Appendix C

Legal Services and Partnerships Directorate (LSPD) and Housing Revenue Account (HRA) – 2025/26 Period 7 Briefing Paper

Briefing Paper of the Director of Legal Services and Partnerships

1. Purpose of the Paper, Background and Summary

1.1. To provide an overview and key point summary of the general fund revenue budget for LSPD and the HRA. The briefing paper will outline how the budget is influenced and impacted by levels of customer demand and details the performance measures used to monitor and manage actions, to address and mitigate the challenges.

2. Background / Introduction

2.1. The budget for 2025/26 set by Council in February 2025 is based upon staffing structure requirements, contractual and statutory commitments within the Directorate such as housing related support and temporary accommodation and internal/external demands on the HRA. The HRA budget is impacted directly by spend on the capital programme, interest rates and valuations of housing stock. The annual budget is monitored for financial considerations in each reporting period, and the outcomes are formally reported.

2.2. In recent years, Neighbourhoods and Housing (N&H) have increasingly relied on a range of variable new burden related government grants, often aimed at specific areas of the business, with no long-term certainty. This makes it challenging for the service to strategically plan for the long-term recruitment of staff (via short term arrangements) which are funded from grant commitments. The Housing Options Service (homelessness) is now the most impacted area of the service in terms of a reliance on grant income. This presents an unknown financial and operational risk, should funding be reduced or ceased. However, the government have signalled their clear intention that tackling homeless is a key long-term priority by significantly increasing the Homelessness Prevention Grant from £1.4m in 2024/25 to £2.4m in 2025/26, therefore this risk has been assessed as unlikely in the short/medium term.

2.3. There are also significant levels of external income, particularly in customer services.

2.4. The LSPD 2025/26 budget is c£21.8m net, comprised of £39.4m expenditure and £17.6m income. £5.0m of expenditure and income is in relation to government grants, the majority of which are within N&H (£4.5m).

3. Summary of the Forecast Outturn Position – General Fund

3.1. Overall, the Directorate is forecasting an overspend of £1.974m at period 7, compared to an overspend of £1.704m at period 5.

Customer Services

3.2. Customer services are forecasting a pressure of £0.490m, compared to a £0.593m overspend at period 5. This is driven mainly by a pressure on bereavement and cremations income generation of £0.377m.

3.3. Last years (2024/25) outturn saw a £0.356m adverse income variance materialise and there has been a c20% reduction in business overall compared to 2022/23 when the service income was considered quite stable.

3.4. The income pressure remains and is due to an increase in customer choice, with direct cremation packages being widely marketed as a significantly lower cost option, without celebrants and services, promoting the concept of a memorial or gathering at a time to suit the family. East Riding of Yorkshire Council also opened Lelley Fields crematorium in 2023 which is directly competing for business. A dedicated publicity and marketing officer has been appointed and due to start October 2025, to immediately create a plan to publicise our key services. The results of additional marketing of services will take time and the impact of each marketing initiative will be monitored.

3.5. The remaining pressure is largely due to unbudgeted overtime for out of hours and weekend work in the call centre. The longer-term plan is for the out of hours work to transfer to the lifeline team as soon as possible to address this, which is part of the digital project solutions and Telehealth agenda.

3.6. The call centre and digital project solutions Telehealth initiative aimed to deliver efficiencies of £0.400m. The target is currently budgeted in customer services and is currently being flagged as a potential risk. Plans driven by customer services to move from external to inhouse options (for website building and hosting for example) has and will continue to generate efficiencies in other directorates.

3.7. Other pressures surrounding workforce budgets and income targets derived from the wider public such as the registrars service remain a risk and are being monitored closely.

Neighbourhoods and Housing (N&H)

3.8. N&H are forecasting a pressure of £1.632m for period 7, compared to an overspend of £1.365m at period 5. This expenditure is driven by use of non-council owned private temporary accommodation (hotels, apartments and B&Bs) that are used in order to meet the council's legal duties, to place homeless households, whilst their circumstances are investigated. Temporary accommodation and related pressures are projected to reach c£3.5m at outturn with an average spend on temporary accommodation of £0.296m per month in the year to date with spend in 2024/25 averaging of £0.213m per month.

