

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	THE EXECUTIVE
DATE:	27 SEPTEMBER 2021
SUBJECT:	HRA BUDGET MONITORING, QUARTER 1 2021/22
PORTFOLIO HOLDER(S):	COUNCILLOR ROBIN WILLIAMS
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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 1 2021/22.
 - (ii) The forecast outturn for 2021/22.
2. **Background.**
 - (i) The report here shows the budget with a budgeted surplus of £8.8m.
 - (ii) The capital budget for 2021/22 was £22.6m, including allowance for expenditure that was not completed from the 2020/21 capital budget. This was to be part funded by grants (£2.7m) and borrowing (£2m).
 - (iii) The combination of both the revenue budget and adjusted capital budget gave a planned budget deficit of £9.1m, 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 2021 to 30th June 2021.
4. **Overview**
 - (i) The revenue financial position for quarter 1 shows an overspend of £18k, very close to the profiled budget. More detail is shown in Appendix A.
 - (ii) The Capital expenditure is £266k below the profiled budget. The forecast expenditure is £6,293k below budget as explained below. More detail is shown in Appendix B.
 - (iii) The forecast deficit (combining both revenue and capital) is now £4,906k, £4,209k less than the budget, 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 £49k below the profiled budget, as noted below.
- (ii) Rental income was £47k below budget. The forecast has been reviewed in the light of the delayed introduction of new properties into the active portfolio of properties, and shows a forecast reduction of £149k.
- (iii) Service charge income, which is based on the actual costs incurred, is £8k better than budget.
- (iv) Provision for bad debt has been made at 1.5% of rent income, similar to last year. The position will be monitored, but the provision should be adequate for the year.
- (v) The overall forecast for income is now a reduction of £149k 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 £96k below the profiled budget. Primarily, this is due to the effects of Covid, where staff have been re-deployed meaning that other work, such as clean up days, has been cancelled. The forecast has been reviewed, and now shows a forecast underspend to take account of the reduced work from the Tenant Participation team.

7. Repairs and Maintenance

- (i) The Housing Maintenance Unit (HMU) shows an overspend of £14k. At present, the forecast is unchanged.
- (ii) Expenditure on non HMU building maintenance staff is £34k below the profiled budget at the end of quarter 1. There are problems with recruiting staff in this area, so the forecast year end position is that expenditure will be £35k underspent.
- (iii) Other Repairs and Maintenance costs are overspent by £84k compared to the profiled budget. This is largely due to the seasonal nature of grounds maintenance, and the commitment of an annual contract in full, 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 2021, totalled £20,313k, which was to be funded by the Major Repairs Allowance (MRA) (£2,674k), and a contribution from the HRA reserve of £17,639k. This excluded expenditure carried forward from the 2019/20 capital programme, totalling £2,248k, £2,000k of which would be funded by borrowing. In total, the budget is £22,561k, funded by MRA (£2,674k), borrowing (£2,000k) and a contribution from the revenue reserve of £17,887k. Based on the current information, it is forecast that the actual expenditure will be £13,594k, which is £4,293k below the revised budget.
- (ii) The effects of the Covid pandemic continue to be felt, particularly delaying the ability to procure former Council houses (the increase in house prices has reduced the supply of properties being sold at a price that would be considered to be value for money), and delays in the new build programme caused by delays and shortages of materials.
- (iii) Expenditure on some replacement HMU vehicles has been brought forward from 2022/23, increasing the forecast by £158k.
- (iv) 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 £9,742k. The revised budget allowed for the use of £9,116k of this balance. However, the revised forecasts highlighted above will reduce the balance by just £4,906k. This will give a reserve balance of £4,835k 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"> HRA 30 Year Business Plan 2020/50 (as approved by this Committee in May 2021). 		

