



**Melton  
Borough  
Council**

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# Cabinet

13 September 2023

## Housing Revenue Account Budget Monitoring - 1 April 2023 to 30 June 2023

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<b>Lead Member/Relevant Portfolio Holder</b>	<b>Councillor Sarah Cox</b> - Portfolio Holder for Corporate Finance, Property and Resources <b>Councillor Pip Allnatt</b> - Leader of the Council, Portfolio Holder for Housing and Landlord Services

<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 2023 to 30 June 2023 for revenue and capital budgets.
- 1.2 As at 30 June 2023, budget holders are projecting a forecast revenue underspend for the HRA of £261k, of which £170k is in regard to investment income which is below the net cost of services level, and which will result in a reduced contribution from the Regeneration & Development Reserve in order to increase the approved working balance to £1m.
- 1.3 With regard to capital spend budget holders are projecting a forecast underspend of £302k by the end of the financial year, against a budget of £4.904m.
- 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 Recommendations

## That Cabinet:

- 2.1 **Notes the financial position on the HRA at 30 June 2023 and the year-end forecast for both revenue and capital.**
- 2.2 **Approves the increase to the overall value of the HRA capital programme to include £118k for the estimated expenditure on 3 fire damaged properties to be funded from insurance and a virement from another capital programme item.**

# 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.
- 3.2 During this and the previous year the housing stock has been affected by a number of fires in its properties, which require capital works to remedy. The works to the properties are covered by insurance, less a £5k excess per property claim. The increase of £118k will be covered by the insurers to the value of £109k.

# 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 2023**
- 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:

2023-24

	Approved Budget £	Estimated Year End Position £	Variance £
Expenditure	8,807,910	8,676,910	-131,000
Income	-8,975,050	-8,935,050	40,000
<b>Net Cost of Services</b>	<b>-167,140</b>	<b>-258,140</b>	<b>-91,000</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) are set out below:

5.6.1 Expenditure

General Management 22k overspend:

Anticipated underspends of employee costs (£17k) due to a vacant post not being recruited and the budgeted pay-award yet to be applied as well as court costs (£6k) underspend due to the continuation of the back-log on income recovery and court proceedings, is being off-set by the expected council tax empty rate (£28k) due to the longer term vacant properties.

The fire insurance renewal to the HRA has increased by 32% on 2022-23 levels, due to the high level of fires in our properties, this equates to an estimated overspend of £17k.

Repairs & Maintenance £153k underspend:

£10k employee costs – career graded posts currently showing as lower than budgeted as staff work towards their higher grade, a vacant post saving is expected to fund staffing pressures elsewhere in the service.

£143k Professional fees underspend due to the costs relating to the specific stock condition surveys being lower than budgeted.

The Northgate system which holds much of the repairs & maintenance commitment information is double counting the commitments made where replacement orders have been generated. The team is looking at the extent of the duplication and putting in place resources to clear them. Procedures will be enacted to ensure no repeat occurs. It is expected that more robust information will be available to be reported in the April to September monitoring report.

Income £40k shortfall:

£40k rent income – this includes an extrapolation of the reduced rent to quarter 1 but allows for a continued focus on bringing these properties back into use by the use of pre-termination inspections. The delayed capital purchases of 8 affordable rented properties

is causing the shortfall on the affordable housing rental income, these are expected to complete once the outstanding legal issues are concluded.

In addition, a 10 point action plan has been developed to have a significant impact on the level of rent arrears which the council is currently carrying. This includes both additional staffing resources and improved operating procedures. Currently the council's rent arrears (including FTA's) stands at 11.8% which, while the upward trend is consistent with other providers, places the council's performance in the lower quartile nationally, which is a concern and needs to be addressed both for its impact on the HRA and to ensure the council is in the best possible position as it prepares for regulatory inspection. Hence the need for the above intervention.

