

## Isle of Anglesey County Council

<b>Report to:</b>	<b>EXECUTIVE COMMITTEE</b>
<b>Date:</b>	<b>29 NOVEMBER 2021</b>
<b>Subject:</b>	<b>HOUSING REVENUE ACCOUNT BUDGET MONITORING, QUARTER 2 2021/22</b>
<b>Portfolio Holder(s):</b>	<b>COUNCILLOR ROBIN WYN WILLIAMS</b>
<b>Head of Service / Director:</b>	<b>MARC JONES</b>
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<b>Local Members:</b>	<b>n/a</b>

### **A –Recommendation/s and reason/s**

1. The Executive is requested to note the following:-
  - 1.1 The position set out in respect of the financial performance of the Housing Revenue Account (HRA) for quarter 2 2021/22.
  - 1.2 The forecast outturn for 2021/22.
2. **Background**
  - 2.1 The report here shows the budget with a budgeted surplus of £8.8m.
  - 2.2 The capital budget for 2021/22 was £22.56m, 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).
  - 2.3 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.
  - 2.4 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 2021 to 30<sup>th</sup> September 2021.
4. **Overview**
  - 4.1 The HRA surplus/deficit at the end of Quarter 2 shows an overspend of £363k compared to the profiled budget. More detail is shown in Appendix A.
  - 4.2 The Capital expenditure is £1,518k below the profiled budget. The forecast expenditure is £6,293k below budget, as explained below. More detail is shown in Appendix B.
  - 4.3 The forecast deficit (combining both revenue and capital) is now £5,142k, £3,974k less than the budget, largely the result of lower than budgeted capital expenditure.

## **5. Income**

- 5.1** At the end of the second quarter, the level of income received was £29k below the profiled budget, as noted below.
- 5.2** Rental income was £41k below the profiled budget at the end of Quarter 2. The forecast has been reviewed, and takes into account the introduction of new homes into the portfolio (these include 15 dwellings at Rhosybol), whilst recognising the delays in the capital programme (see 9(ii) below), and is £149k below the original budget.
- 5.3** Service charge income, which is based on the actual costs incurred, is £15k better than budget. The forecast has been reviewed and income is expected to be £25k better than the budget.
- 5.4** Provision for bad debt has been made at 1.5% of rent income, similar to last year. Currently, the total rent arrears stands at £870k, compared to £825k at the same period last year. The position will continue to be monitored, but the provision should be adequate for the year.
- 5.5** The overall forecast for income is now a shortfall by the end of the financial year of £124k compared to the original budget.

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

- 6.1** At the end of the second quarter, non repairs and maintenance expenditure was £139k above the profiled budget.
- 6.2** The overspend in Other Revenue Expenditure (£221k) is largely due to expenditure on the Optimised Retrofit Programme (ORP) which will be funded by WG Grant, for which confirmation has now been received. In addition to the ORP expenditure, there are some prepayments for the full year of annual licence fees on the Housing Information Systems, which amount to approximately £39k. Additionally, we also have the need to account for enabling fees of approximately £35k for new build developments that cannot be capitalized until the planning consent has been granted and work commencing on the new developments. It is expected that the final expenditure for the year will be in line with the budget, provided that the expected grant is received.
- 6.3** The Tenant Participation heading shows an underspend of £66k at the end of Quarter 2. There have been staff vacancies (now successfully filled), and Covid has restricted the amount of contact with tenants. In the light of this, the forecast has been revised to show an underspend of £70k at the year end.

## **7. Repairs and Maintenance**

- 7.1** The Housing Maintenance Unit (HMU) shows an overspend of £188k at the end of Quarter 2. There is a programme of planned maintenance to recover the backlog caused when Covid-19 restricted visits to essential maintenance. The recovery plan is expected to result in expenditure £300k above budget by the end of the financial year.
- 7.2** Expenditure on non HMU building maintenance staff is £21k below the profiled budget at the end of Quarter 2. There are problems with recruiting staff in this area, so the forecast year end position is that expenditure will be £35k underspent.

