

## Isle of Anglesey County Council

<b>REPORT TO :</b>	<b>EXECUTIVE</b>
<b>DATE:</b>	<b>24 FEBRUARY 2026</b>
<b>SUBJECT:</b>	<b>HOUSING REVENUE ACCOUNT BUDGET MONITORING, QUARTER 3 2025/26</b>
<b>PORTFOLIO HOLDER(S):</b>	<b>CLLR ROBIN WILLIAMS – DEPUTY LEADER &amp; PORTFOLIO HOLDER FINANCE, CORPORATE BUSINESS &amp; CUSTOMER EXPERIENCE</b>  <b>CLLR CARWYN JONES – PORTFOLIO HOLDER HOUSING &amp; COMMUNITY SAFETY</b>
<b>HEAD OF SERVICE / DIRECTOR:</b>	<b>MARC JONES - DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER (EXT 2601)</b>
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<b>Local Members:</b>	<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 quarter 3 2025/26.
- (ii) The forecast outturn for 2025/26.

#### 2. Background

- (i) The revenue budget was set with a budgeted surplus of £6,291k.
- (ii) The gross capital budget for 2025/26 is £24,871k. Grant funding budget of £8,740k reduces the net budget to £16,131k.
- (iii) The combination of both the revenue budget and adjusted capital budget gave a planned budget deficit of £9,840k, of which £6,820k is to be funded from the HRA reserve, with the balance of £3,019k 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 2025 to 31<sup>st</sup> December 2025.

#### 4. Overview

- 4.1** The HRA revenue surplus / deficit at the end of quarter 3 shows an overachievement of £715k compared to the profiled budget. The forecast at year end is an underspend of £546k. More detail is given in sections 5 to 8 below and in Appendix A.
- 4.2** The capital expenditure budget has been increased by £350k, to £24,871k, and is forecasted to be £864k under budget at year end, as explained in section 9 below and in Appendices B and C. Grant income has been reduced to £8,740k, and is expected to be spent in full.
- 4.3** The forecast deficit (combining both revenue and capital) is now £8,436k, £1,403k less than the budget.

## 5. Income

- 5.1** At the end of quarter 3, rent income was £132k below profiled budget. The shortfall on rental income is primarily due to timing differences of new properties transferring to rentable stock. The delay is forecast to result in rental income being £56k below budget. At the same time, this shortfall is forecasted to be offset by increased income from some fees, charges and other contributions, giving a net over achievement of income of £18k at the year end.

## 6. Repairs and Maintenance

- 6.1** At the end of quarter 3, there was an underspend of £344k on repairs and maintenance. This is primarily due to expenditure on vacant dwellings during change of tenancy, which reached capitalisation threshold and were moved against the capital WHQS (Welsh Housing Quality Standard) budget. During the year, some of these costs will be reassessed and moved against the capital WHQS budget. We are currently forecasting that the budget will be £30k overspent at year end, primarily due to expected increase in subcontractor expenditure that will remain as revenue expenditure at year end.
- 6.2** Shared and rechargeable services, which include expenditure on communal and shared areas, grass cutting etc., show a £47k underspend. There is currently a mixture of timing differences that should even out during by year end, and result in a forecasted underspend of £24k.
- 6.3** Expenditure on operative staff is £248k below the profiled budget at the end of quarter 3, which is due to a combination of pay award underspend and unfilled vacancies. Overheads and other expenditure is £52k over budget, which is mostly due to cost of hired skips, expenditure on tools and operational overheads.

## 7. Supervision and Management Expenditure

- 7.1** At the end of quarter 3, supervision and management expenditure was £215k below the profiled budget. We forecast that unfilled vacancies and a large pension contributions adjustments will lead to about £410k underspend against the budget at year end.

