

## ISLE OF ANGLESEY COUNTY COUNCIL

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| REPORT TO:           | THE EXECUTIVE                          |
| DATE:                | 21 JUNE 2021                           |
| SUBJECT:             | HRA BUDGET MONITORING, OUTTURN 2020/21 |
| PORTFOLIO HOLDER(S): | COUNCILLOR ROBIN WILLIAMS              |
| HEAD OF SERVICE:     | MARC JONES                             |
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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 the financial year ended 31 March 2021.
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 £7.1m, 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 1<sup>st</sup> April 2020 to 31 March 2021.
4. **Overview**
  - (i) The revenue financial outturn shows an underspend of £557k, compared to a projected underspend of £238k at the end of quarter 3. The outturn for income is £154k better than the original budget, and expenditure outturn is £403k below the original budget as explained below. More detail is shown in Appendix A.
  - (ii) The Capital expenditure is £6,410k below the original budget, compared to the forecast of £8,022k below budget at the end of quarter 3. More detail is shown in Appendix B.
  - (iii) The outturn deficit (combining both revenue and capital) is £8,234k less than the budget, compared to a forecast deficit of £8,053k less than the budget at the end of quarter 3, largely the result of lower than budgeted capital expenditure. This means that there is a surplus of £1,145k for the year, leaving an HRA reserve of £9,742k available to fund future capital projects.

## 5. Income

- (i) At the end of the year, the level of income received was £154k better than the budget as noted below (compared to £197k worse than profiled budget at quarter 3).
- (ii) Rental income was £94k below budget (£203k below at the end of quarter 3). The budget, however, assumes that new properties would come on stream during the year that have been delayed (see also the 'capital' section below). The outturn was £56k better than forecast at the end of quarter 3.
- (iii) Service charge income, which is based on the actual costs incurred, was just £3k better than the budget. The budget was completely reviewed following last year's significant budget underspend.
- (iv) Other income was £27k better than the budget, largely due to the receipt of revenue grants late in the year that were not expected at the end of quarter 3.
- (v) 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 the end of September this had decreased to 3.33% (£612k), at the end of December this had further reduced to 3.14% (£578k) and at the end of March was further reduced to 2.98% (£548k), a remarkable performance when the effects of the pandemic are taken into account. The Welsh Government are monitoring the effects of Covid on the finances of all housing stock holding local authorities in Wales, and the most recent analysis (to the end of December) shows levels of debt ranging from around 2.5% to over 5.5% amongst the 11 local authorities, with Anglesey being 4<sup>th</sup> best of the 11. As a result of all the favourable trends, the additional provision towards bad debts was £57k, £223k less than the original provision.
- (vi) The overall outturn for income was £153k better than budget (a forecast of £150k worse than budget was shown at the end of quarter 3), but £223k of this change is due to the reduction in the provision for bad debts.

## 6. Non Repairs and Maintenance Expenditure

- (i) At the end of the year, non repairs and maintenance expenditure was £152k over budget (£47k below budget at quarter 3). At the end of quarter 3, a forecast of £21k was shown. Since then, there has been a review of Council Tax on HRA properties, particularly empty properties (which couldn't be brought back into use as quickly as normal due to the pandemic restrictions) and the communal facilities that had not previously been charged (an additional £97k), additional utility charges for the communal areas (£29k), and additional secondary pension contributions (£47k).

## **7. Repairs and Maintenance**

- (i) The Housing Maintenance Unit (HMU) shows an underspend of £138k (£259k under at quarter 3). This is the direct result of the Covid 19 situation where only essential repairs were being undertaken, which has reduced the costs of materials and the use of subcontractors. As stated in the last report, the effect of increased activity once pandemic restrictions are reduced is hard to quantify, but the final cost is comparable with the previous forecast of a £200k underspend made prior to the lifting of some of the restrictions.
- (ii) Expenditure on non HMU building maintenance staff was £97k (£67k below at quarter 3) below budget at the end of the financial year, due to recruitment proving slower than had been anticipated.
- (iii) Other Repairs and Maintenance costs are overspent by £166k (£134k over at quarter 3) compared to the profiled budget. The main areas of overspend are grounds maintenance and urgent unforeseen work on sewage treatment plants. The budget will be reviewed for 2021/22.

