Briefing paper to:

Communities Overview and Scrutiny Commission 24 July 2025

Legal Services and Partnerships Directorate (LSPD) and Housing Revenue Account (HRA) – 2025/26 Period 2 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 Housing Revenue Account (HRA), how the budget is influenced by demand levels, the performance measures used to monitor this and management actions to address any overspending.

2. **Background / Introduction**

2.1. The budget for 2025/26 set by Council in February 2025 is predicated upon staffing structures, internal/external demands, and contractual commitments within the directorate and the HRA. In addition, for the HRA, the budget is impacted directly by spend on the capital programme, interest rates and valuations of housing stock. The budget is monitored for financial considerations each reporting period and the outcomes reported formally.

2.2. As set out below, neighbourhoods and housing receive a number of variable Government grants which can render the budget volatile. Some key services are funded via grant either wholly or partially, which presents a future financial and operational risk.

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

3. **Summary of the 2025/26 Revenue Budget – General Fund**

3.1. The net 2025/26 budget is c£20.5m, comprised of £38m expenditure and £17.5m income. £5.0m of expenditure and income is in relation to Government grants, the majority of which are within neighbourhoods and housing (£4.5m).

3.2. The 2025/26 budget is split into the following service areas as noted in paragraphs below.

3.3. **Town Clerk** – The net budget is c£7.6m, with £12.0m expenditure and £4.5m income. The expenditure budget mainly comprises of staffing and support costs that includes legal and court fees (£4.5m), Building and Design Services (1.8m) procurement (£0.9m), committee services, elections and print (£1.9m), information governance and customer feedback (£0.4m), trade union convenors (£0.3m) and members and member support (£2.2m). The income budget mainly comprises

recharges and departmental recovery of service costs, this is dominated by Building Design Services (£2.1m) recharging staff costs to capital and also includes grants for elections.

3.4. **Customer Services** - The net budget is c£3.0m with £9.5m expenditure and £6.6m income. The expenditure budget is dominated by staffing costs in addition to some supplies and services for the customer service centre, call centre, bereavement and registrar services. £3.3m of the income budget relates to bereavement services (£2.7m) and registrar income (£0.6m), in relation to crematoria and cemeteries, customers have several choices including non-council provision. The remainder of the income budget relates to departmental recovery of customer service and call centre costs, plus other external contributions for services provided including partnership arrangements with East Riding of Yorkshire Council for coroners and mortuary. The coroner's service, mortuary and call centre account for £2.1m of net expenditure.

3.5. **Human Resources** – The net budget is c£3.5m with £4.1m expenditure and £0.6m income. The expenditure budget mainly relates to staffing and centralised training (learning and development) costs. Income is generated from recharges and departmental recovery for supply of services.

3.6. **Neighbourhoods & Housing** - The net budget is c£6.5m, with £12.3m expenditure and £5.8m income.

3.7. It is important to note that £4.5m relates to government grants which are often variable, with a focus on homelessness, rough sleeping & refugees support costs. There are potential financial risks should these grants cease in the longer term, both in the provision of services and in relation to the staff cohort employed.

3.8. Of the remaining £7.7m expenditure, £2.7m relates to housing related support and £1.4m to the neighbourhood teams. This includes private sector housing support, environmental health, gypsy & traveller support and homesearch (mainly consisting of pay). Income of £1.3m mainly relates to private sector housing income £1.0m (such as HMO licences / fines) and gypsy and traveller service charges.

4. Summary of the 2025/26 Revenue Budget – Housing Revenue Account

Expenditure

4.1. Housing Repairs & Maintenance

This budget contains a number of elements, principally the day-to-day repairs undertaken by KWL which are performed on a price per property basis and are therefore unlikely to materially change, relet repairs which are dependent upon the number of voids that take place during the year and other planned and cyclical works dependent on issues identified during the year. In addition, there is a payment to KWL for fixed overheads.

4.2. Supervision & Management

Supervision and management costs cover area management costs, central recharges and central housing teams. These are services that are provided to all tenants.

