

Isle of Anglesey County Council

Report to:	EXECUTIVE COMMITTEE
Date:	28 NOVEMBER 2023
Subject:	HOUSING REVENUE ACCOUNT BUDGET MONITORING, QUARTER 2 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 2 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 2 shows an underspend of £600k compared to the profiled budget. The forecast at year end is an underspend of £553k, this is after accounting for the pay award and vacant posts being filled. More detail is shown in Appendix A.
 - 4.2 The Capital expenditure is £940k above the profiled budget at the end of quarter 2. The forecast expenditure is £1,890k above budget at year end, as explained in Appendix B below. This is offset by overachieved grant income of £1,680k, resulting in a net overspend of £210k.

4.3 The forecast deficit (combining both revenue and capital) is now £4,702k, £343k less than the budget.

5. Income

5.1 At the end of quarter 2, the level of income received was £14k below the profiled budget, as noted below.

5.2 Rental income was £8k above the profiled budget at the end of quarter 2. We are forecasting to overachieve by £23k at year end, as new properties become available to let.

5.3 Provision for bad debt has been calculated at 1.5% of rent income, similar to last year. Given the uncertainty surrounding the rate of inflation and the long-term effect it will have on the cost-of-living crisis, the forecast is unchanged at present, but will be kept under review and revised during the year, if the level of arrears suggests that there is an increased risk of a greater level of arrears not being collected and, ultimately, written off.

6. Non-Repairs and Maintenance Expenditure

6.1 At the end of quarter 2, non-repairs and maintenance expenditure was £191k below the profiled budget.

6.2 Other revenue expenditure shows an underspend of £41k against the profiled budget, but is expected to be £53k underspent at year end, after factoring in the effects of the pay award.

6.3 The Tenant Participation heading shows an underspend of £25k at the end of quarter 2. We are forecasting an underspend of £32k by year end, after factoring in the effects of the pay award.

6.4 The rent administration heading shows an underspend of £47k at the end of quarter 2. We are forecasting an underspend of £5k at year end, after factoring in the pay award and a vacant post that has now been filled.

6.5 The Estate Management heading shows an underspend of £77k at the end of quarter 2. We are forecasting an underspend of £93k at year end after factoring the pay award.

7. Repairs and Maintenance

7.1 The Housing Maintenance Unit (HMU) shows an underspend of £331k at the end of quarter 2. The budget includes the effect of the pay award, but the actuals do not as it was not agreed until late October. 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 and a provision of £125k has been factored into our forecast in light of this requirement.

7.2 Expenditure on non HMU building maintenance staff is £116k below the profiled budget at the end of quarter 2. It is expected that this service area will underspend by £53k at year end, after taking account of the pay award.

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 we will underspend by £131k on Capital Finance Charges and overachieve by £124k on interest receivable.

9. Capital Expenditure

9.1 The gross capital budget for 2023/24 is £19,988k. Grant funding of £7,885k is made up of:-

Source	£
HCF	300,000
Transforming Towns Grant	250,000
CADW	121,000
Place Making	250,000
Transitional Accommodation Capital Programme	650,000
Social Housing Grant (SHG)	2,111,000
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	7,885,000

9.2 After taking into account funding for disabled facilities grants of £693k, this leaves a total of £11,410k to be funded through the HRA. A further breakdown is provided in Appendices B & C. The original grant funding budget was £6,205k (excluding the DFG element), therefore, we are expecting to overachieve by £1,680k on grant income, as the additional capital costs have been mainly funded by additional grant funding.

9.3 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, and the Housing Service estimates that the majority of the remaining expenditure will occur during quarter 3 of 2023/24. 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 expenditure up to quarter 2 amounting to £947k.

9.4 Fire Risk expenditure – The £400k budget will 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. It is forecast that the budget will be utilised in full during 2023/24. Expenditure to date is lower than expected, however, fire compartmentation works will be completed during Q3 and the installation of fire suppression systems are scheduled to be completed during Q4.