## **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. The result of the process this year was an underspend of £487k.
- (ii) The main saving was due to the reduced capital expenditure, meaning that no additional HRA borrowing was required. This saved £570k compared to the budget.
- (iii) Recharges from the Housing Service were £10k more than the budget, and recharges from the rest of the Council (which include the work of the Legal, HR, ICT and Resources functions, and a charge for the occupation of Council property) were £73k more than the budget (mostly arising from the review of the value of Council offices).

## **9. Capital Expenditure**

- (i) The original capital programme approved by the Council in March 2020, totalled £19,114k, 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 £15,004k. 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 budget of £19,032k (£14,922k after allowing for £4,110k of grant funding). The outturn was £12,622k, £6,410k less than the budget (compared to a forecast of £8,022k below budget at quarter 3).
- (ii) Capital projects have been seriously affected by the pandemic, 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. There has been considerable progress during the final quarter, however, with actual expenditure increasing by over 70% from £7,355k to £12,622k. The projects that did not proceed as planned have been deferred into future financial years. Further details are shown in appendix B below.

- (iii) In addition, advantage was taken of further capital grants that became available, providing additional funding of over £1.2m. This additional funding further reduced the amount that needed to be funded from HRA revenue which was reduced from the originally planned £15m to £7.25m. The funds made available is then available to fund the projects that have been deferred into the next financial 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. In the event, the reduced expenditure has allowed an additional £1,145k to be added to the balance, leaving a total of £9,742k. This balance is ringfenced, so is available to fund future HRA expenditure only.

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| <b>B - What other options did you consider and why did you reject them and/or opt for this option?</b> |  |  |
| n/a  |  |  |
| <b>C - Why is this a decision for the Executive?</b>   |  |  |
| This matter is delegated to the Executive.   |  |  |
| <b>CH - Is this decision consistent with policy approved by the full Council?</b>                      |  |  |
| Yes  |  |  |
| <b>D - Is this decision within the budget approved by the Council?</b>                                 |  |  |
| Yes  |  |  |
| <b>DD - Who did you consult?</b>   |  | <b>What did they say?</b>  |
| 1  | <b>Chief Executive / Strategic Leadership Team (SLT) (mandatory)</b> | Report was considered by the SLT at its meeting on 1 June 2021 and the comments made on the draft report have been incorporated into the final report. |
| 2  | <b>Finance / Section 151 (mandatory)</b>                             | n/a – this is the Section 151 Officer’s report.  |
| 3  | <b>Legal / Monitoring Officer (mandatory)</b>                        | Will be consulted as part of SLT.  |
| 4  | <b>Human Resources (HR)</b>  | Not applicable   |
| 5  | <b>Property</b>  | Not applicable   |
| 6  | <b>Information Communication Technology (ICT)</b>                    | Not applicable   |
| 7  | <b>Scrutiny</b>  |  |
| 8  | <b>Local Members</b>   | Not applicable   |
| 9  | <b>Any external bodies / other/s</b>                                 | Not applicable   |
| <b>E - Risks and any mitigation (if relevant)</b>  |  |  |
| 1  | <b>Economic</b>  |  |
| 2  | <b>Anti-poverty</b>  |  |
| 3  | <b>Crime and Disorder</b>  |  |
| 4  | <b>Environmental</b>   |  |
| 5  | <b>Equalities</b>  |  |
| 6  | <b>Outcome Agreements</b>  |  |
| 7  | <b>Other</b>   |  |

**F - Appendices:**

Appendix A – Revenue expenditure outturn for 2020/21.  
Appendix B – Capital expenditure outturn for 2020/21.

