

Isle of Anglesey County Council

Report to:	EXECUTIVE
Date:	18 FEBRUARY 2025
Subject:	HOUSING REVENUE ACCOUNT BUDGET MONITORING, QUARTER 3 2024/25
Portfolio Holder(s):	COUNCILLOR R WILLIAMS – DEPUTY LEADER & PORTFOLIO HOLDER FINANCE & HOUSING
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 2024/25.
 - (ii) The forecast outturn for 2024/25.
2. **Background**
 - (i) The revenue budget was set 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 £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 1st April 2024 to 31st March 2025.
4. **Overview**
 - 4.1 The HRA revenue surplus / deficit at the end of quarter 3 shows an underspend of £338k compared to the profiled budget. The forecast at year end is an overspend of £38k. More detail is given in Sections 5 to 8 below and in Appendix A.
 - 4.2 Capital expenditure is forecasted to be £1,732k below budget at year end, as explained in Section 9 below and in Appendices B and C. Grant income is expected to be overachieved by £1,205k, and we are also expecting additional £128k in capital receipts.
 - 4.3 The forecast deficit (combining both revenue and capital) is now £7,088k, £3,027k less than the budget.

5. Income

5.1 At the end of quarter 3, income was £235k below profiled budget. The shortfall on rental income of £171k 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 £64k is mainly due to timing differences between the budget and actual receipts on other income. By the end of the financial year, it is forecasted that income will be £178k below the budget.

6. Non-Repairs and Maintenance Expenditure

6.1 At the end of quarter 3, non-repairs and maintenance expenditure was £108k above the profiled budget. The main variances relate to:-

- an underspend in the estates management staffing costs of £19k;
- an underspend of £23k in the tenant participation team as a result of additional grant funding;
- a write-off of bad debts of £47k (which will be offset at year end by reduced provision for bad debts);
- overspend on several highly variable budget lines, such as utilities and security services etc., amounting to £50k;
- an additional investment in IT systems of £50k.

6.2 We are forecasting a potential overspend of up to £193k at year end. If realised, this will be mainly driven by an additional up to £140k spend related to transition to a new housing IT system contract. Discussions are ongoing with the software supplier on the final contract costs moving forward.

7. Repairs and Maintenance

7.1 At the end of quarter 3, there was an underspend of £682k on repairs and maintenance. Most of the underspend is within the Housing Maintenance Unit (HMU), at £745k below budget. This is a combination of several factors:-

- (i) timing of subcontractor invoices and budget profiling differences account for an estimated £600k of the underspend – this is assumed to largely correct itself by year end; our stores operators are still experiencing delays in issuing invoices due to transition to a new finance system;
- (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;
- (iii) overall, levels of expenditure within HMU have increased year on year, both due to price increase and volume of work. However, some of this increase is due to capital works on void properties and the expenditure is capitalised. With those opposing trends in place, it is forecasted that the year-end position will be an underspend of about £333k.

7.2 Expenditure on non HMU building maintenance staff is £83k below the profiled budget at the end of quarter 3, which is due to unfilled vacancies. Other repairs and maintenance show overspend.

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 3, 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. As the year progresses, the forecast for capital expenditure is reduced to £27,841k (see Appendix B for a detailed breakdown), as well as reduced 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 £11,783k is summarised below:-

Source	Quarter 3 Forecast £
HCF	1,184,158
CADW	73,676
WHQS	324,730
Transitional Accommodation Capital Programme	889,540
Social Housing Grant (SHG)	5,382,170
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	11,783,441

