

## Isle of Anglesey County Council

Report to:	<b>EXECUTIVE COMMITTEE</b>
Date:	<b>23 JULY 2024</b>
Subject:	<b>HOUSING REVENUE ACCOUNT BUDGET MONITORING, OUT-TURN 2023/24</b>
Portfolio Holder(s):	<b>COUNCILLOR R WILLIAMS – DEPUTY LEADER &amp; PORTFOLIO HOLDER FINANCE</b>
Head of Service / Director:	<b>MARC JONES - DIRECTOR OF FUNCTION (RESOURCES) &amp; SECTION 151 OFFICER (EXT. 2601)</b>
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Local Members:	<b>N/A</b>

### **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 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 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024.
4. **Overview**
  - 4.1 The HRA revenue surplus of £8,727k exceeds the budgeted level of surplus of £683k. More detail is shown in Appendix A.
  - 4.2 Capital expenditure has underspent by £182k at out-turn, as detailed in Appendix B below. Grant Income was £801k above the budget, and other contributions was £538k below the budget. Therefore, at out-turn the net capital expenditure was underspent by £444k. An additional £509k was received from the joint equity sale of 4 dwellings, this has been transferred to an earmarked reserve.

**4.3** The deficit (combining both revenue and capital) at out-turn was £3,918k, £1,127k less than the budget. This leaves the Closing HRA Reserve balance as £8,189k.

## **5. Income**

**5.1** At out-turn, the level of income received was £198k above the budget, as noted below.

**5.2** Rental income was £9k above the budget at out-turn.

**5.3** The overall level of bad debt provision was budgeted at 1.5% of rental income. However, rent recovery has been better than budgeted, therefore, at out-turn, the increase in the provision required to cover bad and doubtful debts was £169k below the budget.

**5.4** Service Charges have underachieved by £38k. Service charges cover costs incurred during the year on areas of expenditure where leaseholders are required to contribute and the income from service charges reflect the actual costs incurred i.e. the underachieved income is offset by lower expenditure.

**5.5** Other income has overachieved by £59k at out-turn, £70k of which relates to income received in relation to the profit-sharing arrangement in place with the Council's Stores supplier. Feed in tariff and insurance premium has underachieved by a combined amount of £9k. Other minor variances occurred amounting to £2k.

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

**6.1** At out-turn, non-repairs and maintenance expenditure was £60k above budget.

**6.2** Other revenue expenditure shows an overspend of £199k compared to the budget. This was mainly due to expenditure of £185k on Telecare switch from analogue to digital services provision, and on associated hardware.

**6.3** The Tenant Participation heading shows an underspend of £44k at out-turn. £20k of the underspend was due to vacant posts during the year, £13k related to environmental projects budget being overly ambitious, £7k relates to underspend on post and stationery. Other minor variances amount to a net underspend of £4k.

**6.4** The rent administration heading shows an underspend of £5k at out-turn.

**6.5** The Estate Management heading shows an underspend of £89k at out-turn, predominantly due to vacant posts.

## **7. Repairs and Maintenance**

**7.1** The Housing Maintenance Unit (HMU) shows an overspend of £73k at out-turn. New legislation has come into force, which expects Social Housing Landlords to provide suitable floor coverings at change of tenancy, this explains the majority of the overspend.

**7.2** Expenditure on non HMU building maintenance staff was £41k below the budget at out-turn, due to posts being vacant during the year.

**7.3** Other repairs and maintenance were £4k below budget at out-turn.

## 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. Capital Finance charges have underspent by £167k, interest receivable income has overachieved by £287k. 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. Recharges from central services has underspent by £16k and recharges from Housing to HRA has underspent by £103k. This is broken down between an underspend of £49k on non-staffing costs and a further £54k recharged from HRA to housing general following the year-end review of the HRA / General Fund split. At out-turn, year-end adjustments were £573k below budget.

## 9. Capital Expenditure

9.1 The gross capital budget for 2023/24 is £19,988k, the grant funding budget for 2023/24 was £6,205k, and other contributions budget is £693k. The overall position at the end of the financial year was an underspend of £182k on capital expenditure. (see Appendix B for a detailed breakdown). Grant income exceeded the budget by £801k. An additional £509k was received from the joint equity sale of 4 dwellings at Cilfach Clai, these capital receipts were transferred to an earmarked reserve. Other contributions were £538k lower than the budget. The net effect of the final position was that the capital budget was underspent by £444k. This balance is held in the HRA Reserve and is available for funding projects that have been deferred into the next financial year.

