



# Cabinet

23 November 2021

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

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

<b>Corporate Priority:</b>	Providing high quality council homes and landlord services 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 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 September 2021 for revenue and capital budgets.
- 1.2 As at 30 September 2021, budget holders are projecting a forecast revenue underspend for the HRA of £370k, which will result in a reduced contribution from 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 £2.72m 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 as at 30 September 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 September 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 September is as follows:

2021-22

	Approved Budget £	Estimated Year End Position £	Variance £
Expenditure	7,684,870	7,180,870	-504,000
Income	-7,897,990	-7,763,990	134,000
<b>Net Cost of Services</b>	<b>-213,120</b>	<b>-583,120</b>	<b>-370,000</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 £74k underspend:

- £9k professional fees overspend - the tendering exercise for the contract for valuing the HRA assets for the statement of accounts has reduced by £10k, however this amount will be fully off-set against an anticipated overspend due to an interim position in the service, which can be funded from the underspend in employee costs.
- £18k 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 in this financial year.
- £70k 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 and professional fees.

Repairs & Maintenance £381k 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.
- £180k employee costs – the Council is continuing to rebuild and strengthen the service but there have been underspends arising from some vacant posts which have not been fully offset by agency costs.

Special Services £49k 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.
- £34k employee costs - budgeting for full establishment whilst vacancies are proactively being filled for key roles.

### 5.6.2 **Income**

Income £134k shortfall:

- £80k rent income - this is an extrapolation of the reduced rent income at period 6, 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.
- £22k property rent debit 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.

- £25k meal charges and sales - £15k relates to the high voids at Gretton Court and the remaining £10k 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 September 2021 indicate a year to date underspend of £317k which is partially 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 £370k.

## 5.8 Overall Capital Position at 30 September 2021

5.9 The capital programme summary is attached at appendix B and shows the latest spend forecast of £3.820m against a £6.542m budget. This would result in an underspend of £2.720m.

The larger variances are summarised below:

Project	Total Budget £'000	Actual April 2021 To Sept 2021 £'000	Year End Forecast £'000	Variance (-) = Underspend £'000	Reason
Replace Exterior Doors & Windows	612	167	300	(312)	This project will further mobilise from the stock condition survey results, with a robust programme in place from April 2021.
Fire Safety works	1,212	(2)	400	(812)	In the final stages of procuring a supplier, once complete a more detailed plan of expenditure will be forthcoming over the coming years.
Fairmead Regeneration	100	0	0	(100)	Will follow from development strategy once complete as appropriate
Affordable Housing - Gretton Court Extra Care	100	0	0	(100)	Will follow from development strategy once complete as appropriate
Affordable Housing (Use of RTB Monies)	1,460	215	260	(1,200)	Purchase of a property completed, RTB spend deadlines have been extended by two years which enables the time to develop plans

<b>Project</b>	<b>Total Budget £'000</b>	<b>Actual April 2021 To Sept 2021 £'000</b>	<b>Year End Forecast £'000</b>	<b>Variance (-) = Underspend £'000</b>	<b>Reason</b>
Energy Efficiency	200	0	640	440	LAD Phase 1B for which £340k funding has been received which must be matched, for 68 properties, deadline has been extended to be completed by 31 March 2022. Any matched grant not spent must be returned.
Scooter Pods	253	4	60	(193)	A number of units have been deployed and are currently looking to expand the programme in to future years
Void Catch up Repairs	100	(54)	0	(100)	Unlikely that separate voids works would not be contained in other lines. To be considered for 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 6 and 11 October.
- 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 HRA is a separate account that all local authorities with housing stock are required to maintain. This account contains all transactions relating to local authority owned housing.
- 10.2 The Local Government and Housing Act 1989 requires the Council to keep a separate 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. The Local Government and Housing Act 1989 prohibits the Council operating its HRA at a deficit. 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 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	Significant	Critical	Medium Risk
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/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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