- 9.2 WHQS expenditure – The £2,700k budget is split as follows: £1,500k to tackle WHQS, to bring properties up to WHQS standard as they become vacant, where the previous tenant did not wish the work to be undertaken. The remainder of £1,200k is allocated 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 and formally awarded to two successful contractors during quarter 3. 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 fire doors and upgrading fire alarm systems in blocks of flats. The fire door replacement contract was awarded during quarter 2 and work commenced on site during quarter 3. Costs are higher than originally budgeted for and, as a result, it is forecasted that the budget will be overspent by £100k 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 – A 5 year programme for the longer term delivery of renewable energy and decarbonisation measures has been put in place which, primarily, involves the installation of Solar PV systems across the housing stock and targeting properties which are not connected to mains gas network. Works will commence during the final quarter, with an estimated £900k of the original £1,700k budget being spent by the end of the financial year.
- 9.6** Planned Maintenance expenditure – The total budget allocated for traditional Planned Maintenance work is £6,216k, which includes carried forward commitment from 2023/24. Works will be undertaken on estates in Cemaes Bay, Holyhead and Valley, although it is anticipated that the budget will be underspent by £1,415k, with the schemes rolling forward into 2025/26.
- 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, with an underspend of £280k anticipated.
- 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 £500k 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, and work is ongoing to utilise the budget in full by the end of the financial year.
- 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 £16,820k.

- **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.

- **Collaboration with Social Services**

There are four 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 an HCF grant and will be refurbished at the cost to HRA. A new extension to a property in Bodorgan will be developed with an HCF grant. In quarter 4, another property in Llangefni will be acquired for use by Social Services.

- **Other Developments**

New developments at Cae Braenar in Holyhead and Stad y Bryn in Llanfaethlu are progressing well, although progress on both projects have slightly slowed. Development of 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 £750k, which will slip into 2025/26.

- **New Projects in Initial Stages and Preplanning**

Several projects are in their initial stages, namely developments at Plas Penlan in Llangefni, Maes Mona in Amlwch and at the old Ysgol Corn Hir site in Llangefni. Plas Penlan and the old Ysgol Corn Hir site 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 the 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 preplanning stages include development and re-development at Maes William Williams in Amlwch, Tan Y Foel in Llanerchymedd, Ysgol y Parc in Holyhead, and Pencraig Mansion in Llangefni. In 2024/25, the spend on these projects is expected to be in the region of £65k.

All new projects will be assessed financially and approved in accordance with the approved procedures.

- **Buybacks and Renovations**

The annual plan includes the acquisition and renovation of 15 former Council properties. 7 properties have been purchased, with the remaining 8 identified and the purchase process is ongoing. £500k of grant funding has been secured to part fund the purchase costs. An underspend of £157k is forecast at the end of the financial year.

£704k has been incurred and spent on renovations to date, with a contribution from TACP grant of £390k, although the renovation work has been undertaken on properties purchased in 2023/24. Existing projects, as well as works on new acquisitions, are expected to bring the total spend this financial year to £1,404k.

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, as set out in the HRA Business Plan. This 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. The deficit is now forecast to be £7,089k, mainly as a result of the underspend on the capital programme. This will be funded through £7,011k from the HRA reserve and £77k additional borrowing.

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. 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 and incorporated into the report.
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 2024/25 • Appendix B – Capital expenditure and forecast to end of quarter 3 2024/25 • Appendix C – New Build capital schemes and forecast to end of quarter 3 2024/25 		
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 2024-2054 (as approved by this Committee in May 2024). 		

Year End Adjustments								
Capital Financing Charges	1,646,000	-	-	-	1,646,000	-	-	-
Interest Receivable	(400,000)	-	-	-	(400,000)	-	-	-
Recharge from Housing Services	53,870	-	-	-	53,870	-	-	-
Recharge from Central Services	831,260	-	-	-	831,260	-	-	-
Total Year End Adjustments	2,131,130	-	-	-	2,131,130	-	-	-
TOTAL REVENUE EXPENDITURE	14,740,950	9,401,791	8,828,207	(573,584)	14,600,366	(140,584)	262,085	(402,670)
TOTAL REVENUE (SURPLUS) / DEFICIT	(8,369,170)	(8,215,908)	(8,554,370)	(338,462)	(8,331,340)	37,830	423,606	(385,776)

