

This Report will be made public on 14 July 2020

Report Number **C/20/23**

To: Cabinet
Date: 22 July 2020
Status: Non-Key Decision
Head of Service: Charlotte Spendley, Director of Corporate Services
Cabinet Members: Councillor David Monk, Leader of the Council and Councillor David Godfrey, Housing, Transport and Special Projects

SUBJECT: HRA Budget Monitoring Quarter 1

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 May 2020.

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 2020/21 position.

RECOMMENDATIONS:

1. To receive and note Report C/20/23.

1. INTRODUCTION

- 1.1 This report informs Cabinet of the likely projected outturn on HRA revenue and capital expenditure for 2020/21
- 1.2 The projections are based on actual expenditure and income to 31 May 2020. 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 2020/21 (see Appendix 1)

- 2.1 The table below provides a summary of the projected outturn compared to the latest budget for 2020/21.

	Latest Budget £'000	Projection £'000	Variance £'000
Income	(16,358)	(14,738)	1,620
Expenditure	11,271	11,580	309
HRA Share of Corporate Costs	175	175	0
Net Cost of HRA Services	(4,912)	(2,983)	1,929
Interest Payable/Receivable etc	1,472	1,509	37
HRA Surplus/Deficit	(3,440)	(1,474)	1,966
Revenue Contribution to Capital	6,805	5,302	(1,503)
Decrease/(Increase) to HRA Reserve	3,365	3,828	463

- 2.2 The table shows that overall at quarter 1 there is a projected increase in net expenditure of £463k on the HRA.

The main reasons for this are as follows:-

	£'000
Decrease in revenue contribution to capital (see 2.3 below)	(1,503)
Decrease in rental income (see 2.4 below)	1,620
Increase in repairs and maintenance (see 2.5 below)	159
Anticipated costs of new housing structure (see 2.6 below)	100
Other variances	87
Total net projected Housing Revenue Account decrease	<u>463</u>

- 2.3 The decrease in revenue contribution to capital relates to an increased use of the Major Repairs Reserve relieving pressure on the HRA reserve and areas in the capital programme being suspended due to Covid-19 lockdown.
- 2.4 The decrease in rental income largely relates to a projected 10% reduction in income due to Covid-19. This is based on early data and assumptions and is indicative only as the actual impact is unknown at this stage. Data will continue to be monitored closely and the projection updated as more

information becomes available in the coming months. There is also currently a high level of void garages which is resulting in reduced income.

- 2.5 The increase in repairs and maintenance expenditure relates to an increase in void repairs of £135k and asbestos removal works of £25k.
- 2.6 The early estimate of additional costs for the new housing staffing structure in 2020/21 is £100k, however the true cost won't be known until recruitment begins.

Officers have been undertaking work over recent months to establish costs of a new structure for the housing service returning in-house from 1st October 2020. Costs of the structure were not known at the time of setting the 2020/21 budget. Early indications are that the initial housing structure will require additional funding of £320k per annum. The impact in 2020/21 is anticipated to be £160k assuming transition from 1st October, however it will take time to recruit to the roles and reach full establishment and so an estimate of £100k has been included within the projections at this stage. The current budgeted EKH management fee for 2020/21 is £2.48m.

Further details will be reported to Members in due course.

- 2.7 Overall, the HRA reserve at 31 March 2021 is expected to be £8.6m compared with £9.1m in the latest budget.

3. HOUSING REVENUE ACCOUNT CAPITAL 2020/21 (see Appendix 2)

- 3.1 The latest budget for the HRA capital programme in 2020/21 is £13.7m and the projected outturn for the year is £12.9m, an underspend of £850k.

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

	£'000
Disabled Adaptations (see 3.3 below)	(402)
Heating Improvements (see 3.3 below)	(324)
Rewiring (see 3.3 below)	(320)
Kitchen Replacements (see 3.3 below)	(207)
Windows and Doors (see 3.3 below)	(125)
Fire Protection Works (see 3.4 below)	300
Re-roofing (see 3.5 below)	230
EKH Single System (see 3.6 below)	187
Other minor variances	<u>(189)</u>
Total decrease against Original Budget	<u>(850)</u>

- 3.3. Due to Covid-19 these areas of the Capital programme have been placed on hold as access to properties and social distancing are enforced. The likelihood is that once lockdown eases there will be a scaled down service depending on available access to complete the works. Disabled Adaptions has been reduced by £402k as this is the most vulnerable group that are likely to remain self-isolating for a longer period of time.

- 3.4 Fire protection works in communal and external areas have continued during Covid-19 lockdown and additional works relating to Fire Alarms have been identified which will require further budget.
- 3.5 Re-roofing works have continued during Covid-19 lockdown and are progressing well which has led to further works being identified which can be completed during 2020/21.
- 3.6 The indicative one-off capital cost of transitioning the EKH Single System to FHDC as part of bringing the housing service back in-house is £187k. At its meeting in May, Cabinet requested an external analyst be consulted to review the costs involved and to seek to negotiate further savings. A provision of £187k has been included within the latest budget projection based on initial costings and will be amended once the result of the further review is known.
- 3.7 The following table compares the resources required to finance the projected outturn for the HRA capital programme in 2020/21. The variation shown below corresponds to the figure in section 3.1, above.

2020/21 HRA	1-4-1 Capital Receipts	Revenue Contribution	Major Repairs Reserve	Total
	£'000	£'000	£'000	£'000
Projected Outturn	1,450	5,302	6,153	12,905
Approved	1,425	6,805	5,525	13,755
Variation	25	(1,503)	628	(850)

4. CONCLUSION

- 4.1 The HRA revenue outturn projection for 2020/21 forecasts £463k higher expenditure than the latest approved budget.
- 4.2 The HRA capital outturn projection for 2020/21 forecasts £850k lower expenditure than the latest approved budget.
- 4.3 The projected outturn for both the HRA revenue expenditure and capital programme for 2020/21 reflects the position based on actual expenditure and forecasts at 31 May 2020.

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	Medium	Medium	Areas at greater risk of variances are being closely monitored and an

materially different to the actual year end position.			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 2020/21 to 2021/22 capital programme will need to continue to be reviewed to take account of the capacity to manage the programme. 2020/21 planned expenditure will need to be reviewed to determine whether any expenditure will fall into 2021/22 and beyond.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Specialist's Comments (NE)

There are no legal implications arising from this report.

6.2 Finance Specialist'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

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 May 2020

[Appendix 2](#) Housing Revenue Account capital budget monitoring report at 31 May 2020