



Housing Revenue Account Budget Monitoring 1 April 2022 - 30 September 2022

Corporate Priority:	Providing high quality council homes and landlord services Ensuring the right conditions to support delivery (inward)
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 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 September 2022 for revenue and capital budgets.
- 1.2 As at 30 September 2022, budget holders are projecting a forecast revenue overspend for the HRA of £22k, which if realised would 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 £461k 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(s)

- 2.1 That Cabinet notes the financial position on the HRA at 30 September 2022 and the year-end forecast for both revenue and capital
- 2.2 That Cabinet recommends to Council the approval of the proposed virements and realignment of the HRA capital programme for 2022/23 as outlined in para 5.8.

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 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 September 2022 is as follows:

2022-23

	Approved Budget £	Estimated Year End Position £	Variance £
Expenditure	8,592,350	8,627,350	35,000
Income	8,331,710	8,344,710	-13,000
Net Cost of Services	260,640	282,640	22,000

- 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 £26k overspend:

- £8k Professional fees overspend – The use of external consultants on the business plan and the business plan review to ensure its robustness has contributed to this overspend.

- £5k Third Party Claims Settlements overspend – This is due to 2 decant cases with these costs not expected to significantly increase further in the year.
- £5k Subscriptions overspend – Housing Ombudsman invoice included the 2021-22 charges as these were not accrued in 2021-22.

Off set by:

- £13k employee underspend – Vacant posts are being actively recruited, the current underspend is expected to be sufficient to cover the current pay offer and result in this underspend.
- £8k 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 now been re-evaluated and recruited and the income management policy drafted.

Special Services £42k underspend:

- £32k employee underspend – while the service is being reviewed the vacant posts remain. These on-going vacancies and the current pay offer will result in this underspend.
- £10k food & drink provision underspend – low take up of the lunch club meals and the high void levels at Gretton Court are contributing to this underspend.

Repairs & Maintenance £51k overspend:

- £43k employee costs overspend - as the Council rebuilds and strengthens the service any underspends arising from some vacant posts have been slightly more than offset by agency costs, the current pay offer has resulted in this overspend.
- £8k energy overspend – Rising energy costs and high voids levels are expected to result in the overspend this year

As a whole the repairs and maintenance budgets are expected to balance. The voids service has had a unique and unusual year with the need to use other contractors resulting in higher rates as well as the high number of voids and the higher number of long standing voids which has caused an overspend on this budget area, however some of the responsive and planned contract works budgets have underspent allowing this to be covered from within existing budgets. The Asset Management Plan has highlighted areas where budgets for both capital and revenue can be re-aligned to better reflect the need of the service going forward.

5.6.2 Income

Income £13k additional income:

- £92k rent income shortfall - this is based on the rent charges in the first half of the year, but taking into account the significant effort made in the repairs team to bring some of the long-term voids back into use.
- £28k Meal charges shortfall – high voids rates at Gretton Court and lower take-up of meals from lunch clubs to date is resulting in this shortfall
- £133k additional interest income is currently forecast due to increased balances and increasing interest rates.

5.7 Forecast Position

The figures as shown in appendix A as at the end of September 2022 indicate a year to date underspend of £165k which is due to budget profiling, late invoicing and expenditure taking

place later in the year partially mitigated by high void rates as noted. However, as above the current forecast position for the year end is a potential projected overspend of £22k.

5.8 Overall Capital Position at 30 September 2022

5.8.1 The capital programme summary is attached at appendix B and shows the latest spend forecast of £5.435m against a £5.895m budget. This would result in an underspend of £461k. The summary shows that of the £461k underspend £368k is expected to be carried forward and will be confirmed when the 2023/24 budget is set.

5.8.2 As outlined in appendix B it is proposed to transfer money from historic budgets, or ones where savings have been made, to increase budgets that focus on energy efficiency improvements in the stock. The installation of new windows and heating systems will improve the energy efficiency of our homes and accelerate the plans approved as part of the HRA Business Plan. In Summary the following virements are proposed:

Capital Scheme	Virement Amount
Install Central Heating	£75k Increase
Replace Exterior Windows & Doors	£200k Increase
Boiler Replacements	£75k Increase
Conversion Of Electric Storage Heaters	£24k Increase
CCTV	£20k Increase
Non-Traditional Site Development	(£100k) reduction
Energy Efficiency	(£194k) reduction
Fairmead Regeneration	(£100k) reduction

5.8.3 Of the remaining underspend of £461k this is primarily due to one scheme as set out below:

Project	Total Budget £'000	Actual April 2022 To Sep 2022 £'000	Year End Forecast £'000	Variance (-) = Underspend £'000	Comment
Affordable Housing (Use of RTB Monies)	1,720	0	1,352	(368)	Revised purchase price £1,352,300. includes fees and 5% contingency. 2 of the 8 houses are complete to purchase, remaining 6 in February 2023. Report to cabinet in December for approval to purchase. Will request to carry forward the remaining balance to 23/24.

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 October 2022.
- 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 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

15.1 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	Increasing Right to Buy sales over those budgeted for cause reductions to rent income streams	High	Marginal	Medium Risk
4	Ability to completely cleanse repairs commitments from Northgate housing system and accurately show spend against budgets	Significant	Critical	Medium Risk

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

16 Background Papers

16.1 None

17 Appendices

17.1 Appendix A – HRA Summary of Income and Expenditure

17.2 Appendix B – HRA Capital Programme 2022-23

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