CAPITAL EXPENDITURE ACCOUNT								
2024/25 Expenditure	29,573,006	-	18,286,473	-	27,840,802	(1,732,204)	1,023,078	(2,755,282)
Grant Funding	(10,578,339)	-	-	-	(11,783,441)	(1,205,102)	(1,612,054)	406,952
Other Contributions	(509,441)	-	(128,000)	(128,000)	(637,441)	(128,000)	(128,000)	-
TOTAL CAPITAL (SURPLUS) / DEFICIT	18,485,226	-	18,158,473	(128,000)	15,419,920	(3,065,306)	(716,976)	(2,348,330)
<i>Funded By</i>								
Revenue surplus	(8,369,170)				(8,331,340)	37,830	423,606	(8,331,340)
HRA reserve	(7,011,400)				(7,011,400)	-	-	(7,011,400)
Unsupported borrowing	(3,104,656)				(77,180)	3,027,476	293,370	(77,180)
Total Funding of Capital Expenditure	(18,485,226)				(15,419,920)	3,065,306	716,976	(15,419,920)
Opening HRA Balance	(8,188,500)				(8,188,500)			(8,188,500)
Net (Increase) / Decrease in HRA Reserve	7,011,400				7,011,400			7,011,400
Closing HRA Balance	(1,177,100)				(1,177,100)			(1,177,100)

APPENDIX B

HOUSING REVENUE ACCOUNT CAPITAL BUDGET 2024/25

	Annual Budget 2024/25	Actuals to Month 9	Year End Forecast	Year End Variance	Forecast Variance at Month 6	Change from Month 6 Forecast
	£	£	£	£	£	£
Central Heating Contract	1,600,000	863,465	1,100,000	(500,000)	(300,000)	(200,000)
Planned Maintenance Contract	6,216,006	3,400,766	4,800,766	(1,415,240)	(1,000,000)	(415,240)
Energy Performance Improvement	1,700,000	4,325	900,000	(800,000)	-	(800,000)
Environmental Works	500,000	157,622	220,000	(280,000)	(200,000)	(80,000)
Acquisition of Existing Properties and Development of New Properties	15,657,000	12,100,536	16,820,036	1,163,036	2,523,078	(1,360,042)
Public Sector Adaptations	500,000	325,175	500,000	-	-	-
Fire Risk	400,000	19,572	500,000	100,000	-	100,000
WHQS	1,500,000	1,268,250	1,500,000	-	-	-
Kitchen replacement programme	1,200,000	146,762	1,200,000	-	-	-
Fleet Renewal	300,000	-	300,000	-	-	-
TOTAL CAPITAL EXPENDITURE	29,573,006	18,286,473	27,840,802	(1,732,204)	1,023,078	(2,755,282)

APPENDIX C

NEW DEVELOPMENT BUDGET 2024/25

Schemes	Number of Additional Units	2024/25 Budget	Expenditure to Month 9	Total Forecasted Expenditure 2024/25	Forecasted variance at Month 9	Variance at Month 6
		£	£	£	£	£
Lôn Lwyd, Pentraeth	10	2,723,500	2,724,547	2,724,547	1,047	(757)
Parc y Coed, Llangefni Phase 2	10	294,000	214,934	215,000	(79,000)	(54,000)
Plas Alltran, Caergybi	4	238,000	323,935	562,395	324,395	314,335
Garreg Lwyd Road, Caergybi	8	886,500	937,539	965,000	78,500	78,500
Extra Care Menai Bridge	45	100,000	209,368	250,000	150,000	50,000
Homes for social services	3	-	412,216	910,000	910,000	415,000
Cae Braenar, Caergybi	23	4,000,000	3,031,174	3,800,000	(200,000)	-
Newborough Old School Site	14	2,500,000	1,048,133	1,750,000	(750,000)	(700,000)
Stad y Bryn, Llanfaethlu	9	2,175,000	1,516,306	1,900,000	(275,000)	250,000
Plas Penlan, Llangefni	12	50,000	25,989	350,000	300,000	300,000
Old Ysgol Corn Hir Site		100,000	2,545	520,000	420,000	420,000
Schemes in Pre Planning Stage		90,000	60,725	125,969	35,969	-
Renovation 15 Units	0	1,000,000	703,693	1,403,693	403,693	1,100,000
Buyback 15 Units	15	1,500,000	889,432	1,343,432	(156,568)	200,000
Total	153	15,657,000	12,100,536	16,820,036	1,163,036	2,373,078