

Isle of Anglesey County Council

Report to:	EXECUTIVE COMMITTEE
Date:	27 SEPTEMBER 2022
Subject:	HOUSING REVENUE ACCOUNT BUDGET MONITORING, QUARTER 1 2022/23
Portfolio Holder(s):	COUNCILLOR ROBIN WYN WILLIAMS – PORTFOLIO HOLDER (RESOURCES)
Head of Service / Director:	MARC JONES – DIRECTOR OF FUNCTION (RESOURCES)
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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 2022/23.
- (ii) The forecast outturn for 2022/23.
- (iii) To approve the reduction in the capital budget by £4,704k as set out in paragraph 9.2.

2. Background

- (i) The report here shows the revenue budget with a budgeted surplus of £6,218k.
- (ii) The capital budget for 2022/23 is £15,034k. This was to be part funded by grants (£2,688k).
- (iii) The combination of both the revenue budget and adjusted capital budget gave a planned budget deficit of £6,128k, which would be funded from the HRA reserve.
- (iv) The budget has been reviewed since the production of the 30 year business plan. We recommend that the Executive approve the following changes:-
 - (a) Reduce the capital budget for acquisition and development of new properties by £4,704k, reflecting the capacity of the service to achieve projects during the year and delays to some projects. Further details are in section 9.2 below;
 - (b) Reduce the Dwelling income budget by £41k, reflecting fewer than anticipated properties being commissioned compared to when the plan was developed;
 - (c) Increase the Maintenance budget by £260k, to reflect increasing costs and additional legislative duties (new requirements for electrical testing for example);
 - (ch) Increase the budget by £117k to cover costs associated with the new Rent Wales Act and new software.
- (v) 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 2022 to 30th June 2022.

4. Overview

4.1 The HRA revenue surplus / deficit at the end of quarter 1 shows an overspend of £49k compared to the profiled budget. More detail is shown in Appendix A.

4.2 The Capital expenditure is £1k below the profiled budget. The forecast expenditure is £2,542k below budget, as explained below. More detail is shown in Appendix B.

4.3 The forecast deficit (combining both revenue and capital) is now £3,836k, £2,292k less than the budget, largely the result of lower than budgeted capital expenditure.

5. Income

5.1 At the end of the first Quarter, the level of income received was £14k below the profiled budget, as noted below.

5.2 Rental income was £7k below the profiled budget at the end of quarter 1. The forecast has been reviewed, and the budgeted income of £19,420k is achievable.

5.3 Provision for bad debt has been calculated at 1.5% of rent income, similar to last year. Currently, the total rent arrears stands at £894k, compared to £856k at the same period last year, an increase of £38k. Given the uncertainty surrounding the rate of inflation and the long term effect it will have on the cost of living crisis, the forecast is unchanged at present, but will be kept under review and revised during the year, if the level of arrears suggests that there is an increased risk of a greater level of arrears not being collected.

5.4 The overall forecast for income is a breakeven position, as it is expected that the budget will be achieved by the end of the year.

6. Non Repairs and Maintenance Expenditure

6.1 At the end of the first quarter, non-repairs and maintenance expenditure was £49k below the profiled budget.

6.2 Other revenue expenditure shows a small underspend of £33k against the profiled budget, but this expected to be on budget by the end of the year.

6.3 The Tenant Participation heading shows an underspend of £14k at the end of quarter 1. However, the level of activity is returning to pre-Covid levels and, with the higher level of activity likely during the summer, the full budget allocation is expected to be spent by the end of the financial year.

7. Repairs and Maintenance

7.1 The Housing Maintenance Unit (HMU) shows an overspend of £119k at the end of quarter 1. The volume of work orders post Covid restrictions remains high, and quarter 1 expenditure is a reflection of increased demand led reactive maintenance. In addition, the number of void properties and extent of works required at change of tenancy during Quarter 1 remained higher than original expectations with, typically, works underway at between 40 and 50 properties at any given time. The rate of overspend is expected to decrease over the year, but it is prudent to forecast overspend of £250k at the end of the year.