4.3. Sheltered Housing & Lifeline

Services are provided to specific tenants or groups of tenants and include sheltered and lifeline services, the housing facilities team, utility costs in relation to communal areas and grounds maintenance. Elements of these are covered through service charges.

4.4. Rent & Rates

This covers non-domestic rates on properties occupied by HRA staff and council tax on empty properties and is influenced by the number of voids during the year.

4.5. CDC Contribution

The HRA makes a contribution to the corporate council overheads.

Income

4.6. Dwelling rents

These are rents due on our portfolio of properties across the city. The budget assumes 1.9% void properties on average, an increase of 52 new build properties and an estimated 50 Right To Buy sales and is therefore influenced by these factors during the year.

4.7. Charges for Services & Facilities

These are service charges to tenants, primarily in flats for services such as caretaking, communal cleaning, alongside charges for the sheltered service and lifeline.

4.8. Non Dwelling Rents

These are primarily charges in respect of garages, plus miscellaneous income for example regarding mobile phone masts sited on top of blocks of flats.

4.9. Leaseholders Charges for Services

Where a former tenant exercises the right to buy on a flat, they become a leaseholder and are subject to the same service charges as a tenant. In addition, they may be required to contribute towards significant works of a communal nature in their block.

Over recent years the number of right to buy sales in respect to flats has been low, and it is not expected that changes to the discount level will lead to a material reduction on the number of sales, which would have a knock-on effect in reducing the likely leaseholder charges for services.

4.10. Other Fees & Charges

Where a tenant exercises the right to buy, there is a contribution to HRA costs, and in addition there is income from solar panels installed when feed-in tariffs are available.

Other Items

4.11. Capital Financing & Interest

Capital financing costs cover interest on outstanding debt and voluntary debt repayments and there is a transfer to the major repairs reserve to fund capital expenditure and depreciation on our assets. HRA balances are managed alongside general fund balances and the HRA receives an element of interest to reflect investments made. Any changes in interest rates alongside any changes in either revenue or capital reserves could have a significant impact on this figure at the year end.

4.12. Provisions & Contingencies

There is a year-end calculation reflecting outstanding balances of rent and service charges due, plus any write offs taking place during the year, plus contingencies set aside for unforeseen events.

4.13. General Fund Transfer

The general fund is required to make a contribution to the HRA to reflect the shared nature of community assets, which includes any play and recreational areas, grassed areas plus gardens and community centres. The legislation requires a contribution to be made from the general fund to reflect this element of wider community use

5. **Summary of the Forecast Outturn Position – General Fund**

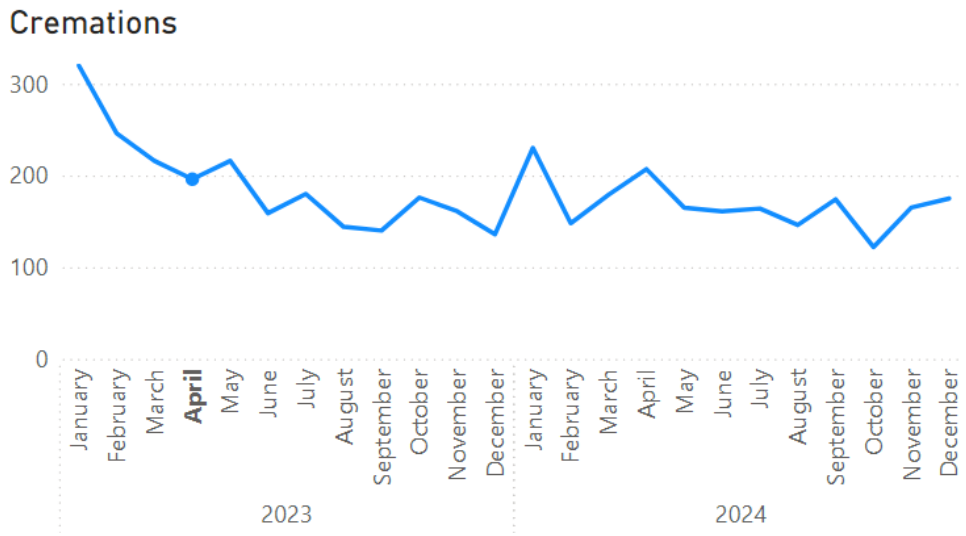
5.1. Overall, the directorate is forecasting an overspend of £0.942m at period 2.

