



Mayor and Cabinet

Response to Public Accounts Select committee comments on the Housing Revenue Account (HRA)

Date: 29 January 2025

Key decision: No.

Class: Part 1.

Ward(s) affected: All (none specific).

Contributor: Executive Directors for Housing and Corporate Resources

Outline and recommendations

Mayor and Cabinet have been asked to consider the comments of the Public Accounts Select Committee (PASC) of the 26 September 2024, where the Committee recommended that the Council open discussions with the Ministry of Housing, Communities and Local Government about actions which can be taken to stabilise the HRA Budget should sufficient overspend reductions and once-off-funding not be identified.

This paper sets out the actions taken which respond to the Committee's comments.

It is recommended that Mayor and Cabinet:

Notes the response that follows in relation to the Public Accounts Select Committee referral to Mayor and Cabinet on 26 September 2024.

Timeline of engagement and decision-making

- 26 September 2024 Period 4 Monitoring Position to PASC
- 23 October PASC referral to M&C and Period 4 Monitoring Report to M&C
- 28 November 2024 P6 Monitoring Position to PASC
- 4 December 2024 P6 Monitoring Position to M&C

1. Summary

- 1.1. On the 26 September 2024 the Public Accounts Select Committee considered the regular financial monitoring report of the Council's budgetary position as at 31 July 2024 (period 4).
- 1.2. The financial position of the Council's Housing Revenue Account (HRA) formed part of this report, including the £6.5m forecast overspend for 2024/25, and that the opening 2024/25 HRA reserves balances were £2.9m and below the recommended level of circa £9.5m (being 10% of rental and service charge income).
- 1.3. Whilst a number of once off and permanent mitigations have been identified for implementation in 2024/25 and 2025/26, the position remains challenging, and at paragraph 15.7 of the report it was set out that the Executive Management Team (EMT) had already agreed that there would be engagement with the Ministry of Housing, Communities and Local Government to appraise them of the Council's HRA financial position.
- 1.4. Following the PASC meeting on the 26 September 2024, on the 8 October 2024, the Council's Section 151 Officer (the Executive Director for Corporate Resources) wrote to MHCLG informing them of the current position.
- 1.5. The Ministry replied in October, suggesting a meeting on the 2 December 2024 and asking a number of supplementary questions to the letter.
- 1.6. The meeting took place and the conclusion was that the Ministry welcomed the proactive engagement by the Council, its open and transparent approach with the Ministry and that the Council would be welcome to continue to engage with the Ministry going forward should the financial position change or the recovery plans identified not be able to be delivered.
- 1.7. The P6 position reported in November to PASC and December 2024 to M&C shows a £1.1m improvement (17%) on the overspend.
- 1.8. EMT and the Housing Transformation Board continue to carefully monitor the position and financial forecast outturn position, and the next financial monitoring for the Council will be the 30 November 2024 (P8) as part of the Council's 2025/26 Budget Report in draft form at PASC on the 28 January 2025 and then M&C on the 12 February 2025.

2. Recommendation

- 2.1. Mayor and Cabinet have been asked to consider the comments of the Public Accounts Select Committee (PASC) of the 26 September 2024, where the

Committee recommended that the Council open discussions with the Ministry of Housing, Communities and Local Government about actions which can be taken to stabilise the HRA Budget should sufficient overspend reductions and once-off-funding not be identified.

- 2.2. This paper sets out the actions taken which respond to the Committee's comments.
- 2.3. It is recommended that Mayor and Cabinet:
- 2.4. Notes the response that follows in relation to the Public Accounts Select Committee referral to Mayor and Cabinet on 26 September 2024.

3. Policy Context

- 3.1. This report aligns with Lewisham's Corporate Priorities, as set out in the Council's [Corporate Strategy \(2022-2026\)](#):
 - Cleaner and Greener
 - A Strong Local Economy
 - Quality Housing
 - Children and Young People
 - Safer Communities
 - Open Lewisham
 - Health and Wellbeing
- 3.2. The sustainable financial position of the HRA directly supports the achievement of the Council's corporate priority of Quality Housing Values
- 3.3. Values are critical to the Council's role as an employer, regulator, securer of services, and steward of public funds. The Council's values shape interactions and behaviours across the organisational hierarchy, between officers and members, between the council and its partners and between the council and citizens. In taking forward the Council's Budget Strategy, we are guided by the Council's five core values:
 - Ambitious;
 - Inclusive;
 - Collaborative;
 - Accountable;
 - Trustworthy.

