

Isle of Anglesey County Council

Report to:	EXECUTIVE COMMITTEE
Date:	24 SEPTEMBER 2024
Subject:	HOUSING REVENUE ACCOUNT - BUDGET MONITORING, QUARTER 1 2024/25
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 1 2024/25.
 - (ii) The forecast outturn for 2024/25.
2. **Background**
 - (i) The report here shows the revenue budget with a budgeted surplus of £8,369k.
 - (ii) The gross capital budget for 2024/25 is £29,573k. Grant funding budget of £10,578k and £510k earmarked reserve balance reduces the net budget to £18,485k.
 - (iii) The combination of both the revenue budget and adjusted capital budget gave a planned budget deficit of £10,116k. £7,011k is to be funded from the HRA reserve, with the balance of £3,105k to be funded by external borrowing.
 - (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 2024 to 31st March 2025.
4. **Overview**
 - 4.1 The HRA revenue surplus / deficit at the end of quarter 1 shows an underspend of £270k, compared to the profiled budget. The forecast at year end is an underspend of £23k. More detail is shown in Appendix A.
 - 4.2 The Capital expenditure is £93k below the profiled budget at the end of quarter 1. However, it is forecasted to be on budget at year end, as explained in Appendix B below. The £10,578k budget for grant income is expected to be achieved in full and £509k from the earmarked reserve will be utilised in full by year end.

4.3 The forecast deficit (combining both revenue and capital) is now £10,093k, £23k less than the budget.

5. Income

5.1 At the end of quarter 1, income was £68k below profiled budget. The shortfall on rental income of £57k is partly due to fewer rentable properties compared to the budget and partly due to timing differences of new properties transferring to rentable stock. The remaining shortfall of £11k is mainly due to lower than expected income from the Feed in Tariff. We are forecasting underachieved income of £67k at year end.

6. Non-Repairs and Maintenance Expenditure

6.1 At the end of quarter 1, non-repairs and maintenance expenditure was £18k above the profiled budget. The main drivers of this result is an underspend in the estates management team of £16k on staffing costs (secondments outside HRA, pay awards 2024 still due), and an overspend of £36k, which is mainly due to timing differences between budget and actual expenditure in relation to HRA IT systems. We are forecasting an overspend of £37k at year end.

7. Repairs and Maintenance

7.1 At the end of quarter 1, there was an underspend of £355k on repairs and maintenance. Most of the underspend is within the Housing Maintenance Unit (HMU) at £306k below budget. This is a combination of several factors:-

- (i)** underspends on staffing costs due to vacant posts and pay awards 2024 still due (£25k below budget);
- (ii)** lower than budgeted spend on materials from stores, £127k below budget. This is expenditure mostly against demand-led work and may change within the year. Nevertheless, based on current levels of activity, we are forecasting a year end underspend of £150k;
- (iii)** lower than budgeted spend on subcontractors, £149k below budget. This is, again, spending mostly against demand-led work, and may change within the year. We are currently forecasting a year end underspend of £156k;
- (iv)** additional underspend on transport (vehicles budgeted for use by operative staff in posts which are vacant), as well as some other general variation in expenditure.

7.2 Expenditure on non HMU building maintenance staff is £47k below the profiled budget at the end of quarter 1, which is partly due to vacant posts and partly due to pay awards 2024 still due.

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 the end of quarter 1, we are forecasting a break-even position at year end.

9. Capital Expenditure

9.1 The gross capital budget for 2024/25 is £29,573k, the grant funding budget for 2024/25 is £10,578k and other contributions budget is £510k. We are forecasting a break even position on capital expenditure (see Appendix B for a detailed breakdown) and we are forecasting a breakeven position on grant income. We are also forecasting to use the £509k from earmarked reserve in full.

The Grant funding forecast of £10,578k is summarised in the table below:-

Source	Quarter 1 Forecast £
HCF	100,000
CADW	73,676
Welsh Housing Quality Standard (WHQS)	324,730
Transitional Accommodation Capital Programme	568,157
Social Housing Grant (SHG)	5,582,609
Major Repairs Allowance (MRA)	2,690,000
Optimised Retrofit Programme 2024/25	872,899
Optimised Retrofit Programme 2024/25 Additional Allocation	366,268
Total Grant Funding	10,578,339

- 9.2 WHQS expenditure – The £2,700k budget is split as follows:- £1,500k to tackle WHQS refusals and capital elements upgraded at change of tenancy, such as replacement kitchens, bathrooms and re-wiring systems as they reach the end of their life cycles. The remainder of £1,200k towards establishing a 5 year programme for the replacement of kitchens which now exceed 15 years in age. It is anticipated that the contract will be tendered and evaluated during quarter 2. It is forecasted that the budget will be utilised in full during 2024/25.
- 9.3 Fire Risk expenditure – The £400k budget is planned to be spent on ensuring compliance with the Regulatory Reform Order 2005. Proposed measures will primarily involve replacement of (FD60) flat fire doors and upgrading fire alarm systems servicing blocks of flats. The fire door replacement contract will be tendered and awarded during quarter 2. It is forecasted that the budget will be utilised in full during 2024/25.
- 9.4 Public Sector Adaptations expenditure – Housing Services expects that demand for medium or large-scale adaptations will remain high and the allocated budget of £500k will fund works such as installing stair-lifts, level access showers, ramps and extensions. It is forecasted that the budget will be utilised in full during 2024/25.
- 9.5 Energy Performance expenditure – During quarter 1, contract documents were prepared with a view to establishing a 5 year programme for the longer term delivery of renewable energy and decarbonisation measures. The contract, primarily involving the installation of Solar PV systems across the housing stock, which has now been approved by SPEN subject to the inclusion of Export Limitation measures being included within the installations, will be tendered and awarded during quarter 2. Subject to successful award of contract, the budget of £1,700k will be utilised in full during 2024/25.

