

This Report will be made public on 10 January 2022

Report Number **C/21/62**

To: Cabinet
Date: 26 January 2022
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 2021.

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 2021/22 position.

RECOMMENDATIONS:

1. To receive and note Report C/21/62.

1. INTRODUCTION

- 1.1 This report informs Cabinet of the likely projected outturn on HRA revenue and capital expenditure for 2021/22.
- 1.2 The projections are based on actual expenditure and income to 30 November 2021. 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 2021/22 (see Appendix 1)

- 2.1 The table below provides a summary of the projected outturn compared to the latest budget for 2021/22.

	Latest Budget £'000	Projection £'000	Variance £'000
Income	(15,830)	(16,513)	(683)
Expenditure	12,607	12,791	184
HRA Share of Corporate Costs	175	175	0
Net Cost of HRA Services	(3,048)	(3,547)	(499)
Interest Payable/Receivable etc	1,523	1,516	(7)
HRA Surplus/Deficit	(1,525)	(2,031)	(506)
Revenue Contribution to Capital	5,938	3,209	(2,729)
Decrease/(Increase) to HRA Reserve	4,413	1,178	(3,235)

- 2.2 The table shows that overall at quarter 3 there is a projected decrease in net expenditure of £3.2m on the HRA.

The main reasons for this are as follows:-

	£'000
Decrease in revenue contribution to capital (see 2.3 below)	(2,729)
Increase in rental income (see 2.4 below)	(683)
Other variances	177
Total net projected Housing Revenue Account increase	<u>(3,235)</u>

- 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 2022/23 (see 3.3).
- 2.4 The increase in rental income largely relates to a projected 5% reduction in income anticipated due to Covid-19 at budget setting which has not materialised with collection rates better than anticipated.

There is also currently a high level of void garages which is resulting in reduced income. There are currently 336 void garages, however a considerable amount of work has been carried out on the garages in recent

month's with a project shortly to commence focused upon improvements and enhanced maintenance of the garage stock.

- 2.5 Overall, the HRA reserve at 31 March 2022 is expected to be £10.8m compared with £7.6m in the latest budget.

3. HOUSING REVENUE ACCOUNT CAPITAL 2021/22 (see Appendix 2)

- 3.1 The latest budget for the HRA capital programme in 2021/22 is £14.4m and the projected outturn for the year is £9.9m, an underspend of £4.5m.

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

	£'000
New Builds/Acquisitions (see 3.3 below)	(4,354)
Other variances	(116)
Total decrease against Original Budget	<u>(4,470)</u>

- 3.3 The decrease in new build/acquisition expenditure relates to the re-profiling of the Highview scheme which has not progressed as quickly as anticipated and is now expected to commence in 2022/23. This is due to redesigning the scheme to deliver homes that are as close as possible to zero carbon in use. The team have been exploring new technology and construction methods to deliver a flagship scheme for the HRA following the Council declaring a climate emergency.

- 3.4 The following table compares the resources required to finance the projected outturn for the HRA capital programme in 2021/22. The variation shown below corresponds to the figure in section 3.1, above.

2021/22 HRA	1-4-1 Capital Receipts	Revenue Contribution	Major Repairs Reserve	Total
	£'000	£'000	£'000	£'000
Projected Outturn	867	3,209	5,914	9,990
Approved	2,608	5,938	5,914	14,460
Variation	(1,741)	(2,729)	0	(4,470)

4. CONCLUSION

- 4.1 The HRA revenue outturn projection for 2021/22 forecasts £3.2m lower expenditure than the latest approved budget.
- 4.2 The HRA capital outturn projection for 2021/22 forecasts £4.5m lower expenditure than the latest approved budget.

4.3 The projected outturn for both the HRA revenue expenditure and capital programme for 2021/22 reflects the position based on actual expenditure and forecasts at 30 November 2021.

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 2021/22 to 2022/23 capital programme will need to continue to be reviewed to take account of the capacity to manage the programme. 2021/22 planned expenditure will need to be reviewed to determine whether any expenditure will fall into 2022/23 and beyond.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Specialist's Comments (NM)

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.

6.4 **Climate Change Implications (OF)**

There are no climate change implications arising from this report.

Consideration should be given to ensure that houses are built, repaired and upgraded using materials and techniques that are suitable to our changing climate.

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 31 August 2021

[Appendix 2](#) Housing Revenue Account capital budget monitoring report at 31 August 2021