



# Cabinet

14 September 2022

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

## Housing Revenue Account - Budget Monitoring 1 April 2022 to 30 June 2022

<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 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 2022 to 30 June 2022 for revenue and capital budgets.
- 1.2 As at 30<sup>th</sup> June 2022, budget holders are projecting a forecast revenue overspend for the HRA of £132k, which will result in an increased 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 £661k by the end of the financial year, against a budget of £5.895m.
- 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 2022 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 2022

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:

2022-23

	Approved Budget	Estimated Year End Position	Variance
	£	£	£
Expenditure	8,615,520	8,635,520	20,000
Income	-8,357,370	-8,245,370	112,000
<b>Net Cost of Services</b>	<b>258,150</b>	<b>390,150</b>	<b>132,000</b>

5.4 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.

### 5.5 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:

£15k court costs underspend - the continuation of the back-log on court proceedings while the income recovery officer post has been vacant means that we would not expect to spend the current annual budget. The post has been re-evaluated and recruitment has recently commenced.

£15k Third Party Claims Settlements overspend – This is due to 2 decant cases so far with these costs expected to increase in the year.

Repairs & Maintenance £20k overspend:

£20k employee costs - as the Council rebuilds and strengthens the service any underspends arising from some vacant posts have been more than offset by agency costs resulting in this overspend.

## 5.6.2 Income

Income £112k shortfall:

£112k rent income - this is within a range of £100-£132k from the expectation based on the rent charges in the first quarter, but taking into account the significant effort made in the repairs team to bring some of the long-term voids back into use.

## 5.7 Forecast Position

The figures as shown in appendix A as at the end of June 2022 indicate a year to date overspend of £27k which is due to budget profiling and high void rates as noted in 5.6.2 above. However, as above the current forecast position for the year end is a potential projected overspend of £132k.

## 5.8 Overall Capital Position at 30 June 2022

5.9 The capital programme summary is attached at appendix B and shows the latest spend forecast of £5.234m against a £5.895m budget. This would result in an underspend of £661k.

The larger variances are summarised below:

Project	Total Budget £'000	Actual April 2021 To July 2021 £'000	Year End Forecast £'000	Variance (-) = Underspend £'000	Reason
Fairmead Regeneration	100	0	0	(100)	No longer expected. Look to repurpose budget as part of developing Housing Asset Management Plan
Affordable Housing (Use of RTB Monies)	1,720	0	1,154	(566)	Opportunity to purchase 8 new build homes currently being explored. Subject to due diligence, satisfying planning

<b>Project</b>	<b>Total Budget £'000</b>	<b>Actual April 2021 To July 2021 £'000</b>	<b>Year End Forecast £'000</b>	<b>Variance (-) = Underspend £'000</b>	<b>Reason</b>
					requirements and approvals.

## **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 5 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 improvements on continuing health & safety risks and as a result of the HRA business plan needing to be refreshed with an up to date Asset Management plan	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 completely 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 2022-23

<b>Report Author:</b>	<b>Carol King</b> , Senior Technical Accountant
<b>Report Author Contact Details:</b>	01664 502446 CKing@melton.gov.uk
<b>Chief Officer Responsible:</b>	<b>Alison Bennett</b> , Assistant Director for Housing Management
<b>Chief Officer Contact Details:</b>	01664 502344 abennet@melton.gov.uk