

This Report will be made public on 4 January 2021

Report Number **C/20/61**

**To:** Cabinet  
**Date:** 20 January 2021  
**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 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 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/20/61.

## 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 30 November 2020. Some caution therefore needs to be exercised when interpreting the results, 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<br>£'000 | Projection<br>£'000 | Variance<br>£'000 |
|---|------------------------|---------------------|-------------------|
| Income                                    | (16,358)               | (15,529)            | 829               |
| Expenditure                               | 11,271                 | 11,795              | 524               |
| HRA Share of Corporate Costs              | 175                    | 175                 | 0                 |
| <b>Net Cost of HRA Services</b>           | <b>(4,912)</b>         | <b>(3,559)</b>      | <b>1,353</b>      |
| Interest Payable/Receivable etc           | 1,472                  | 1,509               | 37                |
| <b>HRA Surplus/Deficit</b>                | <b>(3,440)</b>         | <b>(2,050)</b>      | <b>1,390</b>      |
| Revenue Contribution to Capital           | 6,805                  | 3,216               | (3,589)           |
| <b>Decrease/(Increase) to HRA Reserve</b> | <b>3,365</b>           | <b>1,166</b>        | <b>(2,199)</b>    |

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

The main reasons for this are as follows:-

|   | £'000                 |
|---|-----------------------|
| Decrease in revenue contribution to capital (see 2.3 below)   | (3,589)               |
| Decrease in rental income (see 2.4 below)                     | 829                   |
| Increase in repairs & maintenance expenditure (see 2.5 below) | 150                   |
| Anticipated costs of new housing structure (see 2.6 below)    | 324                   |
| Other variances   | 87                    |
| <b>Total net projected Housing Revenue Account decrease</b>   | <b><u>(2,199)</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 still unknown at this stage due to uncertainties around how the second lockdown and introduction of the tiered restriction system will affect rent recovery. Data will continue to be monitored closely and the projection updated as more

information becomes available. 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 £135k increased void repairs which have not been affected by access restrictions and £110k additional asbestos removal costs due to the quantity and complexity in removal. These increased costs are being partially offset by a reduction in window servicing of (£100k).
- 2.6 The new housing management service commenced on 1<sup>st</sup> October and the staffing structure is now in place. The estimate of additional costs for the new structure in 2020/21 is £324k, this will continue to be monitored as the year progresses and the service embeds.
- 2.7 Overall, the HRA reserve at 31 March 2021 is expected to be £11.3m 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 £8.4m, an underspend of £5.3m.

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

**£'000**

|   |                       |
|---|-----------------------|
| Enhanced Capital Programme (see 3.3 below)    | (3,500)               |
| New Builds/Acquisitions (see 3.4 below)       | (2,179)               |
| Kitchen Replacements (see 3.5 below)          | (281)                 |
| Disabled Adaptations (see 3.5 below)          | (162)                 |
| Heating Improvements (see 3.5 below)          | (149)                 |
| Fire Protection Works (see 3.6 below)         | 550                   |
| Re-roofing (see 3.6 below)                    | 332                   |
| EKH Single System (see 3.7 below)             | 130                   |
| Other minor variances                         | (56)                  |
| <b>Total decrease against Original Budget</b> | <b><u>(5,315)</u></b> |

- 3.3 The decrease in the enhanced capital programme expenditure relates to the programme being delayed in 2020/21, therefore, it is due to commence in 2021/22 following the results of stock condition surveys to be carried out in the coming months.
- 3.4 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.

The Council will be pursuing two further new build acquisition opportunities, which combined will deliver 14 units for affordable rent and 2 units for shared ownership purchase. The sites are at Radnor Park Road, Folkestone (14 units for rent) and Mill Farm, Hawkinge (2 units for shared ownership purchase). The opportunities have been fully tested against the requirements of the Housing Revenue Account Business Plan. The Mill Farm units will

complete in early 2021, with the Radnor Park Road units completing in the second half of 2022.

- 3.5 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.
- 3.6 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.
- 3.7 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.
- 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<br/>HRA</b> | <b>1-4-1<br/>Capital<br/>Receipts</b> | <b>Revenue<br/>Contribution</b> | <b>Major<br/>Repairs<br/>Reserve</b> | <b>Total</b> |
|------------------------|---------------------------------------|---------------------------------|--------------------------------------|--------------|
|                        | £'000                                 | £'000                           | £'000                                | £'000        |
| Projected<br>Outturn   | 1,301                                 | 3,216                           | 3,923                                | 8,440        |
| Approved               | 1,425                                 | 6,805                           | 5,525                                | 13,755       |
| Variation              | (124)                                 | (3,589)                         | (1,602)                              | (5,315)      |

#### **4. CONCLUSION**

- 4.1 The HRA revenue outturn projection for 2020/21 forecasts £2.2m lower expenditure than the latest approved budget.
- 4.2 The HRA capital outturn projection for 2020/21 forecasts £5.3m 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 30 November 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 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, Chief Financial Services Officer*  
*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 November 2020

[Appendix 2](#) Housing Revenue Account capital budget monitoring report at 30 November 2020

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