3.9. The pressure is driven by an increase in both volumes and prices, with 196 households currently in temporary accommodation (a reduction from 217 at P5),

compared to c180 at this time last year. This number has fluctuated between 170 and 230 in the last 12 months. Forecasting financial pressures linked to homelessness can be challenging and it is anticipated at this stage some projected risks will work to be recovered in the remainder of the financial year. A number of grants have been allocated to offset against the pressure, and this will continue to be reviewed throughout the remainder of the financial year. A reduced mitigation assumption on grant funding has led to an increase in the reported overspend in comparison to P5, however the increased resources invested into prevention will reduce expenditure on temporary accommodation going forward leading to cost reductions in future years..

3.10. The Council is seeing an increase in temporary accommodation costs due to price increases in hotels, apartments and B&B accommodation, with clients staying in this type of accommodation for longer.

3.11. Analysis this year suggested a c38% price increase in hotel costs compared to last year, with an increase of c25% usage in this type of accommodation and an increase of c20% in the length of time clients are staying in temporary accommodation. To address this, usage of hotels has been reduced from 48 households at P5 to 5 households currently, represented by a reduction in the total number of households of 21 with the remaining 22 households moving into Council owned facilities and other lower cost alternatives, as set out in the table below. This was a planned reduction, already factored into P5 projections therefore there is no change in the gross expenditure position at P7.

	P5	P7	Variance
Council Temporary Accommodation	103	115	12
Hotels	48	5	-43
Bed and Breakfast	5	5	0
Apartments	38	34	-4
Leased properties	20	21	1
DPS Self Contained	3	6	3
DPS Shared Facilities	0	10	10
	217	**196**	**-21**

3.12. The volume of applicants seeking temporary accommodation seems to be stabilising and delivery of the Temporary Accommodation Acquisitions Strategy will reduce accommodation costs, for example the conversion of an ex- HRA sheltered housing scheme, acquisitions of properties into the HRA and the implementation of the Dynamic Purchasing System (DPS), are showing positive outcomes, as they have delivered real savings and reduced the he length of stay in private temporary accommodation but there is a need to deliver the strategy at pace, to offset existing temporary accommodation usage.

3.13. It is also challenging for councils to simply shift their entire focus sufficiently over to prevention and growth, whilst continuing to deal with enormous pressures from people who are already homeless, and Hull is no exception. Notwithstanding this, the homelessness team continue to work closely with a range of stakeholders, including housing acquisition and property colleagues, maximising the use of council stock and ensuring void properties are repaired, allocated and let asap, reducing the burden on temporary accommodation.

3.14. Useful performance data is now available on Power–Bi enabling officers to monitor and develop a granular understanding of flow in and out of the homelessness system, the accommodation type used and the financial impact this has on budgets/resources.

3.15. Due to the HRA, the Council does deliver a certain level of internal supply of good quality, self-contained temporary accommodation but we are increasing the supply of this accommodation from circa 95 units up to 200 units; as this supply increases, this will enable the Council to reduce reliance on costly and unsuitable hotels, apartments and B&B accommodation.

3.16. As per the strategy, the Council has undertaken the following activities as part of delivery of the strategy;

- Conversion of a 31-unit ex sheltered housing scheme for use as temporary accommodation, now fully operational
- Acquisition of a former B&B and adjacent 4-bedroom property for conversion to self-contained apartments
- Proactive buy back policy for former Right to Buy properties, bringing these back into the Council's portfolio
- Acquisition of individual dwellings on the open market which are assessed as financially viable
- The launch of a Temporary Accommodation Dynamic Purchasing System (DPS) to enable the Council to purchase nightly paid provision on the market at pre agreed fixed rates, considerably below the rates paid for hotel/B&B units.

3.17. In conjunction with the strategy, void performance is being driven to improve relet times and reduce the number of managed voids. Voids properties have reduced by 20% in the last 18 months.

3.18. The intention is to produce a specific and direct-action plan, based on the above activities, tracking progress, performance and timescales, promoting the financial outcomes and implications on expenditure and budgets. Future updates will be reported through Revenue Monitoring reports.

