



Housing Revenue Account Budget Monitoring - 1 April 2024 to 30 June 2024

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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 2024 to 30 June 2024 for revenue and capital budgets.

- 1.2 As of 30 June 2024, budget holders are projecting a forecast revenue underspend for the HRA of £225k, of which £133k 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 maintain the approved working balance of £1m.
- 1.3 With regard to capital spend budget holders are projecting an underspend of £1.11m in regard to the purchase of new affordable housing using Right to Buy, with the possibility of reintroducing into future programmes. Approval is sought to include £60k into the programme for the improvement of the 3 properties purchased using LAHF grant in 2023-24, this is fully funded from the same grant allocation. Otherwise a small underspend of £10k is projected to be carried forward into 2025-26.
- 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 2024 and the year-end forecast for both revenue and capital.**
- 2.2 **Approves the increase of £60k to the 2024-25 Capital Programme for the improvement of the LAHF grant funded properties purchased in 2023-24.**

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 2024

- 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:

	Approved Budget £	Estimated Year End Position £	Variance £
Expenditure	8,869,370	8,760,370	-109,000
Income	-9,709,630	-9,692,630	17,000
Net Cost of Services	-840,260	-932,260	-92,000

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 14k underspend:

Anticipated underspends of employee costs (£14k) due to the budgeted pay-award being higher than the current pay offer, which has yet to be agreed and applied. A vacant post saving is expected to fund a post within the income and tenancy sustainment service.

Repairs & Maintenance £13k underspend:

Anticipated underspends of employee costs (£13k) due to the budgeted pay-award being higher than the current pay offer, which has yet to be agreed and applied. A vacant post saving is expected to fund the recruitment of a 0.4 increased voids and responsive repairs officer.

The Northgate system is being interrogated to ascertain whether the previous years duplication of commitments is continuing. Previous years commitments are expected to be removed once a script in the test system becomes available.

The repairs budgets are currently performing well, with a number of high value responsive jobs completed in the first quarter, however the team is looking to manage the service's budgets overall to prevent overspends occurring.

Special Services £82k underspend:

The is due to the utility charges budgets which were significantly increased for 2024-25 following the large cost increases in the previous year. The current underspend of £60k could represent a quarterly underspend, however costs do rise over the winter months, so this £120k underspend is an estimate to be further assessed after quarter 2.

£26k of unplanned work to maintain the heating system has been identified at Gretton Court and so the money for this will be taken from the utility underspend above.

The IHMS service has ceased in line with report presented to Cabinet on 6 March 2024, however the Independent Living Support Service for the Sheltered Housing Tenants and personalised exit and transition plans for the dispersed properties tenants have not completed and so both continue to receive the lifeline service at no charge. The budget

was set based on the expectation that the Independent Living Support charge would be brought in from 1 July and the lifeline service would be removed from the dispersed properties by the same date. The formal consultation with tenants is now prepared and sessions are to be booked. An overspend for this cost is now expected to be in the region of £3,100 per month plus any welfare calls made, so currently around £10k overall.

Income £17k shortfall:

£17k well-being charge income – Rent statements were sent out with incorrect totals, which did not include the housing benefitable element of the well-being charge, so letters had to be re-issued and the charge refunded until the 4 week consultation had taken place. The charge has been re-instated from 8 July or week 14. 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, however this is currently being fully-offset by increased social rented income following a reduction in the voids rates.

5.7 Forecast Position

The figures as shown in appendix A as at the end of June 2024 indicate a year to date underspend of £371k which is due to budget profiling, a number of 2023-24 invoices remaining outstanding, 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 £92k.

Interest rates have increased since the budgets were set with investments achieving higher returns. The latest forecast to date will add an additional £133k of interest received on HRA balances in the year. This is in addition to the £92k underspend noted above resulting in an overall potential projected underspend of £225k.

5.8 Overall Capital Position at 30 June 2024

The capital programme summary is attached at appendix B and shows the latest spend forecast. An underspend of £1.11m in regard to the purchase of new affordable housing using Right to Buy Receipts is expected, with the possibility of carrying forward into future years programmes as plans are developed. The requirement to spend Right to Buy receipts has been recently updated so that 100% of purchases can be funded from these receipts, without the need for match funding for the 2 years 2024-25 and 2025-26, this period will be subject to review, this means that the previous requirement of 50% of spending to be funded from other HRA reserves no longer applies and the remaining budgeted spend will be sufficient to meet our requirement until 2027-28. Deferring the spend to later years will therefore not result in a need to return money from Right to Buy Receipts to Government.

Approval is also sought to include £60k into the programme for the improvement of the 3 properties purchased using LAHF grant in 2023-24, this is fully funded from the same grant allocation. Otherwise a small underspend of £10k is projected to be carried forward into 2025-26.

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 15 and 17 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.

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.
- 10.2 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.
- 10.3 Cabinet are able to approve the additional expenditure of £60k to the Capital Programme as this is fully funded from an external grant.

Legal Implications reviewed by: Deputy 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	Significant	Critical	Medium 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 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			5	
	4 Significant			1,2	
	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 and procedure, 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 where relevant. 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 2024-25