4. Response to Public Accounts Select Committee comments to Mayor and Cabinet on 26 September 2024

- 4.1. On the 26 September 2024 the Public Accounts Select Committee considered the regular financial monitoring report of the Council's budgetary position as at 31 July 2024 (period 4).
- 4.2. The financial position of the Council's Housing Revenue Account (HRA) formed

part of this report, including the £6.5m forecast overspend for 2024/25, and that the opening 2024/25 HRA reserves balances were £2.9m and below the recommended level of circa £9.5m (being 10% of rental and service charge income).

- 4.3. Whilst a number of once off and permanent mitigations have been identified for implementation in 2024/25 and 2025/26, the position remains challenging, and at paragraph 15.7 of the report it was set out that the Executive Management Team (EMT) had agreed that there would be engagement with the Ministry of Housing, Communities and Local Government to appraise them of the Council's HRA financial position.
- 4.4. Following the PASC meeting on the 26 September 2024, on the 8 October 2024, the Council's Section 151 Officer (the Executive Director for Corporate Resources) wrote to MHCLG informing them of the current position, making clear that the Council was not seeking any form of financial assistance but was seeking to explain the risks and establish the appropriate channels to initiate any further discussion in the event that the Council's recovery plans were not able to be delivered as expected and the financial position become untenable.
- 4.5. The Ministry replied in October, suggesting a meeting on the 2 December 2024 and asking a number of supplementary questions to the letter. Officers prepared a written response to these queries and the meeting took place, attended by the Council's Chief Executive, the Executive Director of Housing, the Executive Director of Corporate Resources, the Director Housing Resident Engagement and Services, the Director of Housing Quality and Investment, the Acting Director of Finance, and the Housing Strategic Finance Business Partner.
- 4.6. The conclusion was that the Ministry welcomed the proactive engagement by the Council, its open and transparent approach with the Ministry and that the Council would be welcome to continue to engage with the Ministry going forward should the financial position change or the recovery plans identified not be able to be delivered.
- 4.7. EMT and the Housing Transformation Board continue to carefully monitor the position and financial forecast outturn position and the delivery of the once off and permanent mitigation measures. The period 6 position was tabled to PASC on the 28 November and M&C on the 4 December 2024 and showed that the position had improved slightly and the overspend had reduced from £6.5m to £5.4m over the two month period.
- 4.8. The position has also been discussed with the Council's external auditors KPMG, who have included a detailed review of the HRA as part of the overall Value for money assessment as part of the 2023/24 audit of the annual statement of accounts, and is discussed as part of the regular engagement meetings held.
- 4.9. The next financial monitoring for the Council will be the position as at 30 November 2024 (P8) as part of the Council's 2025/26 Budget Report in draft form at PASC on the 28 January 2025 and then M&C on the 12 February 2025.

5. Financial implications

- 5.1. This report responds to the comments to Mayor and Cabinet on the financial

position of the HRA and the recommendation that the Council engage with MHCLG. Budget Reductions report for 2025/26. There are no direct financial implications arising from this report.

6. Legal implications

6.1. There are no direct legal implications arising from this report.

7. Equalities implications

7.1. There are no direct equalities implications arising from this report.

8. Climate change and environmental implications

8.1. There are no direct climate change and environmental implications arising from this report.

9. Crime and disorder implications

9.1. There are no specific crime and disorder implications arising from this report.

10. Health and wellbeing implications

10.1. There are no specific health and wellbeing implications identified as arising from this report.

11. Report author and contact

11.1. If you have any questions about this report then please contact: Katharine Nidd, Acting Director of Finance, katharine.nidd@lewisham.gov.uk