

Isle of Anglesey County Council

Report to:	EXECUTIVE COMMITTEE
Date:	29 FEBRUARY 2024
Subject:	HOUSING REVENUE ACCOUNT BUDGET MONITORING, QUARTER 3 2023/24
Portfolio Holder(s):	COUNCILLOR R WILLIAMS – DEPUTY LEADER & PORTFOLIO HOLDER FINANCE
Head of Service / Director:	MARC JONES - DIRECTOR OF FUNCTION (RESOURCES) & SECTION 151 OFFICER (EXT. 2601)
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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 3 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 budget 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 3 shows an underspend of £509k compared to the profiled budget. The forecast at year end is an underspend of £708k. More detail is shown in Appendix A.
 - 4.2 The capital expenditure is £404k above the profiled budget at the end of quarter 3. The forecast expenditure is £541k above budget at year end, as explained in Appendix B below. The forecasted overspend on capital expenditure of £541k and the underachievement of £113k on other contributions is offset by £2,191k overachieved grant funding. The net underspend, combining capital expenditure, capital grants receivable and other contributions, is an underspend of £1,536k.
 - 4.3 The forecast deficit (combining both revenue and capital) is now £2,802k, £2,244k less than the budget.

5. Income

- 5.1** At the end of quarter 3, the level of income received was £110k below the profiled budget, as noted below.
- 5.2** Rental income was £50k below the profiled budget at the end of quarter 3. The deficit is due to fewer-than-expected rentable properties being added to the rentable stock during the year, but the deficit is not expected to increase further.
- 5.3** The overall level of bad debt provision is estimated as 1.5% of rental income. Having considered the current outstanding balance and the debts written off in the year to date, it is expected that the amount that will be charged to the revenue account, to restore the bad debt provision balance to the required level at the end of the year will be in the region of £100k, thus resulting in a £216k underspend on this budget.

6. Non-Repairs and Maintenance Expenditure

- 6.1** At the end of quarter 3, non-repairs and maintenance expenditure was £149k below the profiled budget.
- 6.2** Other revenue expenditure shows an underspend of £37k against the profiled budget, but is expected to increase to £165k over budget at year end. This is due to an unforeseen expenditure of £185k on Telecare switch from analogue to digital services provision, and an associated hardware upgrade.
- 6.3** The Tenant Participation heading shows an underspend of £27k at the end of quarter 3. We are forecasting an underspend of £28k at year end.
- 6.4** The rent administration heading shows an underspend of £7k at the end of quarter 3. We are forecasting an underspend of £6k at year end.
- 6.5** The Estate Management heading shows an underspend of £77k at the end of quarter 3. We are forecasting an underspend of £76k at year end.

7. Repairs and Maintenance

- 7.1** The Housing Maintenance Unit (HMU) shows an underspend of £432k at the end of quarter 3. Significant work has been undertaken to review budgetary requirements and a more realistic budget has been set for 2023/24. New legislation has come into force, which expects Social Housing Landlords to provide suitable floor coverings at change of tenancy, a provision of £85k has been factored into our forecast in light of this requirement. Even so, we are still forecasting an underspend of £73k at year end.
- 7.2** Expenditure on non HMU building maintenance staff is £47k below the profiled budget at the end of quarter 3. It is expected that this service area will underspend by £55k at year end.
- 7.3** Other repairs and maintenance was £10k above profiled budget in quarter 3. We are forecasting an underspend of £32k 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 there will be an underspend of £138k on Capital Finance Charges and an overachievement of £330k on interest receivable. Overall, the Council's surplus cash balances and the level of the interest rate received have been higher than anticipated, and the HRA account has benefitted as a result.

9. Capital Expenditure

- 9.1 The gross capital budget for 2023/24 is £19,988k, the grant funding budget for 2023/24 is £6,205k, and other contributions budget is £693k. We are forecasting an overspend of £542k on capital expenditure (see Appendix B for a detailed breakdown) and we are forecasting to underachieve on other contributions income by £113k because of lower than expected spend on the Extra Care project. This overspend on capital expenditure and underachieved other contributions income is offset against overachieved grant income of £2,191k. The net forecasted underspend on capital is £1,536k. 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.

