



Cabinet

18 November 2020

Report of: Councillor Ronnie de Burle -
Portfolio Holder for Corporate
Finance and Resources

Housing Revenue Account - Budget Monitoring 1 April 2020 to 30 September 2020

Corporate Priority:	Providing high quality council homes and landlord services. Ensuring the right conditions to support delivery.
Relevant Ward Member(s):	N/A
Date of consultation with Ward Member(s):	N/A
Exempt Information:	No
Key Decision:	No
Subject to call-in:	No Not key decision

1 Summary

- 1.1 To provide information on actual expenditure and income incurred on the Housing Revenue Account (HRA), compared to the latest approved budget for the period 1 April 2020 to 30 September 2020.
- 1.2 As at 30 September, budget holders are projecting a forecast out-turn for the HRA of an overspend of £30k, which whilst maintaining the working balance at the agreed £750k, will result in a reduced Regeneration & Development Reserve.
- 1.3 In addition to formal quarterly reporting to Cabinet, the budget position is reported monthly to the Senior Leadership Team. This is to ensure any early warnings that highlight pressures can be collectively resolved.

2 Recommendation

2.1 That Cabinet notes the financial position on the HRA at 30 September 2020 and the year end forecast.

3 Reason for Recommendations

3.1 The Council, having set an agreed budget at the start of the financial year, needs to ensure that the delivery of this budget is achieved. Consequently there is a requirement to regularly monitor progress so that corrective action can be taken when required, which is enhanced with the regular reporting of the financial position.

4 Background

4.1 The HRA is a high risk service account which is monitored monthly by the budget holders and the service accountant. The service and financial performance are then reported to the Senior Leadership Team.

4.2 Overall Position at 30 September 2020:

4.2.1 A summary of income and expenditure for the HRA is attached at Appendix A, and is split into controllable and internal support income and expenditure and depreciation costs.

4.2.2 A summary of the total income and expenditure for the HRA compared to the approved budget at 30 September is as follows:

SUMMARY OF INCOME AND EXPENDITURE APRIL TO SEPTEMBER 2020

Approved Budget at Sep '20 £'000	Year End Forecast £'000	Year End Variance* £'000
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HOUSING REVENUE ACCOUNT			
Total Expenditure	8,912	8,767	(145)
Income	(8,338)	(8,163)	175
Net Total HRA	574	604	30

* Underspending (-), Overspending

4.2.3 At the meeting of the Council on 26 February 2020, it was approved that the working balance be set at £750k with any under or overspends transferred to or from the Regeneration and Development Reserve. As such if the forecast overspend to date as shown above was to continue to the year end it would reduce the transfer to this Reserve as follows:

	£'000
Budget transfer to reserve	54
Change due to previous year end underspend	496
Carry forwards agreed from previous year	-100
Supplementary Estimates Funded by Reserve agreed in year	-120
Impact on reserve of above over(-)/underspend	-30
Forecast Transfer to/from(-) reserve	300

5 Main Considerations

5.1 The following paragraphs outline the reasons for the current potential year end overspend and the action currently being taken by officers to ensure that value for money, efficiency and effectiveness are at the forefront of the service provision.

5.2 Budget Variance Exception Reporting +/- £10k

5.2.1 As part of the budget monitoring process, variances are being promptly and proactively managed, facilitating more detailed reporting. Details of the more significant year end controllable variations +/- £10k (as shown in Appendix A) are also set out below:

5.2.2 Expenditure

Special Services £54,000 Underspend:

Employee costs are £30k underspent due to vacant posts and as the only meals being served are those for the Gretton Court residents with the suspension of the meals on wheels service due to the pandemic, there is a saving on food costs of £20k, however this is partially off-set by an expected income shortfall as noted below.

Repairs & Maintenance £83,000 underspend:

The cost of Agency staff is expected to be £56k less than the savings on vacant posts.

One of the mechanical and electric provisions in the Housing Improvement Plan (HIP) for £51k is no longer required due to in-house resource capacity being used, avoiding reliance on external consultancy.

A settled housing disrepair claim has resulted in a £25k overspend under third party settlements. The adoption of the Housing Improvement Plan and on-going changes to systems and processes, in relation to responsive repairs, capital works and inspection of the housing stock, should mitigate the risk of disrepair issues in the future, although clearly the Council is working hard to address legacy issues.

