

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	THE EXECUTIVE
DATE:	19 FEBRUARY 2018
SUBJECT:	HRA BUDGET MONITORING, QUARTER 3 2017/18
PORTFOLIO HOLDER(S):	COUNCILLOR JOHN GRIFFITH
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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 2017/18.
2. **Background**
 - (i) In March 2017, the Council agreed a revenue budget for 2017/18 that showed a planned surplus of £5,530k.
 - (ii) The budget for 2017/18 included a contribution to the capital programme of £8,882k but it should be noted that £1,326k of expenditure, planned for 2016/17, had not been completed and has slipped into the 2017/18 capital programme. This slippage will also be funded from the HRA balances.
 - (iii) The combination of both the revenue budget and adjusted capital budget gave a planned budget deficit of £4,677k 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 1st April 2017 to 31st December 2017.
4. **Overview**
 - (i) The revenue financial position for 2017/18 shows an overspend of £335k, a variance of 0.4%. More detail is shown in Appendix A.
 - (ii) Capital expenditure is behind profiled expenditure and is expected to be £2,670k below the revised capital budget by the end of the year. More detail is shown in appendix B.
 - (iii) The forecast deficit (combining both revenue and capital) is expected to be £2,725k less than the revised budget, largely due to the improved income from garage rents and the effect of the forecast reduction in capital expenditure.

5. Income

- (i) Income is £208k (2%) below the profiled budget.
- (ii) The free week at Christmas is distorting the figures, however, as the budget assumes an even spread throughout the year. The expected revenue from rents is over £300k per week, so the forecast is achievable.
- (iii) The budget assumed that the remodelling of the garage stock would be complete. The forecast has been amended to show additional income of £35k to account for the actual phasing of the project.

6. Non Repairs and Maintenance Expenditure

- (i) Overall, expenditure is on budget. To date, the only significant variances are due to increased utility charges for communal areas, expenditure that will be offset by grants at the end of the year, and savings in rent administration.

The apparent overspend in Estate Management is the result of staff transfers that have been actioned in January that will result in the costs being re-allocated into Rent Administration where action to reduce outstanding debt has been taken.

The forecast underspend has been reduced by a further £20k to £100k to account for these factors.

7. Repairs and Maintenance

- (i) The Housing Maintenance Unit (HMU) shows an underspend of £26k, much better than the £53k overspend shown at Quarter 1, and the £6k overspend at Quarter 2. This shows that the revised procedures introduced to improve the coding and timeliness of purchase orders have had some effect. However, expenditure will continue to be closely monitored.
- (ii) Other Repairs and Maintenance are overspent due to the procurement of services (particularly ground maintenance) that covers much of the financial year. There has also been additional expenditure concerning the call outs for fire equipment and the installation of a new fire alarm system at Gaerwen depot. Consequently, the forecast expenditure overspend has been increased by a further £20k to £80k to cover these factors.

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 and are not generally monitored during the year. The latest capital report shows that the contribution required from HRA revenue is reduced by £57k.

9. Capital Expenditure

- (i) The original capital programme approved by the Council in February 2017 totalled £11,547k, which was to be funded by the Major Repairs Allowance £2,665k and contribution from the HRA reserve £8,882k. Planned capital expenditure of £1,326k was brought forward as slippage from 2016/17 to give a revised capital programme of £12,873k. The projected expenditure for 2017/18 is forecast to be £10,202k, with the underspend of £2,670k rolling forward into 2018/19.

10. HRA balance

- (i) The opening balance of the HRA Reserve stood at £7,544k. A surplus of £5,585k on the revenue account is forecast and £7,537k of reserves will be required to fund capital expenditure. This will result in a forecast HRA reserve balance as at 31 March 2018 of £5,592k.

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?

	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 2.
Appendix B – Capital expenditure and forecasts to end of Quarter 2.

FF - Background papers (please contact the author of the Report for any further information):

- 2017/18 HRA budget (as approved by this Committee on 20 March 2017).
- HRA 30 Year Business Plan 2017/47 (as approved by this Committee on 20 March 2017).