HRA ACCOUNT 2021/22

	Annual Budget 2021/22	Profiled Budget to Month 3	Actual to Month 3	Variance to Month 3	Year End Forecast	Year End Variance
	£	£	£	£	£	£
REVENUE ACCOUNT						
Income						
Dwellings	(19,167,000)	(4,791,751)	(4,744,841)	46,910	(19,018,000)	149,000
Garages	(220,000)	(55,000)	(54,770)	230	(220,000)	0
Service Charges	(216,000)	(54,000)	(61,496)	(7,496)	(216,000)	0
Other	(203,000)	(32,376)	(22,679)	9,697	(203,000)	0
Bad Debt Provision	292,000	0	0	0	292,000	0
TOTAL INCOME	(19,514,000)	(4,933,127)	(4,883,786)	49,341	(19,365,000)	149,000
Non Repairs & Maintenance Expenditure						
Tenant Participation	248,820	62,202	32,005	(30,197)	218,820	(30,000)
Rent Administration	497,573	124,226	121,407	(2,819)	497,573	0
Estate Management	176,911	44,158	38,907	(5,251)	176,911	0
Other Revenue	958,339	217,801	160,363	(57,438)	958,339	0
Expenditure						
Total Non R & M Expenditure	1,881,643	448,387	352,682	(95,705)	1,851,643	(30,000)
Repairs and Maintenance						
Housing Maintenance Unit (HMU)	3,143,119	848,777	863,101	14,324	3,143,119	0
Building Maintenance Staff (non HMU)	935,282	233,488	199,799	(33,689)	900,282	(35,000)
Other Repairs and Maintenance	662,572	165,652	249,335	83,683	662,572	0
Total Repairs & Maintenance	4,740,973	1,247,917	1,312,235	64,318	4,705,973	(35,000)
Year End Adjustments						
Capital Financing Charges	2,518,000	0	0	0	2,518,000	0
Recharge from Housing Services	790,630	0	0	0	790,630	0
Recharge from Central Services	811,780	0	0	0	811,780	0
Total Year End Adjustments	4,120,410	0	0	0	4,120,410	0
TOTAL REVENUE EXPENDITURE	10,743,026	1,696,304	1,664,917	(31,887)	10,678,026	(65,000)

	Annual Budget 2021/22	Profiled Budget to Month 3	Actual to Month 3	Variance to Month 3	Year End Forecast	Year End Variance
	£	£	£	£	£	£
TOTAL REVENUE (SURPLUS) / DEFICIT	(8,770,974)	(3,236,823)	(3,218,869)	17,954	(8,686,974)	84,000
CAPITAL EXPENDITURE ACCOUNT						
2021/22 Expenditure	22,560,797	2,383,442	2,117,840	(265,602)	16,267,755	(6,293,042)
Major Repairs Allowance	(2,674,000)	0	0	0	(2,674,000)	0
Other Grants / Borrowing	(2,000,000)	0	0	0	0	2,000,000
TOTAL CAPITAL (SURPLUS) / DEFICIT	17,886,797	2,383,442	2,117,840	(265,602)	13,593,755	(4,293,042)
NET (INCREASE) / DECREASE IN HRA RESERVE	9,115,823	(853,381)	(1,101,029)	(247,648)	4,906,781	(4,209,042)
Opening HRA Balance	(9,742,000)				(9,742,000)	
Net (Increase) / Decrease in HRA Reserve	9,115,823				4,906,781	
Closing HRA Balance	(626,177)				(4,835,219)	

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	400,000	0
Planned Maintenance Contract	4,725,000	504,709	505,763	1,054	4,725,000	0
Energy Performance Improvement	1,000,000	0	1,899	1,899	400,000	(600,000)
Environmental Works	880,000	1,730	1,730	0	880,000	0
Acquisition of Existing Properties/Development of New Properties	13,005,797	1,723,806	1,344,947	(378,859)	7,750,425	(5,255,372)
Public Sector Adaptations	350,000	48,640	85,327	36,687	350,000	0
Fire Risk	450,000	0	0	0	450,000	0
WHQS	1,750,000	104,557	178,174	73,617	1,154,557	(595,443)
Housing Maintenance Unit Vehicles	0	0	0	0	157,773	157,773
Totals for Housing HRA	22,560,797	2,383,442	2,117,840	(265,602)	16,267,755	(6,293,042)