The Grant funding forecast of £8,396k is summarised below:-

Source	Quarter 3 Forecast £
HCF	300,000
CADW	121,000
Place Making	250,000
Transitional Accommodation Capital Programme	650,000
Social Housing Grant (SHG)	2,872,433
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	8,396,433

The main source of additional grant funding in quarter 3 is as a result of a successful application for further Social Housing Grant. The table below summarises the amounts of Social Housing Grant that we expected in quarter 2 and the revised amounts that we are currently forecasting for the year as at quarter 3:-

Scheme	Quarter 2 amount	Quarter 3 amount	Variance from Quarter 2
Niwbwrch Old School Site	£277,500	£277,500	£0
Lon Lwyd, Pentraeth	£701,536	£1,500,000	£798,464
Plas Alltran, Caergybi	£267,651	£292,500	£24,849
Cae Braenar, Caergybi	£501,400	£397,433	(£103,967)
Garreglwyd Road, Caergybi	£155,870	£405,000	£249,130
Stad Y Bryn, Llanfaethlu	£207,100	£0	(£207,100)
Total	£2,111,057	2,872,433	£761,376

- 9.2** 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. A sum of £1,400k has been earmarked for capital works undertaken by the Housing Maintenance Unit, predominantly at change of tenancy. WHQS works are progressing well, with total WHQS expenditure up to quarter 3 amounting to £1,535k.
- 9.3** Fire Risk expenditure – The £400k budget was planned to 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. Expenditure to date is lower than expected, however, fire compartmentation works were completed during quarter 3, and the installation of both fire suppression systems are scheduled to be completed during quarter 4. The Housing Service confirms that, whilst the budget is fully committed, actual expenditure during 2023/24 is now likely to be in the region of £300k, resulting in an underspend of £100k in 2023/24. The specialist contractor undertaking the work has been instructed to prioritise the completion of fire suppression systems prior to commencing fire alarm upgrades.
- 9.4** Public Sector Adaptations expenditure – During quarter 3, demand for medium or large-scale adaptations remained high, and expenditure up to the end of quarter 3 indicates that the £400k budget will not be sufficient. We expect this area to overspend by £100k due to the level of demand. Expenditure on Adaptations is demand led and typically involves the installation of stairlifts, level access showers and alterations to existing access arrangements.
- 9.5** 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 there will be no expenditure during 2023/24, with an underspend of £600k on this project in 2023/24. As a result of positive outcomes to further discussions with the DNO during quarter 2 and quarter 3, Housing Services anticipate that they will complete the preparation of tender documents for the installation of Solar PV systems across several estates during quarter 4. Any contract award is unlikely to be completed before the final quarter of 2023/24 which will impact negatively on expenditure during this financial year.
- 9.6** 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, and 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. Housing Services expect, subject to the impact of adverse weather, that expenditure will gather further momentum during quarter 4 as schemes approach practical completion and final accounts.

9.7 Environmental Works Expenditure – The £700k budget is split into two projects. The continued demolition of 30 garages at Bro Tudur, Llangefni reached practical completion during quarter 3. The second project involving improvements to sewage disposal at Carreglefn to comply with Natural Resources Wales directions have not progressed as well as we had first anticipated. The Highway Services term contractor is currently working on detailed designs for alternative sewage arrangements. Housing Services currently forecast that work will commence on site towards the end of quarter 4, and are forecasting an underspend of £300k.

9.8 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. Expenditure during quarter 3 has increased and it is expected to continue into quarter 4. Housing Services currently forecast expenditure of £1,100k during 2023/24. The £150k anticipated underspend is primarily as a result of access issues to undertake the work.

9.9 Acquisition of Existing Properties and Development of new properties – Details of significant variances between quarter 2 forecasts and quarter 3 forecasts are listed below, more detail can be found in Appendix C:-

During quarter 2, it was expected that we would utilise the full allocation of £1,400k for Parc Y Coed, Llangefni phase 2. However, delays in acquiring the site has resulted in a forecasted underspend of £532k for the year.

Again, during quarter 2, it was expected that we would utilise the full allocation of £1,200k for Plas Alltran, Caergybi, however there have been some delays to the programme due to unforeseen essential works. This project is expected to slip into early 2024/25, resulting in a forecasted underspend of £356k in 2023/24.

There has been a delay with commencement of work on the Niwbwrch old school site due to the need to discharge a Planning Condition. The forecasted underspend has increased from £250k in quarter 2 to £388k in quarter 3 as a result of these delays.

The Stad Y Bryn, Llanfaethlu scheme was not included in the original budget, however, a decision was taken to purchase the land off the open market during 2023/24. It was initially anticipated that the site would have been acquired and the development commenced during the current financial year, but the site has yet to be formally acquired. It is expected to complete the purchase of the land during the current financial year, however, development work is likely to slip into 2024/25. An overspend of £200k is now forecasted compared to a forecasted overspend of £400k in quarter 2 as a result of the delay in acquiring the land.