- 9.5 Public Sector Adaptations expenditure** – During quarter 2, demand for medium or large-scale adaptations remained high, and expenditure up to the end of quarter 2 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.
- 9.6 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 £100k will be spent in 2023/24, with an underspend of £500k on this project in 2023/24. As a result of positive outcomes to further discussions with the DNO during Q2 and the start of Q3, Housing Services anticipate that they will commence the preparation of tender documents for the installation of Solar PV systems across several estates during Q3. 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.
- 9.7 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.
- 9.8 Environmental Works Expenditure** – The £700k budget will focus on the continued demolition of garages at Llangefni and proposed improvements to sewage disposal at Carreglefn to comply with National Resources Wales directions. At the end of quarter 1, £352k was committed on one large scheme involving demolition of 30 garages at Bro Tudur, works are currently ongoing. The Highway Services term contractor is currently working on detailed designs for alternative sewage arrangements. Housing currently forecasts that work will commence on site during Q4, and are forecasting an underspend of £100k.
- 9.9 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 2 has increased significantly and it is expected to continue into quarter 3, therefore, it is forecast that the budget of £1,250k will be fully utilised during the current financial year.
- 9.10 Acquisition of Existing Properties and Development of new properties** – During the quarter, three developments in the pipeline have progressed quicker than expected and the developers are keen to commence work on site. In order to take advantage and prevent any delays in the opportunity of building new homes, the budget is now showing an overspend, however, some Social Housing Grant funding will be claimed against these increased costs.
- 9.11** The forecasted overspend of £1,890k on capital expenditure is offset with overachieved grant income of £1,680k. Therefore, the net forecasted overspend on capital is £210k. The amount funded from the HRA revenue account is increased by the same amount. The balance is then available to fund projects that have been deferred into next year.

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 £4,702k. This will give a reserve balance of £7,405k 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 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)	No comments
2	Finance / Section 151 (mandatory)	N/A – this is the Section 151 Officer's report.
3	Legal / Monitoring Officer (mandatory)	No comments
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 2 2023/24 • Appendix B – Capital expenditure and forecast to end of quarter 2 2023/24 • Appendix C – New Build capital schemes and forecast to end of quarter 2 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). 		

APPENDIX A

HRA ACCOUNT 2023/24						
	Annual Budget 2023/24	Profiled Budget to Month 6	Actual to Month 6	Variance to Month 6	Year end Forecast	Year End Variance
	£		£	£		
REVENUE ACCOUNT						
Income						
Dwellings	(20,693,000)	(10,500,000)	(10,507,777)	(7,777)	(20,715,525)	(22,525)
Garages	(247,000)	(125,922)	(126,061)	(139)	(247,919)	(919)
Service Charges	(213,070)	(106,536)	(101,465)	5,071	(217,651)	(4,581)
Other	(262,100)	(189,000)	(172,282)	16,718	(234,970)	27,130
Bad Debt Provision	316,000	0	0	0	316,000	0
TOTAL INCOME	(21,099,170)	(10,921,458)	(10,907,585)	13,873	(21,100,065)	(895)
Non Repairs & Maintenance Expenditure						
Tenant Participation	241,070	120,564	95,073	(25,491)	209,595	(31,475)
Rent Administration	543,340	290,220	243,199	(47,021)	538,520	(4,820)
Estate Management	644,500	326,776	249,422	(77,354)	551,055	(93,445)
Other Revenue Expenditure	1,763,630	822,337	781,600	(40,737)	1,710,176	(53,454)
Total Non R & M Expenditure	3,192,540	1,559,897	1,369,295	(190,602)	3,009,346	(183,194)
Repairs and Maintenance						
Housing Maintenance Unit (HMU)	5,470,600	2,789,904	2,459,020	(330,884)	5,405,844	(64,756)
Building Maintenance Staff (non HMU)	1,211,860	652,430	536,715	(115,715)	1,158,371	(53,489)
Other Repairs and Maintenance	752,320	389,196	412,277	23,081	756,362	4,042
Total Repairs & Maintenance	7,434,780	3,831,530	3,408,012	(423,518)	7,320,578	(114,202)

