



## Housing Revenue Account - Budget Monitoring 1 April 2021 to 30 June 2021

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

### 1 Summary

- 1.1 Following significant investment in the Housing service, as a result of the Housing Improvement Programme, and in line with Corporate Priority 2, this report seeks 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 2021 to 30 June 2021 for revenue and capital budgets.
- 1.2 As at 30<sup>th</sup> June 2021, budget holders are projecting a forecast revenue underspend for the HRA of £270k, which will result in an increased contribution to the Regeneration & Development Reserve in order to maintain the approved £750k working balance.
- 1.3 With regard to capital spend budget holders are projecting a forecast underspend of £2.17m by the end of the financial year.

- 1.4 In addition to formal quarterly reporting to Cabinet, the budget position is reported monthly to the Senior Leadership Team. This is to ensure that any early warnings that highlight pressures can be collectively understood and action taken.

## 2 Recommendation

- 2.1 That Cabinet notes the financial position on the HRA at 30 June 2021 and the year-end forecast for both revenue and capital.

## 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 the 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 regularly by the budget holders and the service accountant. The service and financial performance are then reported to the Senior Leadership Team.

## 5 Main Considerations

### 5.1 Overall Revenue Position at 30 June 2021

- 5.2 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.

- 5.3 A summary of the total income and expenditure of the HRA compared to the approved budget at 30 June is as follows:

2021-22

|                             | Approved<br>Budget<br>£ | Estimated Year End<br>Position<br>£ | Variance<br>£   |
|-----------------------------|-------------------------|-------------------------------------|-----------------|
| Expenditure                 | 7,584,870               | 7,195,870                           | -389,000        |
| Income                      | -7,897,990              | -7,778,990                          | 119,000         |
| <b>Net Cost of Services</b> | <b>-313,120</b>         | <b>-583,120</b>                     | <b>-270,000</b> |

- 5.4 The following paragraphs outline the reasons for the current potential year end underspend 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.

## 5.5 **Budget Variance Exception Reporting +/- £10k**

5.6 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 variances +/- £10k (as shown in appendix A) as also set out below:

### 5.6.1 **Expenditure**

General Management £62k underspend:

£10k professional fees - follows the tendering exercise for the contract for valuing the HRA assets for the statement of accounts. This work commenced from February 2021 and the contract runs to 2024. The budget in these years can therefore be reduced.

£12k court costs - the continuation of the effect of the pandemic on court proceedings and the resultant back-log means that we would not expect to spend the current annual budget.

£40k employee costs - whilst we rebuild and strengthen the service some of our vacancies and roles have been challenging to fill and not fully off-set by agency fees.

Repairs & Maintenance £292k underspend:

£210k professional fees – a successful tender for the stock condition and related surveys has resulted in an overall saving of £90k which can be used as necessary towards any works identified from the surveys. The contract runs for 4 years with the estimated weighted cost for 2021-22 at £140k and the remaining £120k spread over the next 3 years, this against a one off in year budget of £350k. The weighting will cover the stock condition surveys in this financial year with Energy Performance Certificates (EPC), structural and garage surveys completed over the 4 year term.

£82k employee costs - as the Council rebuilds and strengthens the service any underspends arising from some vacant posts have not been fully offset by agency costs.

Special Services £35k underspend:

£15k food & drink provisions – reduced requirement for food supplies during the pandemic as no lunch clubs have been held during the pandemic in addition to high void numbers of Gretton Court residents.

£20k employee costs - budgeting for full establishment whilst vacancies are proactively being filled for key roles.

### 5.6.2 **Income**

Income £119k shortfall:

£80k rent income - this is an extrapolation of the reduced rent income at period 3, assuming voids continue at their current level. Taken into account is also the excellent work of the team in reducing the current voids and the anticipated level of new void properties and their level of decency, as well as any new or continuing unknown impact from the pandemic.

£19k property service charge – the high level of voids at Gretton Court has resulted in this shortfall with properties now being re-let, the team have revisited the allocation process of Gretton Court properties with partner organisations to speed up the process.

£20k meal charges and sales - £11k relates to the high voids at Gretton Court and the remaining £9k to the removal of the lunch clubs due to the pandemic. There is a related reduction in the costs for the provision of these meals as noted above.