## 5.7 **Forecast Position**

The figures as shown in appendix A as at the end of June 2023 indicate a year to date underspend of £237k which is due to budget profiling and the uneven payment of invoices. However, as above the current forecast position, at net cost of services level, for the year end is a potential projected underspend of £91k.

Interest rates have increased since the budgets were set with investments achieving higher returns. The latest forecast to date will add an additional £170k of interest received on HRA balances in the year. This is in addition to the £91k underspend noted above resulting in an overall potential projected underspend of £261k.

## 5.8 **Overall Capital Position at 30 June 2023**

5.9 The capital programme summary is attached at appendix B and shows the latest spend forecast of £4.530m against a £4.904m budget. This would result in an underspend of £374k.

The larger variances are summarised below:

<b>Project</b>	<b>Total Budget £'000</b>	<b>Actual April 2023 To June 2023 £'000</b>	<b>Year End Forecast £'000</b>	<b>Variance (-) = Underspend £'000</b>	<b>Reason</b>
Affordable Housing (Use of RTB Monies)	1,718	-49	1,298	(420)	Revised purchase price for 8 affordable rent properties £1,347,320. includes fees, 5% contingency and 5k admin fee. The hold is due to the unilateral undertaking for all the properties on the development and problems with procuring the energy efficient insulated panels. Opportunities to purchase further properties will be pursued in order to ensure the required RTB receipts are spent in time which may mean either a carry forward into next year for this scheme and/or later years budgets moving forward into 2023-24 if new purchases over-lap. Variance assumes initial scheme only completes in year.
3 x Fire damaged properties	0	46	118	118	Works to fire damaged properties, not budgeted for, will be funded in part by insurance arrangements, the remainder to be covered from a virement form another capital programme item.

## 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 4 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 Any additional spend against this budget will be in line with the approved business plan and the annually reviewed Asset Management Plan.

## 9 Financial Implications

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

## **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 Data Protection Implications (Mandatory)**

- 12.1 A Data Protection Impact Assessments (DPIA) has not been completed for the following reasons because there are no risks/issues to the rights and freedoms of natural persons.

## **13 Community Safety Implications**

- 13.1 Community safety issues were addressed in setting the current year's budget. There are no further community safety issues arising from this report.

## **14 Environmental and Climate Change Implications**

- 14.1 No implications have been identified.

## **15 Other Implications (where significant)**

- 15.1 No other implications have been identified.

## **16 Risk & Mitigation**

<b>Risk No</b>	<b>Risk Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk</b>
1	Repairs to overspend against budget in this and future years, due to low spend in previous years	Significant	Critical	Medium Risk
2	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 compliance risks	Very Low	Critical	Medium Risk
4	Increasing Right to Buy sales over those budgeted for cause reductions to rent income streams	Low	Marginal	Medium Risk
5	Ability to completely cleanse repairs commitments from Northgate housing	High	Critical	High Risk

	system and accurately show spend against budgets			
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		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High			2,5	
	4 Significant			1	
	3 Low		4		
	2 Very Low			3	
	1 Almost impossible				

Risk No	Mitigation
1	The HRA Asset Management Plan aims to focus spend on planned investment in key areas of high spend on revenue repairs. For example, targeted and planned investment to address damp and mould in properties will reduce the strain on the revenue repair budgets.
2	A sharp focus on income recovery, and implementing the income policy, procedure and ten point action plan, plus dedicated resources will significantly improve performance. It is important to note that there was no dedicated resource managing income for over two years, and whilst good results can be achieved with relatively new debts, the high level of older debts which the HRA holds will prove challenging.
3	The key areas of health and safety compliance have now been procured and budgets are set based on the tendered rates.
4	We now budget for a more realistic level of RTB sales per year and this will continue to be monitored and updated if required.
5	The team is looking at the extent of the duplication and putting in place resources to clear them. Procedures will be enacted to ensure no repeat occurs

## 17 Background Papers

17.1 None

## 18 Appendices

18.1 Appendix A – HRA Summary of Income & Expenditure

## 18.2 Appendix B – HRA Capital Programme 2023-24