## 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 small overspend of £7k at year end.

## 9. Capital Expenditure

- 9.1** The gross capital budget for 2025/26 is £24,871k, the grant funding budget is £8,740k. The grant funding forecast is summarised below:-

Source	Quarter 3 forecast £
Housing with Care Fund (HCF)	568,648
Integrated Care Fund (ICF)	375,000
Transitional Accommodation Capital Programme	1,035,665
Social Housing Grant (SHG)	1,235,012
Major Repairs Allowance (MRA)	2,690,000
Optimised Retrofit Programme 2025/26	2,775,712
Other	60,000
<b>Total Grant Funding</b>	<b>8,740,037</b>

- 9.2** WHQS expenditure – The revised £5,483k budget allocated the sum of £1,483k 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. Void capitalisation to the end of quarter 3 for works undertaken by the Housing Maintenance Unit (HMU) is in the sum of £1,056k, with further capitalisation expected during quarter 4. The budget also allocates £4,000k towards Year 2 of a 5-year programme for the replacement of kitchens which now exceed 15 years in age. Housing Services report that both appointed contractors continued to perform well during quarter 3, with expenditure in the sum of £3,795k. As and when required, both contractors are also undertaking kitchen renewals and associated WHQS work at change of tenancy. The volume of unprogrammed works undertaken at change of tenancy by both contractors has been far higher than originally anticipated, and Housing Services currently forecast an over expenditure of £1,382k.
- 9.3** Fire Risk expenditure – The £500k budget is planned to be spent on ensuring compliance with the Regulatory Reform Order 2005. Proposed measures will primarily involve replacement 1 hour (FD60) flat fire doors and upgrading fire alarm and emergency lighting systems serving blocks of flats. The fire door replacement contract was tendered and awarded during 2024/25, and expenditure at the end of quarter 3 stood at £212k. Subject to the timely delivery of new doors, Housing Services are currently forecasting that this budget will be fully utilised.
- 9.4** Public Sector Adaptations expenditure – Housing Services expects that demand for medium or large-scale adaptations will remain constant, and the allocated budget of £500k will fund works such as installing stair-lifts, level access showers, ramps and extensions. Actual expenditure at the end of quarter 3 stood at £325k, with a further £178k in confirmed commitment. Housing Services predicts that the budget will be utilised in full during 2025/26.
- 9.5** Energy Performance expenditure – As previously reported, Housing Services commenced work on a 5-year programme for the longer-term delivery of renewable energy and decarbonisation measures during quarter 4 of 2024/25. The contract, primarily involving the installation of Solar PV systems and Battery Storage across the housing stock, continued positively during quarter 3, and Housing Services have allocated a budget of £3,300k for these energy efficiency improvements during 2025/26. Expenditure at the end of quarter 3 stood at £2,321k. During 2025/26, this programme has secured financial support in the sum of £2,776k via the Welsh Government's (WG) Optimised Retrofit Programme (ORP). Housing Services expects that the budget will be utilised in full during the current financial year. In order to ensure that we utilise ORP funding in full, there is a risk that actual year end expenditure may exceed the allocated budget.
- 9.6** Planned Maintenance expenditure – The total budget allocated for traditional Planned Maintenance work is £3,000k, which includes carried forward commitment on schemes which were awarded and commenced on site during 2024/25. Carried forward commitment primarily involves the continuation of work at Tan y Bryn, Valley, and Morrison Crescent, Holyhead, which reached Practical Completion during quarter 1. Works at Valley reached Practical Completion during quarter 3, and Housing Services tendered a further Planned Maintenance Contract involving 20 properties at various locations during quarter 3. Successful award of contract has fully committed the budget for 2025/26. Expenditure at the end of quarter 3 stood at £1,233k. Housing Services currently estimate that the budget will be £1.7m underspent.

