

This Report will be made public on 13 October 2020

Report Number **C/20/41**

**To:** Cabinet  
**Date:** 21 October 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 2

**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 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/20/41.

## 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 August 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)	(15,529)	829
Expenditure	11,271	11,469	198
HRA Share of Corporate Costs	175	175	0
<b>Net Cost of HRA Services</b>	<b>(4,912)</b>	<b>(3,885)</b>	<b>1,027</b>
Interest Payable/Receivable etc	1,472	1,509	37
<b>HRA Surplus/Deficit</b>	<b>(3,440)</b>	<b>(2,376)</b>	<b>1,064</b>
Revenue Contribution to Capital	6,805	2,726	(4,079)
<b>Decrease/(Increase) to HRA Reserve</b>	<b>3,365</b>	<b>350</b>	<b>(3,015)</b>

- 2.2 The table shows that overall at quarter 1 there is a projected decrease in net expenditure of £3.0m on the HRA.

The main reasons for this are as follows:-

	£'000
Decrease in revenue contribution to capital (see 2.3 below)	(4,079)
Decrease in rental income (see 2.4 below)	829
Anticipated costs of new housing structure (see 2.5 below)	100
Other variances	135
<b>Total net projected Housing Revenue Account decrease</b>	<b><u>(3,015)</u></b>

- 2.3 The decrease in revenue contribution to capital mainly relates to re-profiling of the new build and acquisition programme with anticipated schemes being delayed to 2021/22 as well as an increased use of the Major Repairs Reserve relieving pressure on the HRA reserve.
- 2.4 The decrease in rental income largely relates to a projected 5% reduction in income due to Covid-19. This is based on a review of latest 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 early estimate of additional costs for the new housing staffing structure in 2020/21 is £100k, this will continue to be monitored as the year progresses and the service embeds.
- 2.6 Overall, the HRA reserve at 31 March 2021 is expected to be £12.1m 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 £13.8m and the projected outturn for the year is £10.5m, an underspend of £3,3m.

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

	<b>£'000</b>
New Builds/Acquisitions (see 3.3 below)	(2,878)
Rewiring (see 3.4 below)	(265)
Kitchen Replacements (see 3.4 below)	(207)
Disabled Adaptations (see 3.4 below)	(162)
Heating Improvements (see 3.4 below)	(149)
Windows and Doors (see 3.4 below)	(125)
Re-roofing (see 3.5 below)	332
Fire Protection Works (see 3.5 below)	300
EKH Single System (see 3.6 below)	130
Other minor variances	<u>(252)</u>
<b>Total decrease against Original Budget</b>	<b><u>(3,276)</u></b>

3.3 The decrease in new build/acquisition expenditure relates to the re-profiling of the High View scheme which has not progressed as quickly as anticipated and is now expected to commence in 2021/22.

3.4 Due to Covid-19 and lockdown restrictions these areas of the Capital programme have seen a reduction in works completed as access to properties and social distancing are enforced. Scaled down services have resumed in some areas following the easing of lockdown measures depending on available access to complete the works, but works are not anticipated to return to planned levels and so underspends are anticipated.

3.5 Fire protection works in communal and external areas and re-roofing works have continued during Covid-19 lockdown and additional works have been identified which can be completed during 2020/21 and will require further budget.

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 £130k. This has reduced from the initial estimate of £187k following a further review of

costs by an external analyst, the results of which were presented to Cabinet at its July meeting.

- 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.

<b>2020/21 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	1,091	2,726	6,662	10,479
Approved	1,425	6,805	5,525	13,755
Variation	(334)	(4,079)	1,137	(3,276)

#### **4. CONCLUSION**

- 4.1 The HRA revenue outturn projection for 2020/21 forecasts £3.0m lower expenditure than the latest approved budget.
- 4.2 The HRA capital outturn projection for 2020/21 forecasts £3.3m 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 August 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 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 be 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	Medium	Medium	The 2020/21 to 2021/22 capital programme will need to continue to be reviewed to take account of the capacity to

along with new year programme			manage the programme. 2020/21 planned expenditure will need to be reviewed to determine whether any expenditure will fall into 2021/22 and beyond.
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## 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 August 2020

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