<u>Town Clerk</u>

3.20 Town Clerks are forecasting a balanced budget, compared to a £0.102m underspend reported at P5.

3.21 There has been an increase in the number and complexity of children's court cases where external legal counsel is utilised. This budget overspent by £0.187m in 2024/25 and is forecast to overspend by £0.297m at P7. A review of expenditure and commitments is currently underway to more accurately project costs in the remaining periods and ensure that we only use external legal counsel when necessary. The overall Town Clerks position is forecast to be balanced at the year end as any associated pressure from counsel costs will be offset by the usage of the legal services reserve, if required at the end of the financial year.

<u>Human Resources</u>

3.22 Human Resources are forecasting an underspend of £0.148m with no significant risks or variances to report.

Savings

3.23 There were no savings identified within the budget for LSPD for 2025/26.

4. Summary of the Forecast Outturn Position – Housing Revenue Account

4.1 The HRA is forecasting a balanced budget. This will be monitored closely throughout the year.

4.2 The expenditure budget is forecasting an underspend of £0.993m primarily driven by underspends in Supervision and Management of £1.487m. This is linked to on-going recruitment campaigns. The Supervision and Management underspend is offset slightly by a pressure in Sheltered Housing and Lifeline of £0.043m also linked to recruitment costs. The repairs and maintenance programme is forecasting to overspend by £0.450m which is due to a greater number of routine properties becoming void than budgeted for.

4.3 Income is forecast to overachieve by £0.275m which is 0.24% of the budget and not a material variance.

4.4 The forecast movement in capital financing relates to a reprofiling of debt repayments and increased contributions to fund capital expenditure to accelerate improvements in the quality of housing stock. The current volatile economic climate also effects the Bad Debt Provision projections. Currently it is difficult to forecast due to the variables to be considered, including the cost-of-living crisis, the future of universal credit and tenants spending habits. Current calculations based on write offs to date suggests that current provision is slightly overstated and could be reduced, this has been reflected in the forecast along with an assumption that contingencies will also not be fully utilised generating an underspend of £0.612m. This will be monitored closely during future monitoring periods.

4.5 The HRA is in line with budget, and, despite ongoing recruitment, vacancies are driving identified budget line underspends which are being offset by other budgetary pressures. These pressures relate to a reprofiling of debt repayments and increased contributions to fund capital expenditure to accelerate improvements in the quality of housing stock, ensuring resource is available to maintain homes to the required regulatory and decency standards.

Director of Legal Services and Partnerships
Ian Anderson

Contact Officer: Stephen Chandler
Telephone No: (61)6377
Officer Interests: None
Background Documents: - None

Financial Year 2025/26
Director of Legal Services and Partnerships

Summary Directorate Position **Period 7**

Director of Legal Services and Partnerships	Full Year Budget	Year End Forecast	Projected Year-end Variance
Service Area	**£'000**	**£'000**	**£'000**
Town Clerk	8,041	8,041	0
Customer Services	3,332	3,822	490
Human Resources	3,651	3,503	-148
Neighbourhoods & Housing	6,750	8,382	1,632
NET EXPENDITURE	**21,774**	**23,748**	**1,974**

HRA Financial Year 2025/26

Housing Revenue Account

Summary HRA Position **Period 7**

HRA Financial Year 2025/26

Housing Revenue Account	Full Year Budget £'000	Year End Forecast £'000	Projected Year-end Variance £'000
Housing Repairs & Maintenance	28,529	28,979	450
Supervision & Management	24,972	23,485	-1,487
Sheltered Housing & Lifeline	8,104	8,148	43
Rent & Rates	1,279	1,279	0
CDC Contribution	414	414	0
TOTAL EXPENDITURE	**63,298**	**62,305**	**-993**
Dwelling Rent Income	-107,379	-107,593	-214
Charges for Services & Facilities	-4,568	-4,511	57
Non Dwelling rents	-1,184	-1,212	-28
Leaseholders charges for services	-531	-620	-89
Other Fees & charges	-183	-183	0
TOTAL INCOME	**-113,844**	**-114,119**	**-275**
TOTAL OPERATIONAL VARIANCE	**-50,546**	**-51,814**	**-1,268**
Capital Financing & Interest	50,694	52,574	1,880
Provisions	1,412	800	-612
General Fund Transfer	-1,801	-1,801	0
NET (SURPLUS) / DEFICIT	**-241**	**-241**	**0**