- 9.7 Environmental Works Expenditure** – A total budget of £500k is allocated towards environmental improvements in 2025/26. 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. Housing Services confirms that tenders were received and that a contract was awarded for the demolition of these garages during quarter 2. A further tender will be prepared during quarter 4 for garages earmarked for demolition in the Holyhead area. Housing Services do not expect any upgrading of treatment plants to incur any significant expenditure during this financial year, and forecasts under expenditure in the sum of £200k.
- 9.8 Central Heating Contract Expenditure** - During quarter 1, a contract for replacement boilers awarded during the last financial year reached Practical Completion. Housing Services have allocated a capital budget of £200k for 2025/26 and expenditure, inclusive of commitment, was in the sum of £104k at the end of quarter 3. There are no plans to award any further major contracts during this financial year, and Housing Services expects that the budget will be £96k underspent at year end.
- 9.9 Fleet Renewal** – The budget allocates the sum of £650k for a rolling programme of renewing the BMU (Building Maintenance Unit) vehicular fleet, primarily the van stock utilised by operatives. A total of 10 new vehicles were received during quarter 3, and expenditure stood at £293k. A further 10 vehicles have been ordered, and commitment is in the sum of £395k.
- 9.10 Acquisition of Existing Properties and Development of new properties** - A budget of £10,738k has been allocated to activities which increase the HRA rentable stock.
- **Projects Completed or Nearing Completion**

To quarter 3, a total of 29 units were added to the lettable stock. These were newly developed houses at Stad y Bryn in Llanfaethlu, as well as existing properties acquired and refurbished by HRA. New developments at Cae Braenar in Holyhead and at the Newborough Old School Site are progressing and are expected to add 23 and 14 units respectively to the lettable stock in early 2026/27.
  - **Other Developments**

Two new houses are being developed at Parc Y Coed in Llangefni by an external developer.
  - **Collaboration with Social Services**

There are several 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, but some works are expected to take place in 2025/26. Additionally, four properties were acquired and are being developed to meet the needs of Social Services.
  - **Acquisitions and Renovations**

The focus in 2025/26 is on renovations of previously acquired properties, with an allocation of £2,370k to fund 15 units to be added to lettable stock during the year. Despite delays, works are progressing well and the full amount is expected to be spent this financial year.

Five properties were approved for acquisition in quarter 1, and additional 5 properties are being acquired, following an additional allocation of Transitional Accommodation Capital Programme (TACP) grant by the WG. As the TACP programme is expected to continue into the future, the development team are scoping further opportunities across the Isle of Anglesey.

- **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 Corn Hir old school site in Llangefni. 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 Mansions in Llangefni. A budget of £300k has been allocated in 2025/26 for work related to scoping the potential of these sites for a future development project; it is forecasted that about £215k will be spent by year end.

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

## **10. HRA Balance**

- 10.1** The opening balance of the HRA reserve stood at £7,976k. The budget allowed for the use of £6,820k of this balance, leaving the minimum level of reserve balance of £1,155k, as set out in the HRA Business Plan. This equates to 5% of the dwelling rental income budget for 2025/26.

## **11. HRA Borrowing**

- 11.1** After capital budget and capital grants adjustments, the net revenue / capital deficit budgeted for the year is £8,436. This is to be funded by £6,820k from the HRA reserve and £1,616 in external 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):**

<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.	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. 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 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
<b>F - Appendices:</b>		
<ul style="list-style-type: none"> <li>Appendix A – Revenue expenditure and forecasts to end of quarter 3 2025/26</li> <li>Appendix B – Capital expenditure and forecast to end of quarter 3 2025/26</li> <li>Appendix C – New Build capital schemes and forecast to end of quarter 3 2025/26</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 2025-2054 (as approved by this Committee in March 2025)</li> </ul>		

