

This Report will be made public on 5 November 2019



Report Number **C/19/39**

To: Cabinet
Date: 13 November 2019
Status: Non-Key Decision
Head of Service: Charlotte Spendley, Head of Finance
Cabinet Members: Councillor David Monk, Leader of the Council and Councillor David Godfrey, Housing, Transport and Special Projects

SUBJECT: HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL BUDGET MONITORING 2019/20 – 2nd QUARTER

SUMMARY: This monitoring report provides a projection of the end of year financial position for the Housing Revenue Account (HRA) revenue expenditure and HRA capital programme based on net expenditure to 31 August 2019.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because Cabinet needs to be kept informed of the Housing Revenue Account position and take appropriate action to deal with any variance from the approved budget and be informed of the final 2019/20 position.

RECOMMENDATIONS:

1. To receive and note Report C/19/39.

1. INTRODUCTION

- 1.1 This report informs Cabinet of the likely projected outturn on HRA revenue and capital expenditure for 2019/20.
- 1.2 The projections are based on actual expenditure and income to 31 August 2019. Some caution therefore needs to be exercised when interpreting the results due to the early stage of the financial year, however, a thorough budget monitoring exercise has been carried out.

2. HOUSING REVENUE ACCOUNT REVENUE 2019/20 (see Appendix 1)

- 2.1 The table below provides a summary of the projected outturn compared to the latest budget for 2019/20.

	Latest Budget £'000	Projection £'000	Variance £'000
Income	(16,183)	(16,211)	(28)
Expenditure	10,366	10,625	259
HRA Share of Corporate Costs	206	206	0
Net Cost of HRA Services	(5,611)	(5,380)	231
Interest Payable/Receivable etc	1,494	1,494	0
HRA Surplus/Deficit	(4,117)	(3,886)	231
Revenue Contribution to Capital	8,312	8,322	10
Decrease/(Increase) to HRA Reserve	4,195	4,436	241

- 2.2 The table shows that overall at quarter 1 there is a projected increase in net expenditure of £241k on the HRA. The main reasons for this are as follows:-

	£'000
Increase in EKH Management Fee	218
Additional Legal costs	30
Other minor variances	(7)
Total net projected Housing Revenue Account increase	<u>241</u>

- 2.3 The increase in EKH funding is due to additional management fee for increased resources to deal with compliance issues.

The position reported reflects the additional management fee agreed by Cabinet at its meeting on 16th October. EKH is currently reviewing its structure to address the compliance matters and it is expected that the extra funding required will increase further by the end of March 2020. Details of additional expenditure will be reported in future budget monitoring reports.

- 2.4 Overall, the HRA reserve at 31 March 2020 is expected to be £4.436m compared with £4.195m in the latest budget.

3. HOUSING REVENUE ACCOUNT CAPITAL 2019/20 (see Appendix 2)

- 3.1 The latest budget for the HRA capital programme in 2019/20 is £15.634m and the projected outturn for the year is £15.644m, an overspend of £10k.
- 3.2 The reason for the increase in expenditure is due to a new path at Walmsley House, Princess Street.
- 3.4 The following table compares the resources required to finance the projected outturn for the HRA capital programme in 2019/20. The variation shown below corresponds to the figure in section 3.1, above.

2019/20 HRA	1-4-1 Capital Receipts	Revenue Contribution	Major Repairs Reserve	Total
	£'000	£'000	£'000	£'000
Projected Outturn	3,540	8,322	3,782	15,644
Approved	3,540	8,312	3,782	15,634
Variation	0	10	0	10

4. CONCLUSION

- 4.1 The HRA revenue outturn projection for 2019/20 forecasts £241k higher expenditure than the latest approved budget.
- 4.2 The HRA capital outturn projection for 2019/20 forecasts £10k higher expenditure than the latest approved budget.
- 4.3 The projected outturn for both the HRA revenue expenditure and capital programme for 2019/20 reflects the position based on actual expenditure and forecasts at 31 August 2019.

5. RISK MANAGEMENT ISSUES

- 5.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
The latest projection of the outturn could be materially different to the actual year end position.	Medium	Medium	Areas at greater risk of variances are being closely monitored and an update will be made to Cabinet if appropriate when this report is considered to allow action to taken.
Capital receipts (including right to buy sales) not materialising	Medium	Low	The capital programme uses realised capital receipts only.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer's Comments (NE)

There are no legal implications arising from this report.

6.2 Finance Officer's Comments (LW)

This report has been prepared by Financial Services. There are therefore no further comments to add.

6.3 Diversities and Equalities Implications (DA)

The report does not cover a new service/policy or a revision of an existing service or policy therefore does not require an EIA.

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Cheryl Ireland, Chief Accountant

Tel: 01303 853213 Email: cheryl.ireland@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:

Budget projection working papers

Appendices:

[Appendix 1](#) Housing Revenue Account revenue budget monitoring report at 31 August 2019

[Appendix 2](#) Housing Revenue Account capital budget monitoring report at 31 August 2019