



Cabinet

16 September 2020

Report of: Councillor Ronnie de Burle -
Portfolio Holder for Corporate
Finance and Resources

Housing Revenue Account - Budget Monitoring 1 April 2020 to 30 June 2020

Corporate Priority:	OG3 Becoming a more agile and commercial Council; securing our financial future
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 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 2020 to 30 June 2020.
- 1.2 As at 30 June, budget holders are projecting a forecast out-turn for the HRA of an overspend of £110k, which whilst maintaining the working balance at the agreed £750k, will result in a reduced Regeneration & Development Reserve.
- 1.3 The overspend is mainly related to the postponement and reassessment of the service charge policy and charges which meant the income budgeted for hasn't been received (this is being considered separately on this agenda) and loss of rental income as a result of Covid.
- 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 any early warnings that highlight pressures can be collectively resolved.

2 Recommendation

- 2.1 That Cabinet notes the financial position on the HRA at 30 June 2020 and the year end forecast.

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 this 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 monthly by the budget holders and the service accountant. The service and financial performance are then reported to the Senior Leadership Team.
- 4.2 **Overall Position at 30 June 2020:**
- 4.2.1 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.
- 4.2.2 A summary of the total income and expenditure for the HRA compared to the approved budget at 30 June is as follows:

SUMMARY OF INCOME AND EXPENDITURE APRIL TO JUNE 2020

Approved Budget at June '20 £'000	Year End Forecast £'000	Year End Variance* £'000
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HOUSING REVENUE ACCOUNT			
Total Expenditure	8,425	8,392	(33)
Income	(7,951)	(7,808)	143
Net Total HRA	474	584	110

* Underspending (-), Overspending

- 4.2.3 At the meeting of the Council on 26 February 2020, it was approved that the working balance be set at £750k with any under or overspends transferred to or from the Regeneration and Development Reserve. As such if the forecast overspend to date as shown above was to continue to the year end it would reduce the transfer to this Reserve as follows:

	£'000
Budget transfer to reserve	54
Change due to previous year end underspend	496
Carry forwards agreed from previous year	-100
Supplementary Estimate Funded by Reserve agreed in year	-90
Impact on reserve of above over(-)/underspend	-110
Forecast Transfer to/from(-) reserve	250

5 Main Considerations

5.1 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.

5.2 Budget Variance Exception Reporting +/- £10k

5.2.1 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 variations +/- £10k (as shown in Appendix A) are also set out below:

5.2.2 Expenditure

General Management £45,000 overspend:

Council Tax empty rate is expected to be around £40k overspent as voids are high in the year to date, much due to the coronavirus pandemic and council tax being due from the first date of the property becoming void.

An extrapolation of the additional expenditure due to the pandemic on items such as additional cleaning and staffing is £16k to the year end.

These are partially offset by lower court costs (£4k) and allpay transaction costs (£6k).

Special Services £54,000 Underspend:

Employee costs are £32k underspent due to vacant posts and, due to a reduction in meal provision, there is a saving on food costs of £16k. However this is partially off-set by an expected income shortfall as noted below.

Repairs & Maintenance £24,000 underspend:

The cost of Agency staff is expected to be £20k less than the savings on vacant posts.

5.2.3 Income

Income Shortfall £143,000:

The new Health & Safety Service charge approved at Council on 26 February has been withdrawn, taking into account feedback from tenants and recognising the additional strains placed on households as a result of the Covid-19 Pandemic. The annual income was budgeted as £76k. A revised Service Charge Policy is due to be considered by Cabinet within the same meeting agenda.

As noted in the expenditure paragraph voids are high due to the coronavirus pandemic and so rental income is expected to be around £48k below budget.

The sale of meals and car parking income has also been affected by the pandemic and shortfalls of £8k for each are expected.

5.3 Forecast Position

The above figures, as shown at Appendix A, as at the end of June 2020, indicate a year to date underspend of £589,400 which is due to budget profiling, late invoicing and expenditure taking place later in the year, however as above the current forecast position for the year end is a potential overspend of £110k.

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 30 June and 1 July.

8 Next Steps – Implementation and Communication

- 8.1 Members should be aware that there maybe additional spend against this budget in line with the continuation of the Housing Improvement Plan and any works required from that project.

9 Financial Implications

- 9.1 All financial implications have been addressed in sections 4 and 5 above.
- 9.2 The Council is continuing to lobby Government regarding financial support for the HRA, as to date, no specific funding has been provided to cover additional costs such as those outlined in paragraph 5.2.

Financial Implications reviewed by: Section 151 Officer

10 Legal and Governance Implications

- 10.1 The HRA is framed by the Local Government and Housing Act 1989. The Act created the ring-fence and the structure within which the HRA operates and provides rules to its operation.

Legal Implications reviewed by: Monitoring Officer

11 Equality and Safeguarding Implications

- 11.1 Equalities and Safeguarding issues were addressed in setting the current years 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 years 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

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	Budgets are insufficient including costs associated with delivering improvements required from the recent health & safety risk assessments as a result of the HRA business plan being out of date and needing to be refreshed	Significant	Critical	Medium Risk
4	Increasing Right to Buy sales over those budgeted for cause reductions to rent income streams	High	Marginal	Medium Risk

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

16 Background Papers

16.1 None

17 Appendices

17.1 Appendix A – HRA Summary of Income & Expenditure

Report Author:	Carol King , Senior Technical Accountant
Report Author Contact Details:	01664 502446 CKing@melton.gov.uk
Chief Officer Responsible:	Andrew Cotton , Director for Housing and Communities
Chief Officer Contact Details:	01664 504322 acotton@melton.gov.uk