Works at Garreglwyd Road, Caergybi are progressing better than we initially expected. An overspend of £651k is now forecast as at the end of quarter 3, compared to a forecasted overspend of £401k in quarter 2.

Forecasted expenditure on buybacks and renovations have increased by £349k compared to our quarter 2 forecasts. One additional property has been acquired and expenditure on renovation works are higher than first anticipated. It is, therefore forecasted to overspend by £1,749k, compared to our forecasted overspend of £1,400k in quarter 2

Expenditure on schemes in the pre planning stage, predominantly Plas Penlan, Llangefni and Maes Mona, Llanerchymedd, are expected to overspend by £133k. Applications for Planning Permission are expected to be submitted in 2024/25 for both schemes.

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 £2,802k. This will give a reserve balance of £9,305k 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 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 at its meeting on 13 February 2024. Any comments will 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 and comments will have been considered at the meeting on 13 February 2024.
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 3 2023/24 • Appendix B – Capital expenditure and forecast to end of quarter 3 2023/24. • Appendix C – New Build capital schemes and forecast to end of quarter 3 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 9	Actual to Month 9	Variance to Month 9	Year end Forecast	Year End Variance	Forecast variance at Month 6	Change from Q2 forecast
	£	£	£	£	£	£	£	£
REVENUE ACCOUNT								
Income								
Dwellings	(20,693,000)	(15,418,314)	(15,368,061)	50,253	(20,642,747)	50,253	(22,525)	72,778
Garages	(247,000)	(184,039)	(183,762)	277	(246,723)	277	(919)	1,196
Service Charges	(213,070)	(158,842)	(145,112)	13,730	(198,379)	14,691	(4,581)	19,272
Other	(262,100)	(225,550)	(208,791)	16,759	(245,341)	16,759	27,130	(10,371)
Bad Debt Provision	316,000	0	29,000	29,000	100,000	(216,000)	0	(216,000)
TOTAL INCOME	(21,099,170)	(15,986,745)	(15,876,727)	110,018	(21,233,190)	(134,020)	(895)	(133,125)
Non Repairs & Maintenance Expenditure								
Tenant Participation	241,070	180,831	153,785	(27,046)	213,006	(28,064)	(31,475)	3,411
Rent Administration	543,340	407,518	400,192	(7,326)	537,534	(5,806)	(4,820)	(986)
Estate Management	644,500	483,394	405,937	(77,457)	568,343	(76,157)	(93,445)	17,288
Other Revenue								
Expenditure	1,763,630	1,251,024	1,213,857	(37,167)	1,928,630	165,000	(53,454)	218,454
Total Non R & M Expenditure	3,192,540	2,322,767	2,173,771	(148,996)	3,247,513	54,973	(183,194)	238,167
Repairs and Maintenance								
Housing Maintenance Unit (HMU)	5,470,600	4,103,008	3,670,684	(432,324)	5,397,293	(73,307)	(64,756)	(8,551)
Building Maintenance Staff (non HMU)	1,211,860	908,906	861,732	(47,174)	1,156,556	(55,304)	(53,489)	(1,815)
Other Repairs and Maintenance	752,320	574,757	584,721	9,964	720,032	(32,288)	4,042	(36,330)
Total Repairs & Maintenance	7,434,780	5,586,671	5,117,137	(469,534)	7,273,881	(160,899)	(114,202)	(46,697)

	Annual Budget 2023/24	Profiled Budget to Month 9	Actual to Month 9	Variance to Month 9	Year end Forecast	Year End Variance	Forecast variance at Month 6	Change from Q2 forecast
Year End Adjustments								
Capital Financing Charges	1,742,430	1,597,170	1,597,170	0	1,604,600	(137,830)	(130,830)	(7,000)
Interest Receivable	(200,000)	(529,956)	(529,956)	0	(529,956)	(329,956)	(124,000)	(205,956)
Recharge from Housing Services	100,090	0	0	0	100,090	0	0	0
Recharge from Central Services	785,550	0	0	0	785,550	0	0	0
Total Year End Adjustments	2,428,070	1,067,214	1,067,214	0	1,960,284	(467,786)	(254,830)	(212,956)
TOTAL REVENUE								
EXPENDITURE	13,055,390	8,976,652	8,358,122	(618,530)	12,481,678	(573,712)	(552,226)	(21,486)
TOTAL REVENUE (SURPLUS) / DEFICIT	(8,043,780)	(7,010,093)	(7,518,605)	(508,511)	(8,751,512)	(707,732)	(553,121)	(154,611)
CAPITAL EXPENDITURE ACCOUNT								
2023/24 Expenditure	19,988,000	12,957,740	13,361,858	404,118	20,529,424	541,424	1,889,802	(1,348,378)
Grant Funding	(6,205,000)	0	0	0	(8,396,000)	(2,191,000)	(1,680,000)	(511,000)
Other Contributions	(693,460)	0	0	0	(580,381)	113,079	0	113,079
TOTAL CAPITAL (SURPLUS) / DEFICIT	13,089,540	12,957,740	13,361,858	404,118	11,553,043	(1,536,497)	209,802	(1,746,299)
NET (INCREASE) / DECREASE IN HRA RESERVE	5,045,760	5,947,647	5,843,253	(104,393)	2,801,531	(2,244,229)	(343,319)	(1,900,910)
Opening HRA Balance	(12,107,000)				(12,107,000)			
Net (Increase) / Decrease in HRA Reserve	5,045,760				2,801,531			
Closing HRA Balance	(7,061,240)	0	0	0	(9,305,469)	0		

