<b>16,360,280</b>	<b>9,502,479</b>	<b>5,380,156</b>	<b>(4,122,323)</b>	<b>8,804,149</b>	<b>(7,556,131)</b>