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

- 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).

## HOUSING REVENUE ACCOUNT OUTTURN 2020/21

|  | Annual Budget<br>2020/21 | Outturn             | Variance         | Q3<br>Forecasted<br>Outturn | Change from<br>Q3 Forecast |
|--|--------------------------|---------------------|------------------|-----------------------------|----------------------------|
|  | £                        | £                   | £                |                             |                            |
| <b>REVENUE ACCOUNT</b>                               |                          |                     |                  |                             |                            |
| <b>Income</b>  |                          |                     |                  |                             |                            |
| Dwellings  | (18,407,000)             | (18,313,407)        | 93,593           | (18,257,000)                | (56,407)                   |
| Garages  | (218,000)                | (212,407)           | 5,593            | (218,000)                   | 5,592                      |
| Service Charges                                      | (212,000)                | (214,605)           | (2,605)          | (212,000)                   | (2,605)                    |
| Other  | (199,000)                | (226,193)           | (27,193)         | (199,000)                   | (27,193)                   |
| Bad Debt Provision                                   | 280,000                  | 56,954              | (223,046)        | 280,000                     | (223,046)                  |
| <b>TOTAL INCOME</b>                                  | <b>(18,756,000)</b>      | <b>(18,909,658)</b> | <b>(153,658)</b> | <b>(18,606,000)</b>         | <b>(303,658)</b>           |
| <b>Non Repairs &amp; Maintenance<br/>Expenditure</b> |                          |                     |                  |                             |                            |
| Tenant Participation                                 | 136,170                  | 94,356              | (41,814)         | 101,170                     | (6,814)                    |
| Rent Administration                                  | 450,220                  | 489,282             | 39,062           | 450,220                     | 39,062                     |
| Estate Management                                    | 247,430                  | 163,486             | (83,944)         | 247,430                     | (83,944)                   |
| Other Revenue Expenditure                            | 899,340                  | 1,138,398           | 239,058          | 913,340                     | 225,058                    |
| <b>Total Non R &amp; M<br/>Expenditure</b>           | <b>1,733,160</b>         | <b>1,885,522</b>    | <b>152,362</b>   | <b>1,712,160</b>            | <b>173,362</b>             |
| <b>Repairs and Maintenance</b>                       |                          |                     |                  |                             |                            |
| Housing Maintenance Unit<br>(HMU)                    | 3,112,000                | 2,974,274           | (137,726)        | 2,912,000                   | 62,274                     |
| Building Maintenance Staff<br>(non HMU)              | 926,020                  | 828,872             | (97,148)         | 866,020                     | (37,148)                   |
| Other Repairs and<br>Maintenance                     | 448,200                  | 614,690             | 166,490          | 548,200                     | 66,490                     |
| <b>Total Repairs &amp;<br/>Maintenance</b>           | <b>4,486,220</b>         | <b>4,417,836</b>    | <b>(68,384)</b>  | <b>4,326,220</b>            | <b>91,616</b>              |
| <b>Year End Adjustments</b>                          |                          |                     |                  |                             |                            |
| Capital Financing Charges                            | 3,093,000                | 2,523,125           | (569,875)        | 3,093,000                   | (569,875)                  |
| Recharge from Housing<br>Services                    | 790,630                  | 800,507             | 9,877            | 790,630                     | 9,877                      |
| Recharge from Central<br>Services                    | 818,990                  | 891,806             | 72,816           | 818,990                     | 72,916                     |
| <b>Total Year End Adjustments</b>                    | <b>4,702,620</b>         | <b>4,215,438</b>    | <b>(487,182)</b> | <b>4,702,620</b>            | <b>(487,182)</b>           |
| <b>TOTAL REVENUE<br/>EXPENDITURE</b>                 | <b>10,922,000</b>        | <b>10,518,796</b>   | <b>(403,204)</b> | <b>10,741,000</b>           | <b>(222,204)</b>           |
| <b>TOTAL REVENUE<br/>(SURPLUS) / DEFICIT</b>         | <b>(7,834,000)</b>       | <b>(8,390,862)</b>  | <b>(556,862)</b> | <b>(7,865,000)</b>          | <b>(525,862)</b>           |

