

## Isle of Anglesey County Council

Report to:	EXECUTIVE COMMITTEE
Date:	26 NOVEMBER 2024
Subject:	HOUSING REVENUE ACCOUNT BUDGET MONITORING, QUARTER 2 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 2 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 £10,578 and £509k 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, of which £7,011k is to be funded from the HRA reserve, with the balance of £3,104k 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 1<sup>st</sup> April 2024 to 31<sup>st</sup> March 2025.
4. **Overview**
  - 4.1 The HRA revenue surplus at the end of quarter 2 shows an underspend of £604k compared to the profiled budget. The forecast at year end is an overspend of £424k. More detail is given in Sections 5 to 8 below and in Appendix A.
  - 4.2 Capital expenditure is forecasted to be £1,023k above budget at year end, as explained in Section 9 below and in Appendices B and C. Grant income is expected to be overachieved by £1,612k, and we are also expecting additional £128k in capital receipts.
  - 4.3 The forecast deficit (combining both revenue and capital) is now £9,823k, £293k less than the budget.

## **5. Income**

**5.1** At the end of quarter 2, income was £219k below profiled budget. The shortfall on rental income of £123k is mostly due to higher-than-expected number of void properties compared to the budget, and partly due to timing differences of new properties transferring to rentable stock. The remaining shortfall of £96k is mainly due to timing differences between the budget and actual receipts on other income. We are forecasting underachieved income of £162k at year end.

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

**6.1** At the end of quarter 2, non-repairs and maintenance expenditure was £56k above the profiled budget. The main driver of this result is an underspend in the estates management team of £24k on staffing costs (secondments outside HRA, pay awards 2024 still due), and an overspend of £82k, which is mainly due to timing differences between budget and actual expenditure in relation to HRA IT systems. We are forecasting a potential overspend of up to £193k at year end. If realised, this will be mainly driven by an additional spend of up to £140k in relation to transition to a new housing IT system contract. This substantial price increase is due to two factors: firstly, our current contract had prices locked about 10 years ago, and the new contract will adjust to current prices; and secondly, the manufacturer is switching from a one-off product price + maintenance to a subscription-based model. The systems team is currently evaluating the best option to make the transition.

## **7. Repairs and Maintenance**

**7.1** At the end of quarter 2, there was an underspend of £879k on repairs and maintenance. Most of the underspend is within the Housing Maintenance Unit (HMU), at £790k below budget. This is a combination of several factors:-

- (i)** primarily, due to our stores operator transitioning to a new finance system, we are experiencing a severe delay in incoming invoices. Together with invoicing delays by our other subcontractors, the delay is estimated at about £700k.
- (ii)** additional underspend on transport (vehicles budgeted for use by operative staff in posts which are vacant), as well as staffing underspend due to vacant posts and pay award 2024 still due.
- (iii)** Overall, levels of expenditure within HMU have increased year on year, both due to price increase and volume of work, and we are projecting a year-end overspend of about £93k.

**7.2** Expenditure on non HMU building maintenance staff is £83k below the profiled budget at the end of quarter 2, which is partly due to vacant posts and partly 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 2, 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 is £10,578k, and other contributions budget is £509k. We are forecasting an increased spend on capital expenditure (see Appendix B for a detailed breakdown), as well as increased income in grants and an additional capital receipt of £128k to be used together with the £509k from earmarked reserve in full.

