

This Report will be made public on 14 January 2020



Report Number **C/19/61**

**To:** Cabinet  
**Date:** 22 January 2020  
**Status:** Non-Key Decision  
**Responsible Officer:** Charlotte Spendley, Director Support Services  
**Cabinet Member:** Cabinet Member for Housing, Transport and special projects, Leader of the Council

**SUBJECT:** HRA Budget Monitoring Quarter 3

**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 November 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/19/61.

## 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 30 November 2019 and 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	(16,235)	(16,245)	(10)
Expenditure	10,366	10,422	56
HRA Share of Corporate Costs	206	206	0
<b>Net Cost of HRA Services</b>	<b>(5,663)</b>	<b>(5,617)</b>	<b>46</b>
Interest Payable/Receivable etc	1,494	1,494	0
<b>HRA Surplus/Deficit</b>	<b>(4,169)</b>	<b>(4,123)</b>	<b>46</b>
Revenue Contribution to Capital	8,312	2,621	(5,691)
<b>Decrease/(Increase) to HRA Reserve</b>	<b>4,143</b>	<b>(1,502)</b>	<b>(5,645)</b>

- 2.2 The table shows that overall at quarter 3 there is a projected decrease in net expenditure of £5.6m on the HRA.

The projection has moved favourably by £5.9m since Quarter 2. The key factors affecting the movement from Q2 to Q3 are the revenue contribution to capital being reduced as a result of a change in profiling of the new build/acquisition programme and lower repairs and maintenance expenditure largely due to the delay in procurement of a new contractor for internal and external decorations.

The main reasons for this are as follows:-

	£'000
Decrease in Revenue Contribution to Capital (see 2.3 below)	(5,691)
Decrease in repairs and maintenance (see 2.4 below)	(208)
Increase in EKH Management Fee (see 2.5 below)	218
Other minor variances	36
<b>Total net projected Housing Revenue Account decrease</b>	<b>(5,645)</b>

- 2.3 The decrease in revenue contribution to capital largely relates to the new build/acquisition programme being re-profiled into 2020/21 and 2021/22, The amount of revenue contribution to capital will change from year to year depending on the profile of the new build/acquisition programme.
- 2.4 The decrease in repairs and maintenance is largely due to a delay in procuring a contractor to complete internal and external decorations before

the end of the financial year. The projection also includes an additional sum for water safety works which have been identified as urgent.

- 2.5 The increase in EKH funding is due to additional management fee for increased resources to deal with compliance issues and reflects the additional management fee agreed by Cabinet at its meeting on 16<sup>th</sup> October.
- 2.6 Overall, the HRA reserve at 31 March 2020 is expected to be £9.5m compared with £3.9m 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 £15.6m and the projected outturn for the year is £6.6m, an underspend of £9.0m.

The projection has moved favourably by £9.0m since Quarter 2. The key factor affecting the movement from Q2 to Q3 is the revenue contribution to capital being reduced as a result of a change in profiling of the new build/acquisition programme.

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

	<b>£'000</b>
New Builds/Acquisitions (see 3.3 below)	(8,150)
External Enveloping (see 3.4 below)	(358)
Re-wiring (see 3.5 below)	(355)
Re-roofing (see 3.5 below)	(287)
Windows & Doors (see 3.6 below)	210
Other net variances	(60)
<b>Total decrease against Original Budget</b>	<b><u>(9,000)</u></b>

- 3.3 The decrease in new build/acquisition expenditure relates to the re-profiling of new build schemes that will commence in 2020/21 and 2021/22. The overall delivery of the programme remains the same, however, the timing of delivery has been adjusted and these changes are reflected within the projection for the current financial year.

In view of the Council's aspirations for the new build programme, we recognise the underspend that has accumulated on the programme and a new approach to managing and delivering the new build schemes will be taken in 2020/21.

- 3.4 The decrease in external enveloping is due to a lack of stock condition survey data therefore not all works have been identified which has limited the scope of works to be undertaken in 2019/20. A further stock condition survey is scheduled to be completed early in 2020/21.
- 3.5 The projected decrease in re-wiring and re-roofing expenditure is due to a delay in the contracts being procured within this financial year.

3.6 The increased expenditure on windows and doors is to prevent homes failing against the decent homes standard.

3.7 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.

<b>2019/20 HRA</b>	<b>1-4-1 Capital Receipts</b>	<b>Revenue Contribution</b>	<b>Major Repairs Reserve</b>	<b>Total</b>
	£'000	£'000	£'000	£'000
Projected Outturn	1,095	2,621	2,918	6,634
Approved	3,540	8,312	3,782	15,634
Variation	(2,445)	(5,691)	(864)	(9,000)

#### **4. CONCLUSION**

4.1 The HRA revenue outturn projection for 2019/20 forecasts £46k higher expenditure than the latest approved budget.

4.2 The HRA capital outturn projection for 2019/20 forecasts £9.0m lower 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 30 November 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, Lead Accountant*

*Tel: 01303 853213 Email: [cheryl.ireland@folkestone-hythe.gov.uk](mailto: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 November 2019

[Appendix 2](#) Housing Revenue Account capital budget monitoring report at 30 November 2019