	Annual Budget 2023/24	Profiled Budget to Month 6	Actual to Month 6	Variance to Month 6	Year end Forecast	Year End Variance
Year End Adjustments						
Capital Financing Charges	1,742,430	0	0	0	1,611,600	(130,830)
Interest Receivable	(200,000)	0	0	0	(324,000)	(124,000)
Recharge from Housing Services	100,090	0	0	0	100,090	0
Recharge from Central Services	785,550	0	0	0	785,550	0
Total Year End Adjustments	2,428,070	0	0	0	2,173,240	(254,830)
TOTAL REVENUE EXPENDITURE	13,055,390	5,391,427	4,777,307	(614,120)	12,503,164	(552,226)
TOTAL REVENUE (SURPLUS) / DEFICIT	(8,043,780)	(5,530,031)	(6,130,278)	(600,247)	(8,596,901)	(553,121)
CAPITAL EXPENDITURE ACCOUNT						
2023/24 Expenditure	19,988,000	7,002,745	7,942,756	940,011	21,877,802	1,889,802
Grant Funding	(6,205,000)	0	0	0	(7,885,000)	(1,680,000)
Other Contributions	(693,460)	0	0	0	(693,460)	0
TOTAL CAPITAL (SURPLUS) / DEFICIT	13,089,540	7,002,745	7,942,756	940,011	13,299,342	209,802
NET (INCREASE) / DECREASE IN HRA RESERVE	5,045,760	1,472,714	1,812,478	339,764	4,702,441	(343,319)
Opening HRA Balance	(12,107,000)				(12,107,000)	
Net (Increase) / Decrease in HRA Reserve	5,045,760				4,702,441	
Closing HRA Balance	(7,061,240)	0	0	0	(7,404,559)	0

HOUSING REVENUE ACCOUNT CAPITAL BUDGET 2023/24**Appendix B**

Service	Annual Budget 2023/24	Profiled Budget to Month 6	Actuals to Month 6	Variance to Month 6	Year End Forecast	Year End Variance	Forecast Variance at Month 3	Change from Q1 Forecast
	£	£	£	£	£	£	£	£
Housing HRA								
Central Heating Contract	1,250,000	485,000	484,052	(948)	1,250,000	0	0	0
Planned Maintenance Contract	4,450,000	1,560,000	1,555,848	(4,152)	4,450,000	0	0	0
Energy Performance Improvement	600,000	250,000	0	(250,000)	100,000	(500,000)	(100,000)	(400,000)
Environmental Works	700,000	160,070	110,070	(50,000)	600,000	(100,000)	0	(100,000)
Acquisition of Existing Properties and Development of New Properties	10,288,000	3,346,880	4,541,880	1,195,000	12,677,802	2,389,802	0	2,389,802
Public Sector Adaptations	400,000	208,295	258,295	50,000	500,000	100,000	0	100,000
Fire Risk	400,000	45,000	45,120	120	400,000	0	0	0
WHQS	1,900,000	947,500	947,491	(9)	1,900,000	0	0	0
TOTAL CAPITAL EXPENDITURE	19,988,000	7,002,745	7,942,756	940,011	21,877,802	1,889,802	(100,000)	1,989,802

New development budget 2023/24**APPENDIX C**

<u>Scheme</u>	Number of Additional Units	2023/24 Budget	Total Forecasted Expenditure 2023/24 £	Forecasted Variance at Month 6	Variance at Month 3
		£	£	£	£
Pentraeth (Clwyd Alyn)	10	2,250,000	2,250,000	0	0
Extra Care Menai Bridge	55	250,000	250,000	0	0
Plas Alltran, Caergybi	4	1,200,000	1,200,000	0	0
Ysgol Llaingoch, Caergybi	26	4,000	4,000	0	0
Cae Braenar, Caergybi	23	500,000	1,001,500	501,500	0
Parc y Coed, Llangejni Phase 1	12	990,000	990,000	0	0
Clwb Cymdeithasol Biwmares	6	408,000	437,000	29,000	0
Renovation 16 Units	0	750,000	1,250,000	500,000	0
Buyback 16 Units	16	1,100,000	2,000,000	900,000	0
Niwbwrch Old School Site	14	500,000	250,000	-250,000	0
Ysgol Thomas Ellis Old School Site	43	50,000	22,807	-27,193	0
Parc y Coed, Llangejni Phase 2	10	1,400,000	1,400,000	0	0
Haulfryn Renovation and Phase 2	1	365,000	300,000	-65,000	0
Pen y Coed, Rhostrehwfa	1	482,000	482,000	0	0
Stad y Bryn, Llanfaethlu	9		400,000	400,000	0
Garreg Lwyd Road, Caergybi	8		401,495	401,495	0
Schemes in pre planning stage		39,000	39,000	0	0
Total 2023/24	238	10,288,000	12,677,802	2,389,802	0