

This Report will be made public on 15 January 2024.

Report Number **C/23/77**

To: Finance & Performance Sub-Committee
Date: 23 January 2024
Status: Non-Key Decision
Head of Service: Lydia Morrison, Interim Director Governance and Finance
Cabinet Members: Councillor Tim Prater, Deputy Leader and Cabinet Member for Finance and Governance.
Councillor Rebecca Shoob, Cabinet Member for Housing and Homelessness

SUBJECT: HRA Budget Monitoring Quarter 3

Finance & Performance Sub-Committee are asked to review and note the Cabinet report below that will be presented to Cabinet on 31st December 2024.

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 1 December 2023.

REASONS FOR RECOMMENDATION:

The Committee is asked to note the recommendation set out below because then Committee needs to be kept informed of the Housing Revenue Account position and take appropriate action to deal with any variance from the approved budget.

RECOMMENDATION:

1. To receive and note Report C/23/77.

1. INTRODUCTION

- 1.1 This report informs Cabinet of the likely projected outturn on HRA revenue and capital expenditure for 2023/24.
- 1.2 The projections are based on actual expenditure and income to 1 December 2023. Some caution therefore needs to be exercised when interpreting the results due to the stage of the financial year, however, a thorough budget monitoring exercise has been carried out.

2. HOUSING REVENUE ACCOUNT REVENUE 2023/24 (see Appendix 1)

- 2.1 The table below provides a summary of the projected outturn compared to the latest budget for 2023/24.

	Latest Budget	Projection	Variance
	£'000	£'000	£'000
Income	(18,420)	(18,536)	(116)
Expenditure	14,617	15,195	578
HRA Share of Corporate Costs	175	175	0
Net Cost of HRA Services	(3,628)	(3,166)	462
Interest Payable/Receivable, etc	1,696	2,280	584
HRA (Surplus)/Deficit	(1,932)	(886)	1,046
Revenue Contribution to Capital	4,358	2,611	(1,747)
HRA Share of pension reserve movement	(195)	(484)	(289)
Decrease/(Increase) to HRA Reserve	2,231	1,241	(990)

- 2.2 The table shows that overall, at quarter 3 there is a projected decrease in net expenditure of £990k on the HRA.

The main reasons for this are as follows: -

	£'000
Net effect of pension interest costs (see 2.3 below)	295
Increase in repairs and maintenance (see 2.4 below)	530
Increase in rental income (see 2.5 below)	(116)
Revenue contribution to capital expenditure (see 2.6 below)	(1,747)
Other net variances	48
Total net projected Housing Revenue Account decrease	990

- 2.3 The increase in pension interest costs is due to the costs being based on actuals for 2022/23, whereas budget was based on estimates before the triennial pension revaluation was completed.
- 2.4 The increase in repairs and maintenance is largely due to Mears is non price per property being higher than anticipated £350k, and an increase in works required to prevent potential disrepair claims being made, 9 new fire alarm installations and an 8% contract uplift £90k and an increase in disrepair claims £40k.
- 2.5 The net increase in planned maintenance of £166k is largely due to the heating and services contract being increased by £240k and a contract variation. Invitations to tender went out with a predicted price based on Gas Call (previous contractor) of £255,000. However, the winning tender from came in at £380k with no allowance for additional works if required. A higher tender sum should have been expected as inflation and contractor costs were increasing at the time. The overspends have been offset by underspends on void repairs -£79k and the reduction in the revenue contribution to capital expenditure -£1,75m.
- 2.6 The net increase in rental income of £116k is due to combination of i) a decrease in charges for services and facilities of £76k as the budget has been based on 2022/23 actuals, ii) an increase in non-dwelling rental income of £91k due to lower garage void levels and iii) an increase in dwelling rental income of £101k relating to an increase in affordable properties being acquired.
- 2.7 Revenue contribution to capital expenditure has decreased due to carry forward (capital slippage) from 2022/23 which will impact the expected completion of work already scheduled for 2023/24 (see Appendix 2).
- 2.8 Overall, the HRA reserve at 31 March 2024 is expected to be £5.76m compared with £4.77m in the latest budget.

3. HOUSING REVENUE ACCOUNT CAPITAL 2023/24 (see Appendix 2)

- 3.1 The latest budget for the HRA capital programme in 2023/24 is £14.45m and the projected outturn for the year is £12.7m, an underspend of £1.7m.
- 3.2 The reason for the decrease in expenditure is due to consumption of carry forwards (capital slippage), as highlighted at paragraph 2.5 above.
- 3.3 The decrease of £379k in heating improvements is due to a delay in the procurement of the contract for boilers at Win Pine House, the amount of £140k will be requested as a carry forward to 2024/25 to commence the project.
- 3.4 The following table compares the resources required to finance the projected outturn for the HRA capital programme in 2023/24. The total variation shown below corresponds to the figure in section 3.1 above.

2023/24 HRA	1-4-1 Capital Receipts	Revenue Contribution to Capital	HRA Other Capital Receipts	Carry Forwards	Major Repairs Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Projected Outturn	600	2,611	3,204	3,208	3,084	12,707
Approved	600	4,358	3,204	3,208	3,084	14,454
Variation	0	(1,747)	0	0	0	(1,747)

4. CONCLUSION

- 4.1 The HRA revenue outturn projection for 2023/24 forecasts £990k lower expenditure than the latest approved budget for the reasons set out at section 2.2 of this report.
- 4.2 The HRA capital outturn projection for 2023/24 forecasts £1.74m lower than the latest approved budget for the reasons set out at section 3.2 of this report.
- 4.3 The projected outturn for both the HRA revenue expenditure and capital programme for 2023/24 reflects the position based on actual expenditure and forecasts at 1 December 2023.

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 2023/24 to 2024/25 capital programme will need to continue to be reviewed to take account of the capacity to manage the programme. 2023/24 planned expenditure will need to be reviewed to determine whether any expenditure will fall into 2024/25 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.

6.5 Communications and Engagement Implications (KA)

There are no communication implications arising from this report.

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting.

Jonathan Smith, Chief Accountant

Tel: 01303 853780 Email: jonathan.smith@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 2023

[Appendix 2](#) Housing Revenue Account capital budget monitoring report at 31 August 2023