- 9.6** Planned Maintenance expenditure – The total budget allocated for traditional Planned Maintenance work is £6,216k, which includes carried forward commitment on schemes which were awarded and commenced on site during 2023/24. Carried forward commitment primarily involves the continuation of work at Maes Cynfor, Cemaes Bay Phase 2 and Morrison Crescent, Holyhead. Housing Services aim to tender a further Planned Maintenance Contract, namely Tan y Bryn, Valley Phase 2, during quarter 2 and expects that successful award of contract will fully commit the budget for 2024/25.
- 9.7** Environmental Works Expenditure – A total budget of £500k is allocated towards environmental improvements in 2024/25. A proportion of this budget will be utilised to continue with the programmed demolition of certain garages at Llangefni, Moelfre and Amlwch, which are no longer viable to maintain. In addition, the budget will be utilised for targeted estate improvements and upgrading treatment plants owned and operated by Housing Services. It is forecasted that the budget will be utilised in full during 2024/25.
- 9.8** Central Heating Contract Expenditure - During 2024/25, Housing Services aim to replace approximately 600 boilers, with a budget of £1,600k allocated for the project. A contract was awarded for this year's primary boiler replacement programme during quarter 1. It is anticipated that expenditure will increase and remain constant throughout quarters 2, 3 and 4. It is forecasted that the budget will be utilised in full during 2024/25.
- 9.9** Fleet Renewal – The budget allocates the sum of £300k to commence a rolling programme of renewing the Building Maintenance Unit's vehicular fleet, primarily the van stock utilised by operatives.
- 9.10** Acquisition of Existing Properties and Development of new properties - The budget of £15,657k is expected to be utilised in full during 2024/25. See Appendix C for a detailed breakdown of schemes.

10. HRA Balance

- 10.1** The opening balance of the HRA reserve stood at £8,189k. The budget allowed for the use of £7,011k of this balance, leaving the minimum level of reserve balance of £1,177k set out by the Section 151 Officer, which equates to 5% of the income budget for 2024/25.

11. HRA Borrowing

- 11.1** The net revenue / capital deficit budgeted for the year is £10,116k. This is funded by £7,011k from the HRA reserve and £3,105k in external borrowing. We are forecasting an underspend of £23k at year end, therefore, the forecasted external funding requirement has reduced by the same amount.

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 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 LT at its meeting on 3 September 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 LT and comments will have been considered at the meeting on 3 September 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:

- Appendix A – Revenue expenditure and forecasts to end of quarter 1 2024/25.
- Appendix B – Capital expenditure and forecast to end of quarter 1 2024/25.
- Appendix C – New Build capital schemes and forecast to end of quarter 1 2024/25.

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

- HRA 30 Year Business Plan 2024-2054 (as approved by this Committee in May 2024).

HRA ACCOUNT 2024/25						
	Annual Budget 2024/25	Profiled Budget to Month 3	Actual to Month 3	Variance to Month 3	Year end Forecast	Year End Variance
REVENUE ACCOUNT						
Income	£	£	£	£	£	£
Dwellings	(22,764,700)	(5,691,176)	(5,634,205)	56,971	(22,707,729)	56,971
Garages	(267,820)	(66,956)	(66,192)	764	(267,056)	764
Service Charges	(185,730)	(46,433)	(45,016)	1,417	(184,313)	1,417
Other	(233,340)	(29,337)	(20,585)	8,752	(225,839)	7,501
Bad Debt Provision	341,470	0	0	0	341,470	0
TOTAL INCOME	(23,110,120)	(5,833,902)	(5,765,998)	67,904	(23,043,467)	66,653
Non Repairs & Maintenance Expenditure						
Tenant Participation	252,940	62,795	58,925	(3,870)	258,373	5,433
Rent Administration	450,530	111,851	112,971	1,120	453,532	3,002
Estate Management	684,480	170,827	154,724	(16,103)	674,706	(9,774)
Other Revenue Expenditure	2,354,450	556,131	592,682	36,551	2,392,606	38,156
Total Non R & M Expenditure	3,742,400	901,604	919,302	17,698	3,779,217	36,817
Repairs and Maintenance						
Housing Maintenance Unit (HMU)	6,576,240	1,633,814	1,327,867	(305,947)	6,469,775	(106,465)
Building Maintenance Staff (non HMU)	1,192,960	297,750	250,544	(47,206)	1,171,507	(21,453)
Other Repairs and Maintenance	1,098,220	322,293	320,193	(2,100)	1,099,990	1,770
Total Repairs & Maintenance	8,867,420	2,253,857	1,898,604	(355,253)	8,741,272	(126,148)
Year End Adjustments						
Capital Financing Charges	1,646,000	0	0	0	1,646,000	0
Interest Receivable	(400,000)	0	0	0	(400,000)	0
Recharge from Housing Services	53,870	0	0	0	53,870	0
Recharge from Central Services	831,260	0	0	0	831,260	0
Total Year End Adjustments	2,131,130	0	0	0	2,131,130	0