| <b>CAPITAL EXPENDITURE ACCOUNT</b>              |                    |                    |                    |                    |                  |
|---|--------------------|--------------------|--------------------|--------------------|------------------|
| 2020/21 Expenditure                             | 19,032,093         | 12,622,544         | (6,409,549)        | 11,010,058         | 1,612,486        |
| Major Repairs Allowance                         | (2,660,000)        | (2,674,000)        | (14,000)           | (2,660,000)        | (14,000)         |
| <b>Other Grants</b>                             | (1,450,000)        | (2,703,127)        | (1,253,127)        | (1,450,000)        | (1,253,127)      |
| <b>TOTAL CAPITAL (SURPLUS) / DEFICIT</b>        | <b>14,922,093</b>  | <b>7,245,417</b>   | <b>(7,676,676)</b> | <b>6,900,058</b>   | <b>345,359</b>   |
| <b>NET (INCREASE) / DECREASE IN HRA RESERVE</b> | <b>7,088,093</b>   | <b>(1,145,445)</b> | <b>(8,233,538)</b> | <b>(964,942)</b>   | <b>(180,503)</b> |
| <b>Opening HRA Balance</b>                      | (8,597,000)        | (8,597,000)        |                    | (8,597,000)        | 0                |
| <b>Net (Increase) / Decrease in HRA Reserve</b> | 7,088,093          | (1,145,445)        | (8,233,538)        | (964,942)          | (180,503)        |
| <b>Closing HRA Balance</b>                      | <b>(1,508,907)</b> | <b>(9,742,445)</b> | <b>(8,233,538)</b> | <b>(9,561,942)</b> | <b>(180,503)</b> |

APPENDIX B

| Service  | Annual Budget<br>(£) | Outturn<br>(£)    | Variance<br>(£)    | Q3 Forecasted Outturn<br>(£) | Change from Q3 Forecast<br>(£) |
|--|----------------------|-------------------|--------------------|------------------------------|--------------------------------|
| <b><u>Housing HRA</u></b>  |                      |                   |                    |                              |                                |
| Central Heating Contract   | 400,000              | 21,387            | (378,613)          | 0                            | 21,387                         |
| Planned Maintenance Contract                                     | 6,120,000            | 4,370,826         | (1,749,174)        | 4,500,000                    | (129,174)                      |
| Energy Performance Improvement                                   | 537,000              | 2,079             | (534,921)          | 150,000                      | (147,921)                      |
| Environmental Works  | 750,000              | 61,717            | (688,283)          | 100,000                      | (38,283)                       |
| Acquisition of Existing Properties/Development of New Properties | 9,230,000            | 6,982,202         | (2,247,798)        | 5,250,000                    | 1,732,202                      |
| Premises Remodelling of Existing Stock                           | 2,218                | 49,621            | 47,403             | 50,485                       | (864)                          |
| Public Sector Adaptations  | 350,000              | 168,164           | (181,836)          | 150,000                      | 18,164                         |
| Fire Risk  | 450,000              | 52,735            | (397,265)          | 100,000                      | (47,265)                       |
| WHQS   | 1,172,875            | 904,240           | (268,635)          | 700,000                      | 204,240                        |
| Remediation Work   | 20,000               | 9,573             | (10,427)           | 9,573                        | 0                              |
| <b>Totals for Housing HRA</b>                                    | <b>19,032,093</b>    | <b>12,622,544</b> | <b>(6,409,549)</b> | <b>11,010,058</b>            | <b>1,612,486</b>               |