HOUSING REVENUE ACCOUNT BUDGET 2025/26										Appendix A
HRA		Current budget 2025/26 £	Profiled budget £	Spend / (income) at Q3 £	Variance at Q3 £	Year end forecast at Q3 £	Year end variance £	Forecast variance at Q2 £	Change from Q2 forecast £	
<b>Income</b>										
Rent income		(23,398,090)	(17,829,345)	(17,636,858)	132,487	(23,341,356)	56,734	59,682	(2,949)	
Service charges		(247,090)	(188,283)	(195,444)	(7,161)	(254,251)	(7,161)	-	(7,161)	
Other income		(270,950)	(232,889)	(271,074)	(38,185)	(338,315)	(67,365)	(59,626)	(8,339)	
<b>Income total</b>		<b>(23,916,130)</b>	<b>(18,250,517)</b>	<b>(18,163,376)</b>	<b>87,141</b>	<b>(23,934,522)</b>	<b>(18,392)</b>	<b>56</b>	<b>(18,448)</b>	
<b>Expenditure</b>										
Repairs and Maintenance		4,237,650	3,178,252	2,834,500	(343,752)	4,267,302	29,652	55,464	(25,811)	
	Responsive repairs			1,470,909		3,075,330	-	-	-	
	Planned and cyclical work			123,480		198,480	-	-	-	
	Vacant dwellings			1,240,110		593,492	-	-	-	
Shared and rechargesable services		361,950	822,558	775,059	(47,499)	937,523	(24,427)	(50,733)	26,307	
Operative employees costs		2,391,820	1,791,618	1,543,824	(247,794)	2,208,395	(182,825)	(187,351)	4,526	
Overheads and other expenditure		647,990	453,087	510,314	51,827	708,571	60,581	(8,899)	69,480	
<b>Repairs and maintenance total</b>		<b>8,239,410</b>	<b>6,251,515</b>	<b>5,664,297</b>	<b>(587,218)</b>	<b>8,122,391</b>	<b>(117,019)</b>	<b>(191,520)</b>	<b>74,502</b>	
<b>Supervision and management</b>										
	Rent administration	501,530	375,631	346,902	(28,729)	460,297	(41,233)	(12,472)	(28,761)	
	Tenant participation and support	914,300	688,283	622,858	(65,425)	844,860	(63,440)	(29,332)	(40,108)	
	Estate management	768,290	575,551	521,441	(54,110)	730,271	(38,019)	(37,362)	(658)	
	Development	260,190	194,982	201,485	6,503	270,475	10,285	35,019	(24,734)	
	Management and technical staff	1,821,650	1,325,113	1,233,371	(91,742)	1,660,843	(160,807)	(112,537)	(48,269)	
	Business support	1,632,820	1,193,586	1,217,906	18,320	1,521,304	(111,516)	(62,808)	(48,708)	
<b>Supervision and management total</b>		<b>5,898,780</b>	<b>4,359,146</b>	<b>4,143,962</b>	<b>(215,184)</b>	<b>5,488,050</b>	<b>(410,730)</b>	<b>(219,492)</b>	<b>(191,238)</b>	
<b>Total operations</b>		<b>(9,777,940)</b>	<b>(7,639,856)</b>	<b>(8,355,117)</b>	<b>(715,261)</b>	<b>(10,324,081)</b>	<b>(546,141)</b>	<b>(410,957)</b>	<b>(135,184)</b>	
<b>Year end adjustments</b>										
Financing costs and bad debt provision		2,618,800	-	7,080	7,080	2,625,880	7,080	7,080	-	
Recharge from central services		842,820	-	-	-	842,820	-	-	-	
Recharge from the housing service		25,130	-	-	-	25,130	-	-	-	
<b>Year end adjustments</b>		<b>3,486,750</b>	<b>-</b>	<b>7,080</b>	<b>7,080</b>	<b>3,493,830</b>	<b>7,080</b>	<b>7,080</b>	<b>-</b>	
<b>Total revenue (surplus) / deficit</b>		<b>(6,291,190)</b>	<b>(7,639,856)</b>	<b>(8,348,037)</b>	<b>(708,181)</b>	<b>(6,830,251)</b>	<b>(539,061)</b>	<b>(403,877)</b>	<b>(135,184)</b>	
<b>Capital expenditure account</b>										
Capital expenditure		24,870,814	-	15,703,769	-	24,006,775	(864,039)	(2,465,143)	1,601,104	
Capital grants receivable		(8,740,037)	-	(8,740,037)	-	(8,740,037)	-	-	-	
Other contributions		-	-	-	-	-	-	-	-	
<b>Total capital (surplus) / deficit</b>		<b>16,130,777</b>	<b>-</b>	<b>6,963,732</b>	<b>-</b>	<b>15,266,738</b>	<b>(864,039)</b>	<b>(2,465,143)</b>	<b>1,601,104</b>	
<b>Capital deficit funded by</b>										
Revenue surplus		(6,291,190)	-	-	-	(6,830,251)	(539,061)	(403,877)	(135,184)	
HRA reserve		(6,820,303)	-	-	-	(6,820,303)	-	632,373	(632,373)	
Unsupported borrowing		(3,019,284)	-	-	-	(1,616,184)	1,403,100	2,236,647	(833,547)	
<b>Total funding of capital expenditure</b>		<b>(16,130,777)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,266,738)</b>	<b>864,039</b>	<b>2,465,143</b>	<b>(1,601,104)</b>	
Opening HRA balance		(7,975,679)	-	-	-	(7,975,679)	-	-	-	
Net (increase) / decrease in HRA reserve		6,820,303	-	-	-	6,820,303	-	(632,373)	632,373	
<b>Closing HRA reserve</b>		<b>(1,155,376)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,155,376)</b>	<b>-</b>	<b>(632,373)</b>	<b>632,373</b>	