The Grant funding forecast of £12,190k is summarised below:-

Source	Quarter 2 Forecast £
Housing with Care Fund (HCF)	584,158
CADW	73,676
Welsh Housing Quality Standard (WHQS)	324,730
Transitional Accommodation Capital Programme	1,184,124
Social Housing Grant (SHG)	6,094,538
Major Repairs Allowance (MRA)	2,690,000
Optimised Retrofit Programme 2024/25	872,899
Optimised Retrofit Programme 2024/25 Additional Allocation	366,268
<b>Total Grant Funding</b>	<b>12,190,393</b>

- 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. The contract was tendered and evaluated during quarter 2. It is forecasted that the budget will be utilised in full during 2024/25, if 2 successful contractors are awarded contracts during quarter 3.
- 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 was 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, was tendered and awarded during quarter 2. Subject to successful award of contract during quarter 3, we will aim to utilise the budget of £1,700k 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 tendered and awarded a further Planned Maintenance Contract, namely Tan y Bryn, Valley, Phase 2, during quarter 2, which has contractually committed the budget for 2024/25. The Tan y Bryn contract will involve carried forward commitment to 2025/26, and Housing forecast that the planned maintenance budget for this year will be £1.0m underspent.
- 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. Discussions continue with Natural Resources Wales in respect of upgrading a treatment plant at Carreglefn, and it is unlikely that a scheme will be agreed and on site during the current financial year. It is forecasted that the budget will not 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. Following a mid-term review of final property numbers, it is forecasted that the budget will be underspent by £300k at year end.
- 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 exceeded during 2024/25, resulting in a total spend of £18,180k.
- Projects completed or nearing completion  
Lôn Lwyd in Pentraeth and Parc y Coed (Phase 2) in Llangefni are complete and are adding 10 and 6 new intermediate rent units to HRA stock. Additionally, 4 units at Parc y Coed will be available for sale.
- Plas Alltran in Holyhead and Garreg Lwyd Road in Holyhead will add 12 units to the HRA social rent housing stock. Plas Alltran is facing an increased spend in 2024/25, brought forward due to delays in 2023/24.

- **Collaboration with Social Services**  
There are three active projects where HRA collaborates with the Council's Social Services department. The development of the extra care facility in Menai Bridge is experiencing delays and no substantial works are expected to take place in 2024/25. A property in Gwalchmai has been acquired with a HCF grant and will be refurbished at the cost to HRA. A new extension to a property in Bodorgan will be developed with a HCF grant.
- **Other developments**  
New developments at Cae Braenar in Holyhead and Stad y Bryn in Llanfaethlu are progressing well, with Cae Braenar projected to be on budget and Stad y Bryn to overspend by about 10% this year, due to faster than planned progress, which will reduce expenditure on the project in 2025/26. On the other hand, the development at the Newborough Old School Site was planned to start in January 2024, but the start of works was delayed until June. This will result in reduced spend in 2024/25 of about £700k, which will slip into 2025/26.
- **New projects in initial stages and pre-planning**  
Several projects are in their initial stages, namely developments at Plas Penlan in Llangefni, Maes Mona in Amlwch and at Ysgol Corn Hir in Llangefni. Plas Penlan and Ysgol Corn Hir are both expected to spend more due to the cost of the site not having been included in the 2024/25 budget. The development project at Ysgol Parch Thomas Ellis site has been put on hold due to planning issues and has, for now, been removed from the list of active projects. Its original budget of £21k has been reallocated to the Garreg Lwyd development.

Projects in pre-planning stages include development and re-development at Maes William Williams in Amlwch, Tan Y Foel in Llanerchymedd, Ysgol y Parc in Holyhead and Pencraig Mansions in Llangefni. In 2024/25, the spend on these projects is expected to be in the region of £30k.

- **Buybacks and renovations**  
The annual plan includes acquisition of 15 former Council properties and their renovation. The acquisition plan is well under way, with all properties identified and seven already completed at the end of quarter 2. An application for a Transitional Accommodation Capital Programme (TACP) grant was successful and, as a result, £795k will be available towards the purchases.

Renovations are mostly being carried out on properties acquired in the last financial year. To end of quarter 2, £665k was spent on renovations, with a contribution from TACP grant of £390k. Existing projects, as well as works on new acquisitions, are expected to bring the total spend this financial year to £2.1m.

#### Overall position

Both new development contracts and buybacks and renovations are very active areas. At the end of quarter 2, we forecast that the budget of £15,567k approved at quarter 1 will be overspent by £2,523k, for a total spend of £18,180k.