Customer Services

5.2. Customer services are forecasting a pressure of c£0.502m driven by an estimated pressure on bereavement and cremations income generation of c£0.373m.

5.3. Last years (2024/25) outturn saw a c£0.356m adverse income variance materialise, corresponding to a c1.5% reduction of business compared to 2023/24; it's worth noting that there has been a c20% reduction in business overall compared to 2022/23 when the service income was considered quite stable.

5.4. The income generation pressure is a consequence of increase in customer choice with direct cremation packages being widely marketed as a significantly cheaper option, cutting out the costs of celebrants and services and 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. Note chart below.



5.5. The remaining pressure is largely due to unbudgeted overtime for out of hours and weekend work in the call centre, the longer-term plan remains 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.

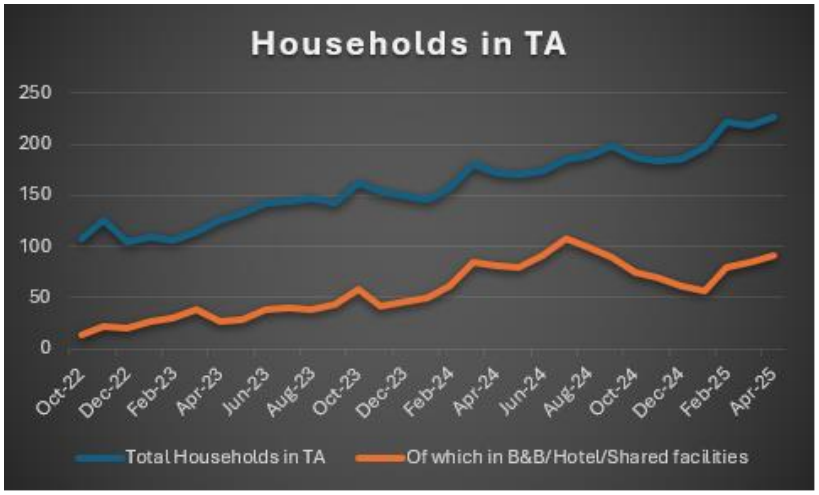
5.6. The call centre and digital project solutions Telehealth initiative promised to deliver efficiency savings in the region of c£0.400m. The target is currently budgeted in Customer Services which is currently being flagged as a potential risk but work remains ongoing to deliver savings. Work driven by customer services to move from external to inhouse options (for website building and hosting for example) has and will continue to generate savings in other directorates.

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

Neighbourhoods & Housing (N&H)

5.8. N&H are forecasting a pressure of £0.587m, driven by homelessness prevention and temporary accommodation (TA) forecasts.

5.9. Forecasting pressures relating to our temporary accommodation and homelessness prevention commitments remains complex, particularly as we introduce some of our multioccupancy buildings in to use as temporary accommodation. Whilst this brings the advantage of reducing B&B/hotel costs and generating receipts of housing benefit income, the full financial implications are still being assessed through ongoing modelling. Indeed, the uptick in B&B/hotels, shown in the below graph, despite the increase in owned TA units is partly due to the voids process which is carried out the service charges (covered by housing benefit) are implemented.



5.10. The landscape continues to evolve, influenced by shifting demand, changes in service delivery and wider economic uncertainty. New ways of working are being embedded and while initial steps offer promise, pressure points may continue to emerge unpredictably in year and in subsequent years as we navigate this transitional period.

5.11. Additional government funding of c£1m from the Homelessness Prevention Grant in addition to both estimated and confirmed related grant contributions at this early stage have been factored into projections.

5.12. This is a wider social economic issue, some of the factors that closely affect homelessness temporary accommodation include rising rents, rising interest rates, increased population, and lack of affordable accommodation. A number of councils are facing similar challenges.