APPENDIX A

HRA ACCOUNT 2017/18

	Annual Budget 2017/18	Profiled Budget to Month 9	Actual to Month 9	Variance to Month 9	Year End Forecast	Year End Variance
	£	£	£	£	£	£
REVENUE ACCOUNT						
Income						
Dwellings	(16,052,000)	(12,022,948)	(11,775,645)	247,303	(16,052,000)	0
Garages	(185,000)	(138,565)	(163,340)	(24,775)	(220,000)	(35,000)
Service Charges	(97,000)	(72,653)	(72,590)	63	(97,000)	0
Other	(291,000)	(192,493)	(207,505)	(15,012)	(291,000)	0
Bad Debt Provision	147,000	0	0	0	147,000	0
TOTAL INCOME	(16,478,000)	(12,426,659)	(12,219,080)	207,579	(16,513,000)	(35,000)
Non Repairs & Maintenance Expenditure						
Tenant Participation	96,710	72,384	62,516	(9,868)	96,710	0
Rent Administration	409,410	306,512	43,631	(262,881)	309,410	(100,000)
Estate Management	206,280	153,436	329,811	176,375	206,280	0
Other Revenue Expenditure	629,020	471,189	565,276	94,087	629,020	0
Total Non R & M Expenditure	1,341,420	1,003,521	1,001,234	(2,287)	1,241,420	(100,000)
Repairs and Maintenance						
Housing Maintenance Unit (HMU)	3,268,040	2,438,809	2,413,148	(25,661)	3,268,040	0
Building Maintenance Staff (non HMU)	863,890	645,447	648,199	2,752	863,890	0
Other Repairs and Maintenance	498,570	373,838	526,379	152,541	578,570	80,000
Total Repairs & Maintenance	4,630,500	3,458,094	3,587,726	129,632	4,710,500	80,000
Year End Adjustments						
Capital Financing Charges	3,677,000	0	0	0	3,677,000	0
Recharge from Housing Services	621,830	0	0	0	621,830	0
Recharge from Central Services	677,010	0	0	0	677,010	0
Total Year End Adjustments	4,975,840	0	0	0	4,975,840	0
TOTAL REVENUE EXPENDITURE	10,947,760	4,461,615	4,588,960	127,345	10,947,760	0
TOTAL REVENUE (SURPLUS) / DEFICIT	(5,530,240)	(7,965,044)	(7,630,120)	334,924	(5,585,240)	(55,000)

CAPITAL EXPENDITURE ACCOUNT						
2017/18 Planned Capital Expenditure	11,546,600	7,410,000	7,240,000	(170,000)	10,202,400	(2,670,200)
2016/17 Slippage	1,326,000					
Major Repairs Allowance	(2,665,000)	(2,665,000)	(2,665,000)	0	(2,665,000)	0
TOTAL CAPITAL (SURPLUS) / DEFICIT	10,207,600	4,745,000	4,575,000	(170,000)	7,537,400	(2,670,200)
NET (INCREASE) / DECREASE IN HRA RESERVE	4,677,360	(3,220,044)	(3,055,120)	164,924	1,952,160	(2,725,200)
Opening HRA Balance	(7,544,017)				(7,544,017)	
Net (Increase) / Decrease in HRA Reserve	4,677,360				1,952,160	
Closing HRA Balance	(2,866,657)				(5,591,857)	

APPENDIX B

Service	Annual Budget (£)	Profiled Budget (£)	Total Expenditure (£)	Variance to profile (£)	Projected Expenditure (£)	Projected Under / Over (£)
Housing HRA						
Central Heating Contract	600,000	450,000	362,760	-87,240	550,000	-50,000
Planned Maintenance Contract	4,635,000	3,476,250	3,979,511	503,261	5,000,000	365,000
HMU Vehicles 2017/18	144,000	108,000	135,247	27,247	144,000	0
Environmental Works	502,580	45,000	35,749	-9,251	60,000	-442,580
Remodelling of Existing Stock	693,120	519,840	273,395	-246,445	693,120	0
Acquisition of Existing Properties	4,800,000	1,687,500	1,582,074	-105,426	2,250,000	-2,550,000
Public Sector Adaptations	350,000	262,500	276,399	13,899	350,000	0
Fire Risk	167,620	125,715	0	-125,715	125,000	-42,620
WHQS	870,280	652,710	554,353	-98,357	870,280	0
Premises	110,000	82,500	40,992	-41,508	160,000	50,000
Totals for Housing HRA	12,872,600	7,410,015	7,240,481	-169,534	10,202,400	-2,670,200