

Isle of Anglesey County Council

Report to:	EXECUTIVE COMMITTEE
Date:	26TH SEPTEMBER 2023
Subject:	HOUSING REVENUE ACCOUNT BUDGET MONITORING, QUARTER 1 2023/24
Portfolio Holder(s):	COUNCILLOR R WILLIAMS – DEPUTY LEADER & FINANCE PORTFOLIO HOLDER
Head of Service / Director:	MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) & SECTION 151 OFFICER
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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 2023/24.
 - (ii) The forecast outturn for 2023/24.
2. **Background**
 - (i) The report here shows the revenue budget with a budgeted surplus of £8,044k.
 - (ii) The gross capital budget for 2023/24 is £19,988k. Grant, and other funding of £6,898k, reduces the net budget to £13,090k.
 - (iii) The combination of both the revenue budget and adjusted capital budget gave a planned budget deficit of £5,046k, 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 2023 to 31st March 2024.
4. **Overview**
 - 4.1 The HRA revenue surplus / deficit at the end of Quarter 1 shows an overspend of £8k compared to the profiled budget. More detail is shown in appendix A.
 - 4.2 The Capital expenditure is £25k below the profiled budget. The forecast expenditure is £100k below budget, as explained below. More detail is shown in appendix B.
 - 4.3 The forecast deficit (combining both revenue and capital) is now £4,278k, £768k less than the budget.

5. Income

- 5.1 At the end of the first quarter, the level of income received was £43k below the profiled budget as noted below.
- 5.2 Rental income was £25k below the profiled budget at the end of quarter 1. We are forecasting to overachieve by £23k at year end, as new properties become available to let.
- 5.3 Provision for bad debt has been calculated at 1.5% of rent income, similar to last year. 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 and, ultimately, written off.

6. Non-Repairs and Maintenance Expenditure

- 6.1 At the end of the first quarter, non-repairs and maintenance expenditure was £129k below the profiled budget.
- 6.2 Other revenue expenditure shows an underspend of £45k against the profiled budget, but is expected to be £43k underspent at year end.
- 6.3 The Tenant Participation heading shows an underspend of £23k at the end of quarter 1. However, we are expecting a higher level of activity during the summer months, therefore, the year end forecast is £19k underspent, due to staff vacancies.
- 6.4 The rent administration heading shows an underspend of £21k at the end of quarter 1. We are forecasting an underspend of £44k at year end, as a vacant post is expected to be filled.

7. Repairs and Maintenance

- 7.1 The Housing Maintenance Unit (HMU) shows an overspend of £170k at the end of quarter 1, this mainly relates to commitments raised in advance of works being completed. Significant work has been undertaken to review budgetary requirements and a more realistic budget has been set for 2023/24
- 7.2 Expenditure on non HMU building maintenance staff is £50k below the profiled budget at the end of quarter 1, it is expected that this service area will underspend by £19k at year end.

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. It is forecasted that we will underspend by £131k on Capital Financing Costs and overachieve by £124k on interest receivable.

9. Capital Expenditure

- 9.1 The gross capital budget for 2023/24 is £19,988k. Grant funding of £6,205k is made up of:-

Source	£
Housing with Care Fund (HCF)	300,000
Transforming Towns Grant	250,000
Social Housing Grant (SHG)	1,452,000
Major Repairs Allowance (MRA)	2,690,000
Optimised Retrofit Programme 2023/24	873,000
Optimised Retrofit Programme 2022/23 – carried forward	371,000
Fire Safety Grant	269,000
Total Grant Funding	6,205,000