Human Resources

5.13. Human Resources are forecasting a modest favourable variance of c£0.079m due to unbudgeted leadership income.

Town Clerks

5.14. Town Clerks are forecasting a small one-off favourable variance of c£0.067m due to unbudgeted recharges to the Hull & East Riding Yorkshire Combined Authority.

5.15. It's worth noting however that there are always risks around legal extraordinary cases and subsequent Kings Counsel costs, this will be monitored in year.

Directorate summary

5.16. Work will continue through to outturn to identify potential savings and contributions.

5.17. Wider Socio-Economic factors both internally and externally will continue to have an effect of the overall LSPD service budget. The longer-term impact of the cost-of-living crisis, and particularly in relation to the cost of housing, continues to be an issue for the neighbourhoods and housing service with demands for temporary

accommodation running at almost unprecedented levels significantly in excess of our ability to manage without acquiring properties from the private sector.

5.18. In the meantime, officers within neighbourhoods and housing continue to maximise the level of temporary accommodation available to meet the demand associated with interim homelessness duties, initially through the use of Council owned dwellings, followed by ramping up the acquisition of existing dwellings to replace units taken out of general needs stock therefore over the medium/longer term there is a neutral impact. As this project develops, details of relevant proposals will be included either within future monitoring reports or separate reports to scrutiny.

5.19. Customer services in particular is exposed to a number of income budgets where the wider public has a choice as to whether or not to use Council services. It is therefore important to remain competitive in relation to the wider market, and we have particularly seen pressure in bereavement services, particularly in relation to cremations where there are alternative providers. This is a position that is unlikely to change in the short to medium term.

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

6.1 Expenditure

Supervision and Management savings of £1.2m are in relation to staff costs across various departments and have been estimated based on known vacancies. A number of new posts were created and budgeted for in 2025/26 which are still in the process of being recruited to as part of a restructure. The Building Safety team created last year is also carrying six live vacancies and actively recruiting with four recent employment offers made with posts due to be filled within the next few months.

6.2 Income

There are some minor variances on income lines.

6.3 Other Items

The forecast movement in capital financing is due to revaluation of the stock in line with house price increases and associated depreciation charges, following 2024/25 outturn.

6.4 Conclusion

The HRA forecast is in line with a balanced budget for the year end, however there are some variances across budget items. It is acknowledged that this is an early stage within the financial year.

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Officer Interests: None
Background Documents: - None

Financial Year 2025/26
Director of Legal Services and Partnerships

Summary Directorate Position **Period 2**

Director of Legal Services and Partnerships	Full Year Budget	Year End Forecast	Projected Year-end Variance
Service Area	**£'000**	**£'000**	**£'000**
Town Clerk	7,585	7,518	-67
Customer Services	2,977	3,479	502
Human Resources	3,467	3,387	-79
Neighbourhoods & Housing	6,486	7,073	587
NET EXPENDITURE	**20,514**	**21,456**	**942**

Financial Year 2025/26
Housing Revenue Account

Summary HRA Position **Period 2**

Housing Revenue Account	Full Year Budget	Year End Forecast	Projected Year-end Variance
	£'000	**£'000**	**£'000**
Housing Repairs & Maintenance	28,529	28,529	0
Supervision & Management	24,972	23,765	-1,207
Sheltered Housing & Lifeline	8,104	8,083	-21
Rent & Rates	1,279	1,279	0
CDC Contribution	414	414	0
TOTAL EXPENDITURE	**63,298**	**62,070**	**-1,228**
Dwelling Rent Income	-107,379	-107,373	6
Charges for Services & Facilities	-4,473	-4,580	-107
Non Dwelling rents	-1,184	-1,218	-34
Leaseholders charges for services	-531	-518	13
Other Fees & charges	-278	-148	130
TOTAL INCOME	**-113,845**	**-113,837**	**8**
TOTAL OPERATIONAL	**-50,547**	**-51,767**	**-1,220**
Capital Financing & Interest	50,695	51,915	1,220
Provisions and Contingencies	1,412	1,412	0
General Fund Transfer	-1,801	-1,801	0
TOTAL OTHER ITEMS	**50,306**	**51,526**	**1,220**
NET SURPLUS (-) / DEFICIT	**-241**	**-241**	**0**