7.2 Expenditure on non HMU building maintenance staff is £28k below the profiled budget at the end of Quarter 1. There are problems with recruitment in this area, and the budget is being reviewed in order to evaluate the financial consequences 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 capital budget totals £15,034k which was to be funded by the Major Repairs Allowance (MRA) (£2,688k) and a contribution from the HRA reserve (£12,346k). The forecast has now been revised to total £12,492k, £2,542k below budget. The most significant variances are outlined below:-

9.2 The budget for new build has been reduced by £4,704k due to the factors below:-

- The programme was reviewed to take account of the capacity within the service to deliver the programme in total, reducing the budget by £954k;
- Bryn Glas, Brynsiencyn, the budget has allowed for £750k for this scheme, but cost negotiations with the developer have broken down. This scheme is unlikely to proceed this financial year, resulting in an underspend of £750k;
- King's Road, Holyhead, progress on this scheme is delayed as the flood alleviation modelling works currently being undertaken by Highways affects this site. The service is forecasting an underspend for the year of £500k;
- The contractor at the Penrhos Stanley scheme has now indicated that work will not start until January 2023, meaning that the work in 2022/23 is forecast to be underspent by £1,500k;
- Additional information has been requested on the work at the old Ysgol Niwbwrch and Ysgol Thomas Ellis sites. This will delay the commencement of work, resulting in an underspend of £1,000k;
- Lôn Lwyd, Pentraeth, a joint venture between IoACC and Clwyd Alyn. Works are progressing very well on site, however, there has been a delay in land acquisition and, to date, IoACC has not contributed towards this development as budgeted, resulting in an underspend in quarter 1 of £500k. It is fully expected that this will be spent in full during the year.

9.3 The WHQS project has been delayed whilst the design for the new kitchen programme is completed. This originally involved 135 properties. Detailed kitchen designs have now been completed for the majority of tenants wishing to participate in the scheme, and this work will continue into 2023/24. Unfortunately, access to a number of properties to complete kitchen layout designs has proved problematic.

- 9.4** The Energy Performance budget relies on consultation with the District Network Operator (DNO) prior to installing Solar PV panels to generate renewable electricity. Unfortunately, gaining DNO approval to undertake large scale Solar PV work has, and continues to be, difficult due to a requirement to reinforce the network prior to installing Solar PV. Housing Services will continue to liaise with the DNO in order to find a solution that would facilitate energy efficiency improvements together with carbon reductions.
- 9.5** The approved public sector planned maintenance budget for 2022/23 is in the sum of £9.555m. During quarter 1, major external planned maintenance works at Llangoed and Llanddona continued on site, with practical completion due during quarter 2. A contract for the replacement of over 300 gas boilers continued on site and progressed well during quarter 1. The main traditional planned maintenance contract scheduled for 2022/23 involves properties at Cemaes Bay. Tender documents were completed during quarter 1 for Phase 1, and Housing expects to tender the works and award the contract during quarter 2. Phase 2 of the scheme will follow completion of the first phase, and contract award for this stage is programmed for quarter 4. Housing accepts that undertaking the work over two phases for logistical and tenant experience will impact negatively on traditional planned maintenance budget expenditure.
- 9.6** The environmental budget allows for significant investment involving upgrading sewage disposal arrangements at Carreglefn in order to comply with requirements set out by Natural Resources Wales (NRW). The proposed solution involves negotiations with a private land owner and successfully securing a Permit for the scheme from NRW. At the end of quarter 1, Housing Services believe it would be prudent to forecast under expenditure at year end.
- 9.7** 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 £12,333k. The revised budget allowed for the use of £6,128k of this balance. However, the revised forecasts highlighted above will use only £3,836k. This will give a reserve balance of £8,497k 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

D – Is this decision within the budget approved by the Council?

Yes

Dd – Assessing the potential impact (if relevant):		
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 consults 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
E – Who did you consult?		What did they say?
1	Chief Executive / Senior Leadership Team (SLT)(mandatory)	The report has been considered by the Senior Leadership Team at its meeting on 5/9/2022 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 Senior Leadership Team
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
F - Appendices:		
<ul style="list-style-type: none"> Appendix A – Revenue expenditure and forecasts to end of Quarter 1 2022/23 Appendix B – Capital expenditure and forecast to end of Quarter 1 2022/23 		
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 2022/52 (as approved by this Committee in May 2022). 		