- 9.2** After taking into account funding for disabled facilities grants of £693k, this gives a net capital budget of £13,089k. A further breakdown is provided in Appendices B & C.
- 9.3** WHQS expenditure – The £1,900k budget is split between planned kitchen replacements involving approximately 80 properties and demand led capital works undertaken on the change of tenancy. A contract was awarded for the planned works during quarter 4 of 2022/23 to the value of £484k, and the Housing Service estimates that the majority of the expenditure will occur during quarters 2 and 3 of 2023/24. A sum of £1,400k has been earmarked for capital works undertaken by the Housing Maintenance Unit, predominantly at change of tenancy. Change of tenancy works are progressing well, with expenditure in quarter 1 amounting to £337k.
- 9.4** Fire Risk expenditure – The £400k budget will be spent on completing retrospective installations of fire suppression systems at Maes y Coed, Menai Bridge, and Glan Cefni, Llangefni, as well as fire compartmentation improvements at all four medium rise blocks of flats which form part of the housing stock. In addition, capital works involves upgrades to fire alarm systems and replacement of fire doors. It is forecast that the budget will be utilised in full during 2023/24.
- 9.5** Public Sector Adaptations expenditure – During quarter 1, demand for medium or large scale adaptations remained high and expenditure up to the end of quarter 1 indicates that the £400k budget will be utilised in full during 2023/24. Expenditure on Adaptations is demand led and typically involves the installation of stairlifts, level access showers and alterations to existing access arrangements.
- 9.6** Energy Performance expenditure – We are currently in consultation with the District Network Operator (DNO) prior to installing Solar PV panels to generate renewable electricity. The Energy Performance budget was reduced from £1,000k to £600k due to the delays. 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. The DNO has commenced the process of arranging network upgrades at certain locations but, unfortunately, timescales for completion of the upgrades are currently unknown. The current forecast is that £500k will be spent in 2023/24, with an underspend of £100k on this project in 2023/24.
- 9.7** Planned Maintenance expenditure – Following the award of a contract for Phase 2 of works at Cemaes Bay during quarter 1, the planned maintenance budget is fully committed. Phase 2 was awarded in quarter 1 to the value of £3,495k, work commenced on site at the end of June. This contract, together with committed expenditure carried forward from 2022/23, is expected to utilise the £4,450k budget in full.

9.8 Environmental Works Expenditure – The £700k budget will focus on the continued demolition of garages at Llangefni and proposed improvements to sewage disposal at Carreglefn, to comply with National Resources Wales directions. At the end of quarter 1, we had committed to spend £352k on one large scheme involving demolition of 30 garages at Bro Tudur. This contract was awarded during June, to the value of £313k. The Highway Services term contractor is currently working on detailed designs for alternative sewage arrangements, which Housing Services expect to be completed by the end of quarter 2. We are forecasting that the budget of £700k will be utilised in full during 2023/24.

9.9 Central Heating Contract Expenditure - During 2023/24, Housing Services aim to replace approximately 500 boilers. A contract was awarded for this year’s boiler replacement programme during quarter 1 and we expect significant contract expenditure during quarters 2 and 3, therefore, we are forecasting that the budget of £1.25m will be fully utilised during the current financial year.

9.10 The forecasted underspend of £100k on capital expenditure means that the amount funded from the HRA revenue account is reduced by the same amount. 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 £12,107k. The revised budget allowed for the use of £5,046k of this balance. However, the revised forecasts highlighted above will only use £4,278k. This will give a reserve balance of £7,829k 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.
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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 Services 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
E – Who did you consult?		What did they say?
1	Chief Executive / Leadership Team (LT) (mandatory)	The report was considered by the Leadership Team on 5 September 2023, and any comments made have been 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 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 2023/24 Appendix B – Capital expenditure and forecast to end of Quarter 1 2023/24. Appendix C – New Build capital schemes and forecast to end of Quarter 1 2023/24 		
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 2023/53 (as approved by this Committee in May 2023). 		