TOTAL REVENUE	14,740,950	3,155,461	2,817,906	(337,555)	14,651,619	(89,331)
EXPENDITURE						
TOTAL REVENUE	(8,369,170)	(2,678,441)	(2,948,092)	(269,651)	(8,391,848)	(22,678)
(SURPLUS) / DEFICIT						

CAPITAL EXPENDITURE ACCOUNT						
2024/25 Expenditure	29,573,006	6,572,000	6,479,215	(92,785)	29,573,006	0
Grant Funding	(10,578,339)	0	0	0	(10,578,339)	0
Other Contributions	(509,441)	0	0	0	(509,441)	0
TOTAL CAPITAL	18,485,226	6,572,000	6,479,215	(92,785)	18,485,226	0
(SURPLUS) / DEFICIT						
Funded By						
Revenue surplus	(8,369,170)	0	0	0	(8,391,848)	(22,678)
HRA reserve	(7,011,400)	0	0	0	(7,011,400)	0
Unsupported borrowing	(3,104,656)	0	0	0	(3,081,978)	22,678
Total Funding of Capital	(18,485,226)	0	0	0	(18,485,226)	0
Expenditure						
Opening HRA Balance	(8,188,500)	0	0	0	(8,188,500)	0
Net (Increase) / Decrease	7,011,400	0	0	0	7,011,400	0
in HRA Reserve						
Closing HRA Balance	(1,177,100)	0	0	0	(1,177,100)	0

HOUSING REVENUE ACCOUNT CAPITAL BUDGET 2024/25

Service	Annual Budget 2024/25 £	Profiled Budget to Month 3 £	Actuals to Month 3 £	Variance to Month 3 £	Year End Forecast £	Year End Variance £
Housing HRA						
Central Heating Contract	1,600,000	100,000	84,327	(15,673)	1,600,000	0
Planned Maintenance Contract	6,216,006	1,200,000	1,185,792	(14,208)	6,216,006	0
Energy Performance Improvement	1,700,000	2,000	0	(2,000)	1,700,000	0
Environmental Works	500,000	60,000	62,892	2,892	500,000	0
Acquisition of Existing Properties and Development of New Properties	15,657,000	4,700,000	4,731,154	31,154	15,657,000	0
Public Sector Adaptations	500,000	125,000	106,544	(18,456)	500,000	0
Fire Risk	400,000	80,000	4,071	(75,929)	400,000	0
WHQS	2,700,000	305,000	304,435	(565)	2,700,000	0
Fleet Renewal	300,000	0	0	0	300,000	0
TOTAL CAPITAL EXPENDITURE	29,573,006	6,572,000	6,479,215	(92,785)	29,573,006	0

NEW DEVELOPMENT BUDGET 2024/25

Scheme	Number of Additional Units	2024/25 Budget	Expenditure to Month 3	Forecasted Expenditure Month 4 - 12	Total Forecasted Expenditure 2024/25	Variance Forecasted at Q1
		£	£	£	£	£
Lôn Lwyd, Pentraeth	10	2,723,500	2,723,500	0	2,723,500	0
Extra Care Menai Bridge	55	100,000	35,911	64,089	100,000	0
Plas Alltran, Caergybi	4	238,000	88,014.30	149,986	238,000	0
Cae Braenar, Caergybi	23	4,000,000	514,398	3,485,602	4,000,000	0
Renovation 15 Units	0	1,000,000	447,353	552,647	1,000,000	0
Buyback 15 Units	15	1,500,000	0	1,500,000	1,500,000	0
Niwbwrch Old School Site	14	2,500,000	1,925	2,498,075	2,500,000	0
Ysgol Thomas Ellis Old School Site	43	21,500	6,315	15,186	21,500	0
Parc y Coed, Llangejni Phase 2	10	294,000	143,514	150,486	294,000	0
Stad y Bryn, Llanfaethlu	9	2,175,000	477,239	1,697,761	2,175,000	0
Plas Penlan, Llangejni	12	50,000	5,418	44,582	50,000	0
Maes Mona, Amlwch	40	60,000	3,816	56,184	60,000	0
Garreg Lwyd Road, Caergybi	8	865,000	326,842	538,158	865,000	0
Retentions Carried Forward	0	0	-45,563	45,563	0	0
Schemes in Pre Planning Stage		130,000	2,473	127,527	130,000	0
Total	243	15,657,000	4,731,154	10,925,846	15,657,000	0