



Housing Revenue Account Budget Monitoring 1 April 2024 - 30 September 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 September 2024 for revenue and capital budgets.

- 1.2 As of 30 September 2024, budget holders are projecting a forecast revenue overspend for the HRA of £198k, which is net of £90k of forecast additional investment income which is below the net cost of services level. This net overspend will result in an increased 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 £550k in regard to the purchase of new affordable housing using Right to Buy receipts, with the possibility of reintroducing into future programmes. The report elsewhere on this agenda for the purchase of 2 affordable homes for £560k has already been taken into account for the £550k underspend reported here. 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 September 2024 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 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 recharges, both income and expenditure and depreciation costs.

A summary of the total income and expenditure of the HRA compared to the approved budget at 30th September 2024 is as follows:

2024-25

	Approved Budget £	Estimated Year End Position £	Variance £
Expenditure	8,869,370	9,141,370	272,000
Income	-9,709,630	-9,693,630	16,000
Net Cost of Services	-840,260	-552,260	288,000

5.3 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.

5.4 **Budget Variance Exception Reporting +/- £10k**

5.5 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:

5.5.1 Expenditure

General Management 23k underspend:

Anticipated underspends of employee costs (£29k) due to vacant post savings will be used to off-set the expected overspend on agency costs in the special services area and a portion of the additional cost of providing lifeline units which are not currently charged for in our previous IHMS properties.

Court Costs – while the service is resuming to normal levels the current budget is considered high and so an underspend of £12k is currently expected. This will be used to offset a portion of the additional cost of providing lifeline units which are not currently charged for in our previous IHMS properties.

The new burdens grant of £10k for the required tenancy services measures was not expected at budget setting and so is additional income for the service.

Fire insurance for our properties is an overspend of £28k due to an increased premium following our recent claim history on our fire damaged properties.

Repairs & Maintenance £408k overspend:

Anticipated underspends of employee costs (£20k) due to vacant post savings, while the majority of posts are now filled the recruitment has commenced for the position of Housing Asset Manager.

Void Repairs are expected to be £376k overspent in the year. This is largely due to a significant application for payment from the contractor for previous years works which was not adequately accrued. In addition, there are 2 high value voids under-going works. While the voids level is at its lowest for some years the budget is not adequate to fund both the current years works and the under accrual from the previous year. Improvements have been made to the way that the value of void work is shown in the system, which means that year end accruals will be more accurate in future. Contract management of

invoice payment has been strengthened to ensure that payments for void work are made within a reasonable timescale. The figure quoted is based on a worse case scenario, the team are endeavouring to reduce void costs wherever possible.

The rechargeable works budget was set with the expectation that recharges would commence from the start of the year and were based on the recharge made, rather than the collection rate for those charges. Experience from other authorities suggests that a collection rate of 10% is reasonable, so a shortfall of £45k is now expected.

Special Services £113k underspend:

This is largely 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 is estimated to be £150k for the year.

The IHMS service has ceased in line with the report presented to Cabinet on 6th 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 1st July 2024 and the lifeline service would be removed from the dispersed properties by the same date. Letters to tenants are being prepared and an overspend for this cost is now expected to be in the region of £32k plus any welfare calls made. Funds from elsewhere in the service are being used to offset some of this cost

Income £16k shortfall:

£35k 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 refunds and adjustments made until the 4 week consultation had taken place. The charge has been re-instated from 8 July or week 14. This is higher than previously reported due to adjustments in Housing Benefit.

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 being fully-offset by increased social rental income following a reduction in the voids rates, the resulting additional rental income is £35k.

Health and Safety charges were found to have been incorrectly charged to 22 properties since the beginning of the charge, these are being refunded and will result in a shortfall to the budget of around £8k.

5.6 Forecast Position

The figures as shown in appendix A as at the end of September 2024 indicate a year to date underspend of £29k 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 £288k.

Interest rates have increased since the budgets were set with investments achieving higher returns. The latest forecast to date will add an additional £90k of interest received on HRA balances in the year. This will reduce the £288k overspend noted above resulting in an overall potential projected overspend of £198k.

5.7 Overall Capital Position at 30 September 2024

The capital programme summary is attached at appendix B and shows the latest spend forecast. An underspend of £550k 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 report elsewhere on this agenda for the purchase of 2 affordable homes for £560k has already been taken into account for the £550k underspend reported here. 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 2028-29. Deferring the spend to later years will therefore not result in a need to return money from Right to Buy Receipts to Government.

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 7 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. This Act specifies the items of expenditure and income falling within the HRA with which the content of this report and appendices comply.

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.

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)

A Data Protection Impact Assessment (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	High	Critical	High Risk
2	Higher level of rent arrears and reduced collection performance	Significant	Critical	Medium Risk
3	Budgets are insufficient including costs associated with delivery improvements on continuing health and safety compliance risks	Very Low	Critical	Medium Risk
4	Increased Right to Buy sales over those budgeted for cause reductions to rent income streams	Very 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			1,5	
	4 Significant			2	

3 Low				
2 Very Low		4	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 Income & Expenditure

18.2 Appendix B – HRA Capital Programme 2024-25