HOUSING REVENUE ACCOUNT CAPITAL BUDGET 2023/24

Appendix B

	Annual Budget 2023/24	Profiled Budget to Month 9	Actuals to Month 9	Variance to Month 9	Year End Forecast	Year End Variance	Forecast Variance at Month 6	Change from Q2 Forecast
	£	£	£	£	£	£	£	£
Central Heating Contract	1,250,000	805,000	692,909	(112,091)	1,100,000	(150,000)	0	(150,000)
Planned Maintenance Contract	4,450,000	2,635,000	2,634,238	(762)	4,450,000	0	0	0
Energy Performance Improvement	600,000	450,000	0	(450,000)	0	(600,000)	(500,000)	(100,000)
Environmental Works	700,000	400,000	174,654	(225,346)	400,000	(300,000)	(100,000)	(200,000)
Acquisition of Existing Properties and Development of New Properties	10,288,000	6,668,740	7,862,307	1,193,567	11,879,424	1,591,424	2,389,802	(798,378)
Public Sector Adaptations	400,000	273,000	347,498	74,498	500,000	100,000	100,000	0
Fire Risk	400,000	191,000	115,557	(75,443)	300,000	(100,000)	0	(100,000)
WHQS	1,900,000	1,535,000	1,534,695	(305)	1,900,000	0	0	0
Total	19,988,000	12,957,740	13,361,858	404,118	20,529,424	541,424	1,889,802	(1,348,378)

NEW DEVELOPMENT BUDGET 2023/24

Appendix C

Scheme	Number of Additional Units	2023/24 Budget £	Expenditure to P9 £	Forecasted Expenditure P10 - 12 £	Total Forecasted Expenditure 2023/24 £	Forecasted Variance at Month 9 £	Variance at Month 6 £
Lôn Lwyd, Pentraeth	10	2,250,000		2,250,000	2,250,000	0	0
Extra Care Menai Bridge	55	250,000	78,517	30,000	108,517	-141,483	0
Plas Alltran, Caergybi	4	1,200,000	644,367.04	200,000	844,367	-355,633	0
Ysgol Llaingoch, Caergybi	26	4,000		0	0	-4,000	0
Cae Braenar, Caergybi	23	500,000	818,460	100,000	918,460	418,460	501,500
Parc y Coed, Llangejni Phase 1	12	990,000	961,583.10	0	961,583	-28,417	0
Clwb Cymdeithasol Biwmares	6	408,000	320,883	87,117	408,000	0	29,000
Renovation 16 Units	0	750,000	1,182,315	300,000	1,482,315	732,315	500,000
Buyback 16 Units	16	1,100,000	1,916,413	200,000	2,116,413	1,016,413	900,000
Niwbrwrch Old School Site	14	500,000	11,961	100,000	111,961	-388,039	-250,000
Ysgol Thomas Ellis Old School Site	43	50,000	23,405	0	23,405	-26,595	-27,193
Parc y Coed, Llangejni Phase 2	10	1,400,000	668,057	200,000	868,057	-531,943	0
Haulfryn Renovation and Phase 2	1	365,000	251,323	0	251,323	-113,677	-65,000
Pen y Coed, Rhostrehwfa	1	482,000	511,538	0	511,538	29,538	0
Stad y Bryn, Llanfaethlu	9			200,000	200,000	200,000	400,000
Garreg Lwyd Road, Caergybi	8		301,469	350,000	651,469	651,469	401,495
Schemes in pre planning stage		39,000	172,017	0	172,017	133,017	0
Total	238	10,288,000	7,862,307	4,017,117	11,879,424	1,591,424	2,389,802