7.3 Other Repairs and Maintenance costs are overspent by £28k compared to the profiled budget. This is largely due to the seasonal nature of grounds maintenance. The forecast is that it will be on budget by the end of the year.

## 8. Year End Adjustments

8.1 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

9.1 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 (£17,639k). This excluded expenditure carried forward from the 2020/21 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 and the in year surplus on the revenue account (£17,887k). The forecast was substantially revised during the first Quarter, and so is unchanged for the second quarter at £13,594k, which is £4,293k below the revised budget.

9.2 The most significant difficulties remain the effect of the Covid pandemic 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.

9.3 Expenditure on some replacement HMU vehicles has been brought forward from 2022/23, totalling £158k.

9.4 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 projects that have been deferred into next year.

## 10 HRA Balance

10.1 The opening balance of the HRA reserve stood at £9,722k. 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 £5,142k. This will give a reserve balance of £4,580k by the end of the financial year. This balance is ringfenced and is, therefore, only available to fund future HRA expenditure.

### **B – What other options did you consider and why did you reject them and/or opt for this option?**

Not applicable

### **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

<b>D – Is this decision within the budget approved by the Council?</b>		
Yes		
<b>Dd – Assessing the potential impact (if relevant):</b>		
1	How does this decision impact on our long term needs as an Island?	The report is for monitoring purposes only and is used along with other reports to set the HRA business plan and annual budget. In setting the annual budget, the impact on the long term needs of the Island will be assessed.
2	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?	Not applicable
3	Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom.	Not applicable
4	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	The Housing Service regularly consult with their tenants and the results of those consultations are fed into the business planning process and then on to the annual budget process.
5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	Not applicable
6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	Not applicable
7	Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.	Not applicable
<b>E – Who did you consult?</b>		<b>What did they say?</b>
1	Chief Executive / Senior Leadership Team (SLT) (mandatory)	The report has been considered by the SLT at its meeting on 8 November 2021 and the comments made incorporated into the report.
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report.
3	Legal / Monitoring Officer (mandatory)	The Monitoring Officer is a member of the SLT.
4	Human Resources (HR)	N/A
5	Property	N/A
6	Information Communication Technology (ICT)	N/A
7	Procurement	N/A
8	Scrutiny	The results of the HRA quarterly monitoring reports are reported to the Finance Scrutiny Panel.
9	Local Members	N/A
<b>F - Appendices:</b>		
<ul style="list-style-type: none"> <li>Appendix A – Revenue expenditure and forecasts to end of quarter 2.</li> <li>Appendix B – Capital expenditure and forecast to end of quarter 2.</li> </ul>		

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

- HRA 30 Year Business Plan 2020/50 (as approved by this Committee in May 2021).

<b>HRA ACCOUNT 2021/22</b>						
	<b>Annual Budget 2021/22</b>	<b>Profiled Budget to Month 6</b>	<b>Actual to Month 6</b>	<b>Variance to Month 6</b>	<b>Year End Forecast</b>	<b>Year End Variance</b>
	£	£	£	£	£	£
<b>REVENUE ACCOUNT</b>						
<b>Income</b>						
Dwellings	(19,167,000)	(9,583,502)	(9,542,857)	40,645	(19,018,000)	149,000
Garages	(220,000)	(110,000)	(109,471)	529	(220,000)	0
Service Charges	(216,000)	(108,000)	(122,742)	(14,742)	(241,000)	(25,000)
Other	(203,000)	(64,752)	(61,928)	2,824	(203,000)	0
Bad Debt Provision	292,000	0	0	0	292,000	0
<b>TOTAL INCOME</b>	<b>(19,514,000)</b>	<b>(9,866,254)</b>	<b>(9,836,998)</b>	<b>29,256</b>	<b>(19,390,000)</b>	<b>124,000</b>
<b>Non Repairs &amp; Maintenance Expenditure</b>						
Tenant Participation	248,820	124,381	58,422	(65,959)	178,820	(70,000)
Rent Administration	497,573	248,449	241,452	(6,997)	497,573	0
Estate Management	176,911	88,301	79,552	(8,749)	176,911	0
Other Revenue Expenditure	958,339	435,578	656,335	220,757	958,339	0
<b>Total Non R &amp; M Expenditure</b>	<b>1,881,643</b>	<b>896,709</b>	<b>1,035,761</b>	<b>139,052</b>	<b>1,811,643</b>	<b>(70,000)</b>
<b>Repairs and Maintenance</b>						
Housing Maintenance Unit (HMU)	3,143,119	1,571,266	1,759,357	188,091	3,443,119	300,000
Building Maintenance Staff (non HMU)	935,282	466,972	445,535	(21,437)	900,282	(35,000)
Other Repairs and Maintenance	662,572	346,300	374,374	28,074	662,572	0
<b>Total Repairs &amp; Maintenance</b>	<b>4,740,973</b>	<b>2,384,538</b>	<b>2,579,266</b>	<b>194,728</b>	<b>5,005,973</b>	<b>265,000</b>
<b>Year End Adjustments</b>						
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
<b>Total Year End Adjustments</b>	<b>4,120,410</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,120,410</b>	<b>0</b>
<b>TOTAL REVENUE EXPENDITURE</b>	<b>10,743,026</b>	<b>3,281,247</b>	<b>3,615,027</b>	<b>333,780</b>	<b>10,938,026</b>	<b>195,000</b>