## HOUSING REVENUE ACCOUNT CAPITAL BUDGET 2025/26

	Annual budget 2025/26	Expenditure Q3	Year end forecast	Year end variance	Forecast variance at Q2	Change from Q2 forecast
	£	£	£	£	£	£
Central Heating Contract	200,000	89,190	104,000	(96,000)	(96,000)	-
Planned Maintenance Contract	3,000,000	1,233,082	1,300,000	(1,700,000)	(1,000,000)	(700,000)
Energy Performance Improvement	3,300,000	2,320,944	3,300,000	-	-	-
Environmental Works	500,000	98,488	300,000	(200,000)	(200,000)	-
Acquisition of Existing Properties and Development of New Properties	10,737,814	5,531,712	10,449,902	(287,912)	(1,169,143)	881,231
Public Sector Adaptations	500,000	325,215	500,000	-	-	-
Fire Risk	500,000	212,523	500,000	-	-	-
WHQS	1,483,000	1,803,991	2,515,000	1,032,000	-	1,032,000
Kitchen Replacement Programme	4,000,000	3,795,438	4,350,000	350,000	-	350,000
Fleet Renewal	650,000	293,186	687,873	37,873	-	37,873
<b>Total</b>	<b>24,870,814</b>	<b>15,703,769</b>	<b>24,006,775</b>	<b>(864,039)</b>	<b>(2,465,143)</b>	<b>1,601,104</b>



APPENDIX C

**NEW DEVELOPMENT BUDGET 2025/26**

Schemes / Projects	Number of additional units	Budget 2025/26	Expenditure Q3	Year end forecast	Forecast variance at Q2	Change from Q2 forecast
		£	£	£	£	£
New build dwellings						
Newborough Old School Site	14	1,427,530	868,130	1,350,000	1,427,530	(77,530)
Cae Braenar, Caergybi	23	1,535,707	462,493	1,450,000	1,535,707	(85,707)
Parc y Coed, Llangejni, Phase 2	2	293,200	234,287	293,200	293,200	-
Stad y Bryn, Llanfaethlu	10	912,736	785,110	950,000	562,736	387,264
Plas Alltran, Caergybi	4	-	-	-	-	-
						-
Acquisition of existing properties					-	-
Acquisitions	5	2,312,356	887,590	2,628,416	2,312,356	316,060
Refurbishment	15	2,370,000	1,168,414	2,370,000	1,786,142	583,858
						-
Collaboration with Social Services	4	718,648	673,286	818,286	701,000	117,286
Aethwy Extra Care	73	867,637	338,209	375,000	500,000	(125,000)
						-
Projects in pre-development stages		300,000	114,193	215,000	100,000	115,000
<b>Total</b>	<b>150</b>	<b>10,737,814</b>	<b>5,531,712</b>	<b>10,449,902</b>	<b>9,218,671</b>	<b>1,231,231</b>