The Grant funding received during 2023/24 amounting to £7,006k, is summarised below: -

Source	Out-turn £
HCF	296,377
CADW	57,571
ICF Slippage	50,000
ICF DFG	73,676
General Capital Grant	274,948
WHQS	82,698
Place Making	250,000
Transitional Accommodation Capital Programme	458,847
Social Housing Grant (SHG)	901,578
Plas Alltran Homelessness Funding	267,651
Major Repairs Allowance (MRA)	2,690,000
Optimised Retrofit Programme 2023/24	872,899
Optimised Retrofit Programme 2022/23 – carried forward	370,584
Optimised Retrofit Programme Additional funding	89,848
Fire Safety Grant	269,494
<b>Total Grant Funding</b>	<b>7,006,171</b>

- 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 was initially earmarked for capital works undertaken by the Housing Maintenance Unit, predominantly at change of tenancy. However, WHQS works have progressed better than initially expected. As a result, the final expenditure amounted to £2,304k, resulting in an overspend of £404k in 2023/24. This was partly offset by the receipt of an additional £83k in capital grants. The kitchen replacement contract awarded during quarter 4 of 2022/23 has a final account that is yet to be agreed.
- 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 involved upgrades to fire alarm systems and replacement of fire doors. Fire compartmentation works were completed during quarter 3, and the installation of both fire suppression systems were completed during quarter 4. Due to the lack of availability of contractors, this project has underspent by £90k during 2023/24.
- 9.4** Public Sector Adaptations expenditure – During quarter 4, demand for medium or large-scale adaptations remained high. The expenditure on this project during 2023/24 was £422k, resulting in an overspend of £22k compared to the budget. Expenditure on Adaptations is demand led and, typically, involves the installation of stairlifts, level access showers and alterations to existing access arrangements. During quarter 4, a total of 8 Care Plans were cancelled following works surveys, which equates to a total underspend of circa £78k.
- 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. No expenditure was incurred on this project during 2023/24, therefore, this project has underspent by £600k at out-turn, which has been factored into our recent forecasts. The consultation process with the DNO progressed well during quarter 4 and a 5-year Solar PV contract is due to be released for tender during quarter 1 of 2024/25.
- 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 was fully committed, and work commenced on site at the end of June. This contract, together with committed expenditure carried forward from 2022/23, was initially expected to utilise the £4,450k budget in full, however, at out-turn, the actual spend was £4,138k, resulting in an underspend of £312k during the year. There have been procurement issues during this contract in obtaining the specified Welsh slates for re-roofing, which has resulted in a major delay to the contract. The extension of time to the contract is yet to be agreed between the appointed project consultants and the contractor.

**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, did not progress as well as we had first anticipated. The Highway Services term contractor has prepared detailed designs for alternative sewage arrangements. Housing Services confirmed that proposed costs received during Q4 were far higher than expected, which prompted on-going discussions with Natural Resource Wales officers around alternative solutions. The delay in this project has led to an underspend of £323k in 2023/24.

**9.8** Central Heating Contract Expenditure - During 2023/24, Housing Services aimed to replace approximately 500 boilers with a budget of £1,250k allocated for the project. A contract was awarded for this year's boiler replacement programme during quarter 1. Despite forecasting an underspend of £150k in quarter 3, works progressed much better than expected during quarter 4. The expenditure on this scheme during 2023/24 amounted to £1,232k, which is an underspend of £17k.

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

Due to unforeseen delays with the Plas Alltran site, not all works paid for by the CADW grant had been fully completed by the 31/03/2024, therefore, CADW have reduced the grant accordingly. Likewise, with the TACP grant, less work was completed on these properties than envisaged, therefore, the grant allocation has reduced accordingly. The remainder of the TACP grant will be paid in 2024/25 upon completion of the works. With the Social Housing Grant, a figure of £1,500k was included towards the acquisition of 10 properties in Pentraeth. The Council will not acquire these until Quarter 1 of 2024-25 and the grant will be claimed during this financial year. For the remainder of the Social Housing Grant, Welsh Government has advised that, unless schemes have received SAB approval, they will not pay for any construction work until approval is given. This explains the shortfall in SHG grant amount for three schemes. The grants will, however, be claimed during the 2024/25 financial year. We overachieved on our buy back and renovation projects during the year, works progressed better than initially anticipated on the renovations and we purchased an additional 3 properties during quarter 4.

## 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, based on the above, we will only use £3,918k in 2023/24. This will give a reserve balance of £8,189k 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.