5.2.3 Income

Income Shortfall £175,000:

The new Health & Safety Service charge approved at Council on 26 February has been withdrawn, taking into account feedback from tenants and recognising the additional strains placed on households as a result of the Covid-19 Pandemic. The annual income was budgeted as £76k.

Voids remain high following the coronavirus pandemic, with works unable to take place for a time, although these have now restarted, and so rental income is expected to be around £58k below budget. High voids also affect other rental income areas such as meal charges and service charges which are expected to be around £10k below budget. Voids

also incur additional costs, particularly relating to council tax, which is expected to overspend by £40k, this overspend is currently off-set within the General Management service by the underspend on Court fees, with cases not able to be taken due to the pandemic (£20k) and vacant posts (£20k).

The sales of meals and car parking income has also been affected by the pandemic and shortfalls of £18k and £8k respectively are expected.

5.3 **Forecast Position**

The above figures, as shown at Appendix A, as at the end of September 2020, indicate a year to date underspend of £714,094 which is due to budget profiling, re-alignment of some of the HIP spending, late invoicing and expenditure taking place later in the year, however as above the current forecast position for the year end is a potential overspend of £30k.

- 5.4 The possible impact of an escalation to higher levels of restrictions due to Covid-19 is difficult to assess, but is likely to impact on increased void costs, additional cleaning in shared communal areas and a continued reduction in meal and car parking income.

6 **Options Considered**

- 6.1 No other options considered. If the report were not provided Councillors would not be aware of on-going developments and therefore would not be able to represent their residents effectively.

7 **Consultation**

- 7.1 The service accountant and budget holders discussed the financial performance of the HRA at the budget monitoring meetings held on 30 September and 7 October.
- 7.2 The report has also been reviewed with the Portfolio Holder Corporate Finance and Resources and the Portfolio Holder Housing and Communities.

8 **Next Steps – Implementation and Communication**

- 8.1 Members should be aware that there maybe additional spend against this budget in line with the continuation of the Housing Improvement Plan and any works required from that project.

9 **Financial Implications**

- 9.1 All financial implications have been addressed in sections 4 and 5 above.
- 9.2 The Council is continuing to lobby Government regarding financial support for the HRA, as to date, no specific funding has been provided to cover additional costs as a result of Covid-19.

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

- 10.1 The HRA is framed by the Local Government and Housing Act 1989. The Act created the ringfence and the structure within which the HRA operates and provides rules to its operation.

Legal Implications reviewed by: Deputy Monitoring Officer

11 Equality and Safeguarding Implications

- 11.1 Equalities and Safeguarding issues were addressed in setting the current years budget. There are no further equalities issues arising from this report.

12 Community Safety Implications

- 12.1 Community safety issues were addressed in setting the current years budget. There are no further community safety issues arising from this report.

13 Environmental and Climate Change Implications

- 13.1 No implications have been identified.

14 Other Implications (where significant)

- 14.1 No other implications have been identified.

15 Risk & Mitigation

The HRA is a high risk service account that the Council has a duty under the Local Government and Housing Act 1989 to ensure that it avoids being in a deficit position. This requires that effective budget monitoring procedures are set in place to monitor HRA expenditure and income against the budget and careful consideration is given to determining the level of the working balance.

Risk No	Risk Description	Likelihood	Impact	Risk
1	Repairs to overspend against budget in this and future years, due to low spend in previous years	Significant	Critical	Medium Risk
2	Economic climate, Covid-19 and welfare reform changes cause hardship on tenants causing higher levels of rent arrears and reduced collection performance	High	Critical	High Risk
3	Budgets are insufficient including costs associated with delivering improvements required from the recent health & safety risk assessments as a result of the HRA business plan being out of date and	Significant	Critical	Medium Risk

	needing to be refreshed			
4	Increasing Right to Buy sales over those budgeted for cause reductions to rent income streams	High	Marginal	Medium Risk
5	Ability to cleanse repairs commitments from Northgate housing system	Significant	Critical	Medium Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High		4	2	
	4 Significant			1,3,5	
	3 Low				
	2 Very Low				
	1 Almost impossible				

16 Background Papers

16.1 None

17 Appendices

17.1 Appendix A – HRA Summary of Income & Expenditure

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