Renovations especially are performing well over budget due to very dynamic development in the available opportunities, which are difficult to predict accurately, and contribute £1,300k to the projected overspend. Purchase of two sites, at Penlan and Corn Hir, accounts for another approximately £500k, and £560k is projected spend on two new projects in collaboration with Social Services. The remaining £163k overspend is a combination of expenditure brought forward and slipped between financial years and some over and underspend. Together with new funding opportunities, no extra borrowing will be required.

## 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 was budgeted to be funded by £7,011k from the HRA reserve and £3,105k in external borrowing. Due to increased projected grant income, we are forecasting that external borrowing will be reduced to £2,751k.

### **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
<b>E – Who did you consult?</b>		<b>What did they say?</b>
1	Chief Executive / Leadership Team (LT) (mandatory)	The report was considered by the LT at its meeting on 5 November 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 any comments will have been considered at the meeting on 5 November 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
<b>F - Appendices:</b>		
<ul style="list-style-type: none"> <li>• Appendix A – Revenue expenditure and forecasts to end of quarter 2 2024/25</li> <li>• Appendix B – Capital expenditure and forecast to end of quarter 2 2024/25</li> <li>• Appendix C – New Build capital schemes and forecast to end of quarter 2 2024/25</li> </ul>		
<b>Ff - Background papers (please contact the author of the Report for any further information):</b>		
<ul style="list-style-type: none"> <li>• HRA 30 Year Business Plan 2024-2054 (as approved by this Committee in May 2024).</li> </ul>		





<b>Year End Adjustments</b>								
Capital Financing Charges	1,646,000	0	0	0	1,646,000	0	0	0
Interest Receivable	(400,000)	0	0	0	(400,000)	0	0	0
Recharge from Housing Services	53,870	0	0	0	53,870	0	0	0
Recharge from Central Services	831,260	0	0	0	831,260	0	0	0
<b>Total Year End Adjustments</b>	<b>2,131,130</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,131,130</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL REVENUE EXPENDITURE</b>	<b>14,740,950</b>	<b>6,344,467</b>	<b>5,520,938</b>	<b>(823,529)</b>	<b>15,003,035</b>	<b>262,085</b>	<b>(89,331)</b>	<b>351,417</b>
<b>TOTAL REVENUE (SURPLUS) / DEFICIT</b>	<b>(8,369,170)</b>	<b>(5,888,336)</b>	<b>(6,492,547)</b>	<b>(604,211)</b>	<b>(7,945,564)</b>	<b>423,606</b>	<b>(22,678)</b>	<b>446,284</b>
<b>CAPITAL EXPENDITURE ACCOUNT</b>								
2024/25 Expenditure	29,573,006	0	12,700,947	12,700,947	30,596,084	1,023,078	0	1,023,078
Grant Funding	(10,578,339)	0	0	0	(12,190,393)	(1,612,054)	0	(1,612,054)
Other Contributions	(509,441)	0	(128,000)	(128,000)	(637,441)	(128,000)	0	(128,000)
<b>TOTAL CAPITAL (SURPLUS) / DEFICIT</b>	<b>18,485,226</b>	<b>0</b>	<b>12,572,947</b>	<b>12,572,947</b>	<b>17,768,250</b>	<b>(716,976)</b>	<b>0</b>	<b>(716,976)</b>
<b>Funded By</b>								
Revenue surplus	(8,369,170)				(7,945,564)	423,606	(22,678)	(7,945,564)
HRA reserve	(7,011,400)				(7,011,400)	0	0	(7,011,400)
Unsupported borrowing	(3,104,656)				(2,811,286)	293,370	22,678	(2,811,286)
<b>Total Funding of Capital Expenditure</b>	<b>(18,485,226)</b>				<b>(17,768,250)</b>	<b>716,976</b>	<b>0</b>	<b>(17,768,250)</b>
<b>Opening HRA Balance</b>	<b>(8,188,500)</b>				<b>(8,188,500)</b>			<b>(8,188,500)</b>
<b>Net (Increase) / Decrease in HRA Reserve</b>	<b>7,011,400</b>				<b>7,011,400</b>			<b>7,011,400</b>
<b>Closing HRA Balance</b>	<b>(1,177,100)</b>				<b>(1,177,100)</b>			<b>(1,177,100)</b>