<b>Ch – Is this decision consistent with policy approved by the full Council?</b>		
Yes		
<b>D – Is this decision within the budget approved by the Council?</b>		
Yes		
<b>Dd – Assessing the potential impact (if relevant):</b>		
<b>1</b>	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.
<b>2</b>	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?	Not applicable
<b>3</b>	Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom.	Not applicable
<b>4</b>	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.
<b>5</b>	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	Not applicable
<b>6</b>	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	Not applicable
<b>7</b>	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>
<b>1</b>	Chief Executive / Leadership Team (LT) (mandatory)	The report was considered by the Leadership Team at its meeting on 4 June 2024. Any comments will have been incorporated into the report.
<b>2</b>	Finance / Section 151 (mandatory)	N/A – this is the Section 151 Officer's report.
<b>3</b>	Legal / Monitoring Officer (mandatory)	The Monitoring Officer is a member of the Leadership Team and comments will have been considered at the meeting on 4 June 2024.
<b>4</b>	Human Resources (HR)	N/A
<b>5</b>	Property	N/A

<b>6</b>	Information Communication Technology (ICT)	N/A
<b>7</b>	Procurement	N/A
<b>8</b>	Scrutiny	The results of the HRA quarterly monitoring reports are reported to the Finance Scrutiny Panel.
<b>9</b>	Local Members	N/A

**F - Appendices:**

- Appendix A – Revenue expenditure out-turn 2023/24
- Appendix B – Capital expenditure out-turn 2023/24
- Appendix C – New Build capital schemes out-turn 2023/24

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

- HRA 30 Year Business Plan 2023/53 (as approved by this Committee in May 2023).

## APPENDIX A

HOUSING REVENUE ACCOUNT 2023/24					
	Annual Budget 2023/24	Outturn	Outturn Variance	Forecast at Q3	Change from Q3 Forecast
REVENUE ACCOUNT	£	£	£	£	£
<b>Income</b>					
Dwellings	(20,693,000)	(20,702,436)	(9,436)	(20,642,747)	(59,689)
Garages	(247,000)	(245,727)	1,273	(246,723)	996
Service Charges	(213,070)	(175,272)	37,798	(198,379)	23,107
Other	(262,100)	(320,695)	(58,595)	(245,341)	(75,354)
Bad Debt Provision	316,000	147,210	(168,790)	100,000	47,210
<b>TOTAL INCOME</b>	<b>(21,099,170)</b>	<b>(21,296,920)</b>	<b>(197,750)</b>	<b>(21,233,190)</b>	<b>(63,730)</b>
<b>Non Repairs &amp; Maintenance Expenditure</b>					
Tenant Participation	241,070	196,759	(44,311)	213,006	(16,247)
Rent Administration	543,340	538,071	(5,269)	537,534	537
Estate Management	644,500	555,765	(88,735)	568,343	(12,578)
Other Revenue Expenditure	1,763,630	1,962,399	198,769	1,928,630	33,769
<b>Total Non Repairs &amp; Maintenance Expenditure</b>	<b>3,192,540</b>	<b>3,252,994</b>	<b>60,454</b>	<b>3,247,513</b>	<b>5,481</b>
<b>Repairs and Maintenance</b>					
Housing Maintenance Unit (HMU)	5,470,600	5,543,116	72,516	5,397,293	145,823
Building Maintenance Staff (non HMU)	1,211,860	1,171,071	(40,789)	1,156,556	14,515
Other Repairs & Maintenance	752,320	748,308	(4,012)	720,032	28,276
<b>Total Repairs &amp; Maintenance</b>	<b>7,434,780</b>	<b>7,462,495</b>	<b>27,715</b>	<b>7,273,881</b>	<b>188,614</b>
<b>Year End Adjustments</b>					
Capital Financing Charges	1,742,430	1,575,603	(166,827)	1,604,600	(28,997)
Interest Receivable	(200,000)	(486,538)	(286,538)	(529,956)	43,418
Recharge from Housing Services	100,090	(3,310)	(103,400)	100,090	(103,400)
Recharge from Central Services	785,550	769,133	(16,417)	785,550	(16,417)
<b>Total Year End Adjustments</b>	<b>2,428,070</b>	<b>1,854,889</b>	<b>(573,181)</b>	<b>1,960,284</b>	<b>(105,395)</b>
<b>TOTAL REVENUE EXPENDITURE</b>	<b>13,055,390</b>	<b>12,570,378</b>	<b>(485,012)</b>	<b>12,481,678</b>	<b>88,700</b>
<b>TOTAL REVENUE (SURPLUS) / DEFICIT</b>	<b>(8,043,780)</b>	<b>(8,726,542)</b>	<b>(682,762)</b>	<b>(8,751,512)</b>	<b>24,970</b>