## 5.7 Forecast Position

The figures as shown in appendix A as at the end of June 2021 indicate a year to date underspend of £386k which is due to budget profiling, late invoicing and expenditure taking place later in the year. However, as above the current forecast position for the year end is a potential projected underspend of £270k.

## 5.8 Overall Capital Position at 31 July 2021

5.9 The capital programme summary is attached at appendix B and shows the latest spend forecast of £4.372m against a £6.542m budget. This would result in an underspend of £2.17m.

The larger variances are summarised below:

| Project                                       | Total Budget<br>£'000 | Actual April 2021 To July 2021<br>£'000 | Year End Forecast<br>£'000 | Variance (-)<br>=<br>Underspend<br>£'000 | Reason  |
|---|-----------------------|---|----------------------------|--|---|
| Replace Exterior Doors & Windows              | 612                   | 131                                     | 475                        | (137)                                    | There is a projected underspend, it is anticipated that the remainder of last year's work not completed will be done, plus part of the programme that was scheduled for 21-22, with a view to complete the remainder in the next financial year |
| Fire Protection Upgrades & Fire Safety works  | 1,212                 | (31)                                    | 1,000                      | (212)                                    | In the final stages of procuring a supplier, once complete a more detailed plan of expenditure will be forthcoming  |
| Non Traditional Dwelling Site Development     | 100                   | 0                                       | 0                          | (100)                                    | Carry forward to 22/23 for Development Manager to consider areas of spend   |
| Fairmead Regeneration                         | 100                   | 0                                       | 0                          | (100)                                    | Carry forward to 22/23 for Development Manager to progress  |
| Affordable Housing - Gretton Court Extra Care | 100                   | 0                                       | 0                          | (100)                                    | Carry forward to 22/23 for Development Manager to progress  |

| <b>Project</b>                         | <b>Total Budget<br/>£'000</b> | <b>Actual<br/>April 2021<br/>To July<br/>2021<br/>£'000</b> | <b>Year End<br/>Forecast<br/>£'000</b> | <b>Variance (-)<br/>=<br/>Underspend<br/>£'000</b> | <b>Reason</b>   |
|--|-------------------------------|---|--|--|---|
| Affordable Housing (Use Of RTB Monies) | 1,460                         | 0   | 250                                    | (1,210)  | Purchase of a property in progress, RTB spend deadlines have been extended by two years which enables the time to develop plans |
| Scooter Pods                           | 253                           | 4   | 50                                     | (203)  | A number of units have been deployed and are currently looking to expand the programme in to future years                       |

## **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 1 and 22 July.
- 7.2 The report has also been reviewed with the Portfolio Holder for Corporate Governance, Finance and Resources and the Portfolio Holder Housing and Communities.

## **8 Next Steps – Implementation and Communication**

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

## **9 Financial Implications**

- 9.1 All financial implications have been addressed in sections 4 and 5 above.

**Financial Implications reviewed by: Director for Corporate Services**

## **10 Legal and Governance Implications**

- 10.1 The Council is required by s74 of the Local Government and Housing Act 1989 to keep a Housing Revenue Account (HRA), which records all revenue expenditure and income relating to the provision of council dwellings and related services. In formulating its

proposals using best estimates and assumptions, the Authority must set a balanced account. In its role as landlord, the Council has statutory and contractual obligations to maintain the structure of, and installations in, its housing stock. The HRA Budget will assist the council in fulfilling those obligations.

**Legal Implications reviewed by: Monitoring Officer**

## 11 Equality and Safeguarding Implications

11.1 Equalities and Safeguarding issues were addressed in setting the current year's 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 year's 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  | Significant | Critical | Medium Risk |

|   |   |      |          |             |
|---|---|------|----------|-------------|
|   | improvements required from the recent health & safety risk assessments as a result of the HRA business plan being out of date and 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 and accurately show spend against budgets  | High | Critical | High Risk   |

|            |                      | Impact / Consequences |          |          |              |
|------------|----------------------|-----------------------|----------|----------|--------------|
|            |                      | Negligible            | Marginal | Critical | Catastrophic |
| Likelihood | Score/<br>definition | 1                     | 2        | 3        | 4            |
|            | 6 Very High          |                       |          |          |              |
|            | 5 High               |                       | 4        | 2,5      |              |
|            | 4 Significant        |                       |          | 1,3      |              |
|            | 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

17.2 Appendix B – HRA Capital Programme 2021-22

|                                       |   |
|---------------------------------------|---|
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