



Housing Revenue Account Budget Monitoring - 1 April 2023 to 30 September 2023

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

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 2023 to 30 September 2023 for revenue and capital budgets.

- 1.2 As at 30 September 2023, budget holders are projecting a forecast revenue underspend for the HRA of £134k, of which £36k is an overspend at Net Cost of Services level and £170k is in regard to increased investment income that is below the net cost of services level, 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 £66k (including a minor £10k overspend on the new build programme) by the end of the financial year, of which circa £72k will be required to be carried forward into the next financial year, against a budget of £5.763m.
- 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 September 2023 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 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 September is as follows:

2023-24

	Approved Budget £	Estimated Year End Position £	Variance £
Expenditure	8,790,160	8,773,160	-17,000
Income	-8,975,050	-8,922,050	53,000
Net Cost of Services	-184,890	-148,890	36,000

5.4 The following paragraphs outline the reasons for the current potential year end variance 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 51k underspend:

Anticipated underspends of employee costs (£23k) due to a vacant post not being recruited and the budgeted pay-award yet to be applied as well as court costs (£13k) 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 (£12k) due to the longer term vacant properties.

At the current time, the budget hardship fund (£50k) has not been used and a hardship scheme is not in place.

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 £16k.

Repairs & Maintenance £72k underspend:

£19k employee costs underspend – 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 both in the service and within other areas of the Council which continue to support the processing of disrepair claims.

£123k Professional fees underspend due to the costs relating to the specific stock condition surveys being lower than budgeted.

The heating contract has been re-tendered with the new contractor expected to be in place in January, in the meantime, the current contractor has changed terms for remaining for an additional 3 months, which has the potential to overspend that budget by up to £20k.

A number of write-offs to historic repairs invoices to tenants is causing the income shortfall of £42k to the service.

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 December monitoring report.

The repairs service is facing continued pressures from disrepair claims which require significant works and have increased from 5 in the previous year to 22 in this year to date. The Council is aware of no win-no fee companies targeting tenants in social housing and has issued [guidance](#) to tenants on this. Improved record keeping and stock condition data is enabling the Council to defend claims, however the work to do so is creating additional

pressure on an already stretched team. The additional damp and mould cases which are proactively remedied are also impacting on the resources within the team, however budgets continue to be proactively managed across the service to ensure any overspends are able to be identified and resourced as efficiently as possible.

Special Services £106k overspend:

Our gas unit prices have increased by 300-400% in the schemes from 1 April 2023, in addition there have been no gas bills received for Gretton Court since February 2022, investigations are continuing with the supplier but an estimated overspend of £150k is anticipated at this time.

An anticipated underspend of employee costs (£60k) due to vacant posts in the IHMS service is being off-set by £22k of professional fees for lunchtime cover, the current concierge service and an Independent Living Officer. This post has now been recruited to the establishment so this post and the concierge service will in future be within the Wellbeing service charge offer.

Following the cabinet decision on 11 October to discontinue the IHMS service to those dispersed properties which have requested such, the remainder of this underspend will be required to cover the resulting income shortfall for these 265 properties from November. There is further scope in this underspend if a few more properties request to be removed from the service at that time, but the extended need for professional fees (above) has limited the availability of these funds. Careful consideration will need to be given to savings across the wider service if income reduces further.

Income £53k shortfall:

£52k rent income shortfall – this includes an extrapolation of the reduced rent to quarter 2 but allows for a continued focus on bringing these properties back into use by the use of pre-termination inspections. The delayed capital purchase 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. The recent fires are covered by insurance including lost rental, income and £7k has been received in the year to date to cover lost rental for 2 of these properties.

The continued work on and resulting reduction in void properties is starting to impact the income on other service charges, such as the accommodation charge for the schemes (-£11k) and meal income from Gretton Court (-£16k).

£35k shortfall on the removal of 265 properties from the IHMS service from November 2023 as above.

In addition, an action plan has been developed to have a significant impact on the level of current rent arrears which the council is currently carrying. This includes both additional staffing resources and improved operating procedures. At the end of 22/23 the council's rent arrears (total cumulative arrears as a percentage of rent roll, including former tenant arrears) reported in the LAHS return were at 11.% 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. Significant work will continue to address this risk, with promising progress being made. Weekly monitoring of arrears cases and performance is underway and there has been a trend to show this work is starting to have an impact on the levels of arrears.

There has also been a large improvement in cases being managed with a 71% reduction in the amount of rent accounts where arrears have not been subject to some form of action for over 3 weeks since the start of this financial year.

5.7 Forecast Position

5.8 The figures as shown in appendix A as at the end of September 2023 indicate a year to date underspend of £288k 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 overspend of £36k.

5.9 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, with the £36k overspend noted above would result in an overall potential projected underspend of £134k.

5.10 Overall Capital Position at 30 September 2023

5.11 The capital programme summary is attached at appendix B and shows the latest spend forecast of £5.697m against a £5.763m budget. This would result in an underspend of £66k (including a minor £10k overspend on the new build programme) of which circa £72k will be required to be carried forward into the next financial year.

The larger variances are summarised below:

Project	Total Budget £'000	Actual April 2023 to Sept 2023 £'000	Year End Forecast £'000	Variance (-) is Underspend £'000	Reason
Fire Damaged Property – Burgins Lane	80	8	8	-72	There is potential that works will continue into the next financial year, full costs are estimated at circa £80k. Excepting £5k excess this will be funded by insurance.

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 10 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 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.

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: Interim Assistant Director for Governance & Democracy (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

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	Higher levels of rent arrears and reduced collection performance	High	Critical	High Risk
3	Budgets are insufficient including costs associated with delivering improvements	Very Low	Critical	Medium Risk

	on continuing health & safety compliance risks			
4	Increasing Right to Buy sales over those budgeted for cause reductions to rent income streams	Low	Marginal	Low 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			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