

This Report will be made
public on 4 September 2018

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report Number

C/18/31

To: Cabinet
Date: 12 September 2018
Status: Non-Key Decision
Head of Service: Charlotte Spendley, Head of Finance
Cabinet Members: Councillor Malcolm Dearden, Finance and
Councillor Alan Ewart-James, Housing

SUBJECT: HOUSING REVENUE ACCOUNT REVENUE AND
CAPITAL BUDGET MONITORING 2018/19 – 1ST
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 30 June 2018.

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 2018/19 position.

RECOMMENDATIONS:

1. To receive and note Report C/18/31.

1. INTRODUCTION

- 1.1 This report informs Cabinet of the likely projected outturn on HRA revenue and capital expenditure for 2018/19.
- 1.2 The projections are based on actual expenditure and income to 30 June 2018. 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 2018/19 (see Appendix 1)

- 2.1 The table below provides a summary of the projected outturn compared to the latest budget for 2018/19.

	Latest Budget £'000	Projection £'000	Variance £'000
Income	(15,829)	(15,968)	(139)
Expenditure	10,994	10,832	(162)
HRA Share of Corporate Costs	226	201	(25)
Net Cost of HRA Services	(4,609)	(4,935)	(326)
Interest Payable/Receivable etc	1,499	1,499	0
HRA Surplus/Deficit	(3,110)	(3,436)	(326)
Revenue Contribution to Capital	6,748	6,841	93
Decrease/(Increase) to HRA Reserve	3,638	3,405	(233)

- 2.2 The table shows that overall at quarter 1 there is a projected decrease in net expenditure of £0.233m on the HRA.

The main reasons for this are as follows:-

	£'000
Decrease in repairs and maintenance (see 2.3 below)	(158)
Increase in dwelling rents (see 2.4 below)	(89)
Increase in non-dwelling rents (see 2.5 below)	(79)
Decrease in HRA Share of Corporate and Democratic costs	(25)
Increase in revenue contribution to capital (see 2.6 below)	93
Decrease in charges for services and facilities (see 2.7 below)	29
Other minor variances	<u>(4)</u>
Total net projected Housing Revenue Account decrease	<u>(233)</u>

- 2.3 The decrease in repairs and maintenance relates to a delay in procuring a new contractor for the provision of internal and external decorations.
- 2.4 The increase in dwelling rents is due to faster void turnarounds and an increase in affordable properties at affordable rent.
- 2.5 The increase in non-dwelling rents relates to vacant garages being re-let quicker.
- 2.6 The increase in revenue contribution to capital relates to an additional loan amount of £92,500 to EKH to help complete the Single IT System project. The decision to loan EKH a further sum was taken by Cabinet in report C/17/57 on the 15 November 2017 with payment deferred until 2018/19.
- 2.7 The decrease in charges for services and facilities relates to heating charges being lower than anticipated due to a change of supplier.
- 2.8 Overall, the HRA reserve at 31 March 2019 is expected to be £4.642m compared with £4.409m in the latest budget.

3. HOUSING REVENUE ACCOUNT CAPITAL 2018/19 (see Appendix 2)

- 3.1 The latest budget for the HRA capital programme in 2018/19 is £13.673m and the projected outturn for the year is £13.761m, an overspend of £0.088m.

- 3.2 The reasons for the increase in expenditure are as follows:-

	£'000
EKH Single System (see 3.3 below)	93
Treatment Works	<u>(5)</u>
Total increase against Original Budget	<u>88</u>

- 3.3. EKH requested an additional loan amount of £92,500 to help complete the Single IT System project, payment was made in 2018/19. The decision to loan EKH a further sum was taken by Cabinet in report C/17/57 on the 15 November 2017.

- 3.4 The following table compares the resources required to finance the projected outturn for the HRA capital programme in 2018/19. The variation shown below corresponds to the figure in section 3.1, above.

2018/19 HRA	1-4-1 Capital Receipts	Revenue Contribution	Major Repairs Reserve	Total
	£'000	£'000	£'000	£'000
Projected Outturn	2,859	6,841	4,061	13,761
Approved	2,859	6,748	4,066	13,673
Variation	0	93	(5)	88

4. CONCLUSION

- 4.1 The HRA revenue outturn projection for 2018/19 forecasts £0.218m lower expenditure than the latest approved budget.
- 4.2 The HRA capital outturn projection for 2018/19 forecasts £0.088m higher expenditure than the latest approved budget.
- 4.3 The projected outturn for both the HRA revenue expenditure and capital programme for 2018/19 reflects the position based on actual expenditure and forecasts at 30 June 2018.

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.
Insufficient capacity to manage delayed expenditure along with new year programme	Medium	Medium	The 2018/19 to 2019/20 capital programme will need to continue to be reviewed to take account of the capacity to manage the programme. 2018/19 planned expenditure will need to be reviewed to

			determine whether any expenditure will fall into 2019/20 and beyond.
Significant amendments having to be made to the financial results following audit.	High	Low	The formal accounts have been prepared in accordance with professional standards and best accounting practice.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer's Comments (DK)

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 30 June 2018

[Appendix 2](#) Housing Revenue Account capital budget monitoring report at 30 June 2018