<b>TOTAL REVENUE (SURPLUS) / DEFICIT</b>	<b>(8,770,974)</b>	<b>(6,585,007)</b>	<b>(6,221,971)</b>	<b>363,036</b>	<b>(8,451,974)</b>	<b>319,000</b>
<b>CAPITAL EXPENDITURE ACCOUNT</b>						
2021/22 Expenditure	22,560,797	6,100,999	4,583,345	(1,517,654)	16,267,755	(6,293,042)
Major Repairs Allowance	(2,674,000)	0	0	0	(2,674,000)	0
<b>Other Grants / Borrowing</b>	<b>(2,000,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,000,000</b>
<b>TOTAL CAPITAL (SURPLUS) / DEFICIT</b>	<b>17,886,797</b>	<b>6,100,999</b>	<b>4,583,345</b>	<b>(1,517,654)</b>	<b>13,593,755</b>	<b>(4,293,042)</b>
<b>NET (INCREASE) / DECREASE IN HRA RESERVE</b>	<b>9,115,823</b>	<b>(484,008)</b>	<b>(1,638,626)</b>	<b>(1,154,618)</b>	<b>5,141,781</b>	<b>(3,974,042)</b>
<b>Opening HRA Balance</b>	<b>(9,722,000)</b>				<b>(9,722,000)</b>	
<b>Net (Increase) / Decrease in HRA Reserve</b>	<b>9,115,823</b>				<b>5,141,781</b>	
<b>Closing HRA Balance</b>	<b>(606,177)</b>				<b>(4,580,219)</b>	

APPENDIX B

Service	Annual Budget (£)	Profiled Budget (£)	Total Expenditure (£)	Variance To Profile (£)	Projected Expenditure (£)	Projected Under / Over (£)
<b>Housing HRA</b>						
Central Heating Contract	400,000	0	0	0	400,000	0
Planned Maintenance Contract	4,725,000	1,504,709	1,255,361	(249,348)	4,725,000	0
Energy Performance Improvement	1,000,000	50,000	1,899	(48,101)	400,000	(600,000)
Environmental Works	880,000	280,000	14,712	(265,288)	880,000	0
Acquisition of Existing Properties / Development of New Properties	13,005,797	3,763,093	2,856,584	(906,509)	7,750,425	(5,255,372)
Public Sector Adaptations	350,000	148,640	143,954	(4,686)	350,000	0
Fire Risk	450,000	0	221	221	450,000	0
WHQS	1,750,000	354,557	310,614	(43,943)	1,154,557	(595,443)
Housing Maintenance Unit Vehicles	0	0	0	0	157,773	157,773
<b>Totals for Housing HRA</b>	<b>22,560,797</b>	<b>6,100,999</b>	<b>4,583,345</b>	<b>(1,517,654)</b>	<b>16,267,755</b>	<b>(6,293,042)</b>