HRA ACCOUNT 2022/23						
	Annual Budget 2022/23	Profiled Budget to Month 3	Actual to Month 3	Variance to Month 3	Year End Forecast	Year End Variance
	£	£	£	£	£	£
REVENUE ACCOUNT						
Income						
Dwellings	(19,420,000)	(4,955,984)	(4,948,757)	7,227	(19,420,000)	0
Garages	(223,000)	(56,909)	(57,709)	(800)	(223,000)	0
Service Charges	(201,000)	(51,294)	(51,417)	(123)	(201,000)	0
Other	(207,860)	(27,933)	(20,089)	7,844	(207,860)	0
Bad Debt Provision	296,000	0	0	0	296,000	0
TOTAL INCOME	(19,755,860)	(5,092,120)	(5,077,972)	14,148	(19,755,860)	0
Non Repairs & Maintenance Expenditure						
Tenant Participation	260,653	65,151	51,571	(13,580)	260,653	0
Rent Administration	500,013	124,841	123,585	(1,256)	500,013	0
Estate Management	180,788	45,121	44,728	(393)	180,788	0
Other Revenue Expenditure	1,770,934	304,492	270,971	(33,521)	1,770,934	0
Total Non R & M Expenditure	2,712,388	539,605	490,855	(48,750)	2,712,388	0
Repairs and Maintenance						
Housing Maintenance Unit (HMU)	3,795,464	948,752	1,068,030	119,278	4,045,464	250,000
Building Maintenance Staff (non HMU)	958,583	239,169	210,873	(28,296)	958,583	0
Other Repairs and Maintenance	793,655	213,022	205,721	(7,301)	793,655	0
Total Repairs & Maintenance	5,547,702	1,400,943	1,484,624	83,681	5,797,702	250,000
Year End Adjustments						
Capital Financing Charges	3,674,000	0	0	0	3,674,000	0
Recharge from Housing Services	790,630	0	0	0	790,630	0
Recharge from Central Services	812,831	0	0	0	812,831	0
Total Year End Adjustments	5,277,461	0	0	0	5,277,461	0
TOTAL REVENUE EXPENDITURE	13,537,551	1,940,548	1,975,479	34,931	13,787,551	250,000
TOTAL REVENUE (SURPLUS) / DEFICIT	(6,218,309)	(3,151,572)	(3,102,493)	49,079	(5,968,309)	250,000

CAPITAL EXPENDITURE ACCOUNT						
2022/23 Expenditure	15,034,000	1,576,383	1,575,790	(593)	12,492,209	(2,541,791)
Major Repairs Allowance	(2,688,000)	0	0	0	(2,688,000)	0
Other Grants / Borrowing	0	0	0	0	0	0
TOTAL CAPITAL (SURPLUS) / DEFICIT	12,346,000	1,576,383	1,575,790	(593)	9,804,209	(2,541,791)
NET (INCREASE) / DECREASE IN HRA RESERVE	6,127,691	(1,575,189)	(1,526,703)	48,486	3,835,900	(2,291,791)
Opening HRA Balance	(12,333,000)				(12,333,000)	
Net (Increase) / Decrease in HRA Reserve	6,127,691				3,835,900	
Closing HRA Balance	(6,205,309)				(8,497,100)	

Service	Annual Budget (£)	Profiled Budget (£)	Total Expenditure (£)	Variance To Profile (£)	Projected Expenditure (£)	Projected Under / Over (£)
<u>Housing HRA</u>						
Central Heating Contract	800,000	200,000	217,532	17,532	800,000	0
Planned Maintenance Contract	3,955,000	200,000	194,535	(5,465)	2,862,474	(1,092,526)
Energy Performance Improvement	1,000,000	50,000	52,178	2,178	662,178	(337,822)
Environmental Works	870,667	60,000	59,894	(106)	612,676	(257,991)
Acquisition of Existing Properties / Development of New Properties	5,479,000	750,000	747,465	(2,535)	5,479,000	0
Public Sector Adaptations	400,000	80,000	81,173	1,173	400,000	0
Fire Risk	600,000	8,000	7,737	(263)	600,000	0
WHQS	1,901,950	201,000	187,893	(13,107)	1,048,498	(853,452)
Housing Maintenance Unit Vehicles	27,383	27,383	27,383	0	27,383	0
Totals for Housing HRA	15,034,000	1,576,383	1,575,790	(593)	12,492,209	(2,541,791)