**HOUSING REVENUE ACCOUNT CAPITAL BUDGET 2024/25****APPENDIX B**

	<b>Annual Budget 2024/25</b>	<b>Actuals to month 6</b>	<b>Year end forecast</b>	<b>Year end variance</b>	<b>Forecast Variance at month 3</b>	<b>Change from month 3 Forecast</b>
	£	£	£	£	£	£
Central Heating Contract	1,600,000	591,916	1,300,000	(300,000)	0	(300,000)
Planned Maintenance Contract	6,216,006	2,586,619	5,216,006	(1,000,000)	0	(1,000,000)
Energy Performance Improvement	1,700,000	0	1,700,000	0	0	0
Environmental Works	500,000	74,253	300,000	(200,000)	0	(200,000)
Acquisition of Existing Properties and Development of New Properties	15,657,000	8,567,660	18,180,078	2,523,078	0	2,523,078
Public Sector Adaptations	500,000	183,216	500,000	0	0	0
Fire Risk	400,000	5,831	400,000	0	0	0
WHQS	1,500,000	691,452	1,500,000	0	0	0
Kitchen replacement programme	1,200,000	0	1,200,000	0	0	0
Fleet Renewal	300,000	0	300,000	0	0	0
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>29,573,006</b>	<b>12,700,947</b>	<b>30,596,084</b>	<b>1,023,078</b>	<b>0</b>	<b>1,023,078</b>

**NEW DEVELOPMENT BUDGET 2024/25**

Schemes	Number of Additional Units	2024/25 Budget £	Expenditure to Month 6 £	Forecasted Expenditure month 7 – 12 £	Total Forecasted Expenditure 2024/25 £	Forecasted variance at month 6 £	Variance at month 3 £
Lôn Lwyd, Pentraeth	10	2,723,500	2,722,743	0	2,722,743	(757)	0
Parc y Coed, Llangefni, Phase 2	10	294,000	214,804	25,196	240,000	(54,000)	0
Plas Alltran, Caergybi	4	238,000	278,787	273,548	552,335	314,335	0
Garreg Lwyd Road, Caergybi	8	886,500	840,867	124,133	965,000	78,500	0
Extra Care Menai Bridge	45	100,000	143,262	6,738	150,000	50,000	0
Gwalchmai	1	0	1,919	413,081	415,000	415,000	0
Bodorgan	1	0	3,758	146,242	150,000	150,000	0
Cae Braenar, Caergybi	23	4,000,000	1,656,340	2,343,660	4,000,000	0	0
Newborough Old School Site	14	2,500,000	287,937	1,512,063	1,800,000	(700,000)	0
Stad y Bryn, Llanfaethlu	9	2,175,000	941,185	1,483,815	2,425,000	250,000	0
Plas Penlan, Llangefni	12	50,000	2,325	347,675	350,000	300,000	0
Maes Mona, Amlwch	40	60,000	10,285	49,715	60,000	0	0
Ysgol Corn Hir Site		100,000	2,545	517,455	520,000	420,000	0
Schemes in Pre Planning Stage		30,000	12,958	17,042	30,000	0	0
Renovation 15 Units	0	1,000,000	664,925	1,435,075	2,100,000	1,100,000	0
Buyback 15 Units	15	1,500,000	785,565	914,435	1,700,000	200,000	0
<b>Total</b>	<b>192</b>	<b>15,657,000</b>	<b>8,570,205</b>	<b>9,609,873</b>	<b>18,180,078</b>	<b>2,523,078</b>	<b>0</b>