HRA ACCOUNT 2023 /24

	Annual Budget 2023/24	Profiled Budget to Month 3	Actual to Month 3	Variance to Month 3	Year end Forecast	Year End Variance
	£		£	£		
REVENUE ACCOUNT						
Income						
Dwellings	(20,693,000)	(5,274,686)	(5,249,437)	25,249	(20,715,525)	(22,525)
Garages	(247,000)	(61,751)	(63,195)	(1,444)	(247,919)	(919)
Service Charges	(213,070)	(53,268)	(50,955)	2,313	(199,898)	13,172
Other	(262,100)	(36,550)	(19,223)	17,327	(257,482)	4,618
Bad Debt Provision	316,000	0	0	0	316,000	0
TOTAL INCOME	(21,099,170)	(5,426,255)	(5,382,810)	43,446	(21,104,824)	(5,654)
Non Repairs & Maintenance Expenditure						
Tenant Participation	241,070	60,287	37,067	(23,220)	222,270	(18,800)
Rent Administration	580,410	145,112	124,228	(20,884)	536,040	(44,370)
Estate Management	644,500	161,148	121,209	(39,939)	607,701	(36,799)
Other Revenue Expenditure	1,726,560	348,334	303,521	(44,813)	1,683,474	(43,086)
Total Non R & M Expenditure	3,192,540	714,881	586,024	(128,857)	3,049,485	(143,055)
Repairs and Maintenance						
Housing Maintenance Unit (HMU)	5,470,600	1,410,008	1,580,449	170,442	5,222,447	(248,153)
Building Maintenance Staff (non HMU)	1,211,860	302,975	253,460	(49,515)	1,192,936	(18,924)
Other Repairs and Maintenance	752,320	188,172	160,692	(27,480)	755,256	2,936
Total Repairs & Maintenance	7,434,780	1,901,155	1,994,602	93,447	7,170,639	(264,141)
Year End Adjustments						
Capital Financing Charges	1,742,430	0	0	0	1,611,600	(130,830)
Interest Receivable	(200,000)	0	0	0	(324,000)	(124,000)
Recharge from Housing Services	100,090	0	0	0	100,090	0
Recharge from Central Services	785,550	0	0	0	785,550	0
Total Year End Adjustments	2,428,070	0	0	0	2,173,240	(254,830)
TOTAL REVENUE EXPENDITURE	13,055,390	2,616,036	2,580,626	(35,409)	12,393,364	(662,026)
TOTAL REVENUE (SURPLUS) / DEFICIT	(8,043,780)	(2,810,220)	(2,802,183)	8,036	(8,711,460)	(667,680)
CAPITAL EXPENDITURE ACCOUNT						
2023/24 Expenditure	19,988,000	2,504,000	2,479,000	(25,000)	19,888,000	(100,000)
Major Repairs Allowance/ Social Housing Grant	(6,205,000)	0	0	0	(6,205,000)	0
Other Grants/ Borrowing	(693,460)	0	0	0	(693,460)	0
TOTAL CAPITAL (SURPLUS) / DEFICIT	13,089,540	2,504,000	2,479,000	(25,000)	12,989,540	(100,000)
NET (INCREASE) / DECREASE IN HRA RESERVE	5,045,760	(306,220)	(323,183)	(16,964)	4,278,080	(767,680)
Opening HRA Balance	(12,107,000)				(12,107,000)	
Net (Increase) / Decrease in HRA Reserve	5,045,760				4,278,080	
Closing HRA Balance	(7,061,240)	0	0	0	(7,828,920)	0

APPENDIX B

HOUSING REVENUE ACCOUNT CAPITAL BUDGET 2023/24

Service	Annual Budget 2023/24 £	Profiled Budget to Month 3 £	Actuals to Month 3 £	Variance to Month 3 £	Year End Forecast £	Year End Variance £
Housing HRA						
Central Heating Contract	1,250,000	10,000	10,000	0	1,250,000	0
Planned Maintenance Contract	4,450,000	399,000	399,000	0	4,450,000	0
Energy Performance Improvement	600,000	25,000	0	(25,000)	500,000	(100,000)
Environmental Works	700,000	5,000	5,000	0	700,000	0
Acquisition of Existing Properties and Development of new properties	10,288,000	1,630,000	1,630,000	0	10,288,000	0
Public Sector Adaptations	400,000	97,000	97,000	0	400,000	0
Fire Risk	400,000	1,000	1,000	0	400,000	0
WHQS	1,900,000	337,000	337,000	0	1,900,000	0
TOTAL CAPITAL EXPENDITURE	19,988,000	2,504,000	2,479,000	(25,000)	19,888,000	(100,000)

APPENDIX C

NEW DEVELOPMENT BUDGET 2023/24

Scheme	Number of Additional Units	2023-24 Budget	Total Forecasted Expenditure 2023-24	Forecasted Variance at Month 3
		£	£	£
Pentraeth (Clwyd Alyn)	10	2,250,000	2,250,000	0
Extra Care Menai Bridge	55	250,000	250,000	0
Plas Alltran, Caergybi	4	1,200,000	1,200,000	0
Ysgol Llaingoch, Caergybi	26	4,000	4,000	0
Cae Braenar, Caergybi	23	500,000	500,000	0
Parc y Coed, Llangefni Phase 1	10	990,000	990,000	0
Clwb Cymdeithasol Biwmares	6	408,000	408,000	0
Renovation 10 Units	0	750,000	750,000	0
Buyback 10 Units	10	1,100,000	1,100,000	0
Niwbwrch Old School Site	14	500,000	500,000	0
Ysgol Thomas Ellis Old School, Site	43	50,000	50,000	0
Parc y Coed, Llangefni Phase 2	10	1,400,000	1,400,000	0
Haulfryn Renovation and Phase 2	1	365,000	365,000	0
Pen y Coed, Rhostrehwfa	1	482,000	482,000	0
Schemes in pre planning stage		39,000	39,000	0
Total 2023/24	213	10,288,000	10,288,000	0