	Annual Budget 2023/24	Outturn	Outturn Variance	Forecast at Q3	Change from Q3 Forecast
<b>CAPITAL EXPENDITURE ACCOUNT</b>					
2023/24 Expenditure	19,988,000	19,806,212	(181,788)	20,529,424	(723,212)
Grant Funding	(6,205,000)	(7,006,171)	(801,171)	(8,396,000)	1,389,829
Other Contributions	(693,460)	(155,000)	538,460	(580,381)	425,381
<b>TOTAL CAPITAL (SURPLUS) / DEFICIT</b>	<b>13,089,540</b>	<b>12,645,041</b>	<b>(444,499)</b>	<b>11,553,043</b>	<b>1,091,998</b>
<b>NET (INCREASE) / DECREASE IN HRA RESERVE</b>	<b>5,045,760</b>	<b>3,918,499</b>	<b>(1,127,261)</b>	<b>2,801,531</b>	<b>1,116,968</b>
Opening HRA Balance	(12,107,000)	(12,107,000)		(12,107,000)	0
Net (Increase) / Decrease in HRA Reserve	5,045,760	3,918,499		2,801,531	
<b>Closing HRA Balance</b>	<b>(7,061,240)</b>	<b>(8,188,501)</b>	<b>0</b>	<b>(9,305,469)</b>	<b>0</b>

**CAPITAL BUDGET 2023/24**

**APPENDIX B**

	<b>Annual Budget 2023/24</b>	<b>Annual Expenditure</b>	<b>Year End Variance</b>	<b>Forecast at Q3</b>	<b>Change between Q3 forecast and out-turn</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Central Heating Contract	1,250,000	1,232,870	(17,130)	1,100,000	132,870
Planned Maintenance Contract	4,450,000	4,138,401	(311,599)	4,450,000	(311,599)
Energy Performance Improvement	600,000	0	(600,000)	0	0
Environmental Works	700,000	376,930	(323,070)	400,000	(23,070)
Acquisition of Existing Properties and Development of New Properties	10,288,000	11,022,219	734,219	11,879,424	(857,205)
Public Sector Adaptations	400,000	422,246	22,246	500,000	(77,754)
Fire Risk	400,000	309,538	(90,462)	300,000	9,538
WHQS	1,900,000	2,304,009	404,009	1,900,000	404,009
<b>Total</b>	<b>19,988,000</b>	<b>19,806,212</b>	<b>(181,788)</b>	<b>20,529,424</b>	<b>(723,211)</b>

## NEW DEVELOPMENT BUDGET 2023/24

## APPENDIX C

Scheme	Number of Additional Units	2023/24 Budget £	Annual Expenditure £	Year End Variance £	Q3 Forecast £	Variance between Q3 forecast and out-turn £
Lôn Lwyd, Pentraeth	10	2,250,000	0	(2,250,000)	2,250,000	(2,250,000)
Extra Care Menai Bridge	55	250,000	140,952	(109,049)	108,517	32,435
Plas Alltran, Caergybi	4	1,200,000	1,082,827	(117,173)	844,367	238,460
Ysgol Llaingoch, Caergybi	26	4,000	0	(4,000)	0	0
Cae Braenar, Caergybi	23	500,000	978,642	478,642	918,460	60,182
Parc y Coed, Llangefni Phase 1	12	990,000	1,071,130	81,130	961,583	109,547
Clwb Cymdeithasol Biwmares	6	408,000	379,387	(28,613)	408,000	(28,613)
Renovation 16 Units	0	750,000	1,667,085	917,085	1,482,315	184,770
Buyback 16 Units	20	1,100,000	2,462,735	1,362,735	2,116,413	346,323
Niwbwrrch Old School Site	14	500,000	244,308	(255,692)	111,961	132,348
Ysgol Thomas Ellis Old School Site	43	50,000	32,315	(17,685)	23,405	8,910
Parc y Coed, Llangefni Phase 2	10	1,400,000	1,032,217	(367,783)	868,057	164,161
Haulfryn Renovation and Phase 2	1	365,000	309,756	(55,244)	251,323	58,432
Pen y Coed, Rhostrehwfa	1	482,000	511,538	29,538	511,538	0
Stad y Bryn, Llanfaethlu	9	0	4,100	4,100	200,000	(195,900)
Garreg Lwyd Road, Caergybi	8	0	1,035,557	1,035,557	651,469	384,088
Schemes in pre planning stage		39,000	69,670	30,670	172,017	(102,347)
<b>Total</b>	<b>242</b>	<b>10,288,000</b>	<b>11,022,219</b>	<b>734,219</b>	<b>11,879,424</b>	<b>(857,205)</b>