

This Report will be made public on 16 June 2020

Report Number **C/20/10**

**To:** Cabinet  
**Date:** 24 June 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, Portfolio Holder for Housing, Transport and Special Projects

**SUBJECT:** HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL FINANCIAL OUTTURN 2019/20

**SUMMARY:** This report summarises the 2019/20 provisional outturn position (subject to audit) for the HRA revenue expenditure and HRA capital programme compared to both the latest approved budget and quarter 3 projections.

**REASONS FOR RECOMMENDATIONS:**

Cabinet is asked to agree the recommendations set out below because it is essential they are kept informed of the Housing Revenue Account final 2019/20 position.

**RECOMMENDATIONS:**

1. To receive and note Report C/20/10.

## INTRODUCTION

- 1.1 This report brings the 2019/20 financial monitoring to a conclusion. It sets out the HRA's financial position at year end (subject to audit) and compares it against the latest approved budget and quarter 3 projections. The report covers both revenue and capital expenditure for last year.
- 1.2 The formal Statement of Accounts for 2019/20 is being audited over July and will be submitted to Audit and Governance Committee on 30 July 2020 for approval.

## 2. HRA REVENUE AND CAPITAL 2019/20 OUTTURN

### 2.1 Final Revenue outturn compared to latest approved budget

- 2.1.1 The draft Statement of Accounts 2019/20 reports the following year end position for the HRA. This report however expands further on the detail.

<b>HRA Net Revenue Expenditure 2019/20</b>	<b>Latest Approved Budget 2019/20</b>	<b>Final Outturn 2019/20</b>	<b>Variance</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Income	(16,236)	(16,204)	32
Expenditure	10,366	14,618	4,252
HRA Share of Corporate Costs	206	160	(46)
<b>Net Cost of HRA Services</b>	<b>(5,664)</b>	<b>(1,426)</b>	<b>4,238</b>
Interest Payable/Receivable	1,494	1,491	(3)
<b>HRA Surplus/Deficit</b>	<b>(4,170)</b>	<b>65</b>	<b>4,235</b>
Other items of Income & Expenditure	0	(3,763)	(3,763)
Revenue Contribution to Capital	8,311	1,387	(6,924)
<b>Decrease/(Increase) to HRA Reserve</b>	<b>4,141</b>	<b>(2,311)</b>	<b>(6,452)</b>

- 2.1.2 The above table shows that the final position reflects a favorable movement in financial terms of £6.5m than the latest approved budget.
- 2.1.3 The 'Expenditure' line shows an adverse variance of £4.3m of which £3.8m relates to impairment and revaluation losses relating to council dwellings, however these entries together with the depreciation charge are reversed out in accordance with accounting policies through the 'Other Items of Income and Expenditure' line which shows a favourable variance of (£3.8m), so there is no net impact on the HRA surplus.

2.1.4 The main reasons for the £6.5m underspend compared to the latest approved budget, are as follows:

<b>HRA Net Revenue Expenditure</b>	
	<b>Variance £000's</b>
Revenue contribution to capital expenditure	(6,924)
General management	315
Special management	138
Other net variances	12
<b>Final year end movement compared to latest approved budget</b>	<b>(6,459)</b>

Revenue contribution to capital expenditure

2.1.5 The decrease in revenue contribution relates to an underspend on the new build/acquisition programme in year largely due to delays in planning permission and sites being ready for works to begin. These schemes are now planned to commence in 2020/21 and 2021/22 and will be funded from future years budgets. The amount of revenue contribution to capital will change from year to year depending on the profile of the new build/acquisitions programme.

General Management

2.1.6 The increase in general management expenditure relates to £226k additional funding provided to EKH for increased resources required to deal with compliance issues and £137k legal costs relating to the review of EKH contracts. There was an underspend of (£54k) on the HRA new builds consultancy budget due to feasibility studies, professional and planning advice not required during 2019/20 which aligns with the re-profiling of the new build and acquisition programme.

2.1.7 Special Management

The increase in special management expenditure relates to a severe water leak at Win Pine House and increased costs for prior periods based on actual usage.

**2.2 Final Revenue outturn compared to quarter 3 projections**

2.2.1 The table below shows that the final position is £809k better than the quarter 3 projections.

HRA Net Revenue Expenditure 2019/20	Qtr 3 Projection 2019/20	Final Outturn 2019/20	Variance
	£000's	£000's	£000's
Income	(16,244)	(16,204)	40
Expenditure	10,421	14,618	4,197
HRA Share of Corporate Costs	206	160	(46)
<b>Net Cost of HRA Services</b>	<b>(5,617)</b>	<b>(1,426)</b>	<b>4,191</b>
Interest Payable/Receivable	1,494	1,491	(3)
<b>HRA Surplus/Deficit</b>	<b>(4,123)</b>	<b>65</b>	<b>4,188</b>
Other items of Income & Expenditure	0	(3,763)	(3,763)
Revenue Contribution to Capital	2,621	1,387	(1,234)
<b>Decrease/(Increase) to HRA Reserve</b>	<b>(1,502)</b>	<b>(2,311)</b>	<b>(809)</b>

.2.2 The main reasons for the £809k variance compared to quarter 3 projection, are as follows:

#### HRA Net Revenue Expenditure

	Variance £000's
Revenue contribution to Capital expenditure	(1,234)
Repairs and Maintenance	148
Special Management	130
Other net variances	147
<b>Final year end movement compared to Qtr 3 Projection</b>	<b>(809)</b>

### 2.3 Final Capital outturn compared to latest approved budget

2.3.1 The table below shows that the final position on the HRA Capital programme is £10.9m less than the latest approved budget.

HRA Capital Programme 2019/20	Latest Approved Budget 2019/20	Final Outturn 2019/20	Variance
	£000's	£000's	£000's
<b>HRA Capital programme</b>	<b>15,634</b>	<b>4,769</b>	<b>(10,865)</b>

2.3.2 The main reasons for the £10.9m variance compared to the latest approved budget, are as follows:

## HRA Capital Programme

	<b>Variance £000's</b>
New Build/Acquisitions programme	(9,888)
External Enveloping	(345)
Rewiring	(337)
Kitchen Replacement	(163)
Heating Improvements	(121)
Other net variances	(11)
<b>Final year end movement compared to latest approved budget</b>	<b>(10,865)</b>

### New Build/Acquisitions programme

2.3.3 The decrease in new build/acquisition expenditure relates to an underspend on the current year's planned programme due to delays in planning permission and sites being ready for works to commence. These schemes have been re-profiled and are now planned to commence in 2020/21 and 2021/22. Works on site due to commence in 2020/21 include Highview and Biggins Wood.

### External Enveloping

2.3.4 The decrease in external enveloping is due to the need to identify works and a stock condition survey is scheduled to be completed early in 2020/21.

£250k of the unspent budget has been requested as a carry forward to complete works in 2020/21.

### Rewiring

2.3.5 The decrease in rewiring expenditure is due to a delay in a new contract being procured within this financial year.

### Kitchen Replacement

2.3.6 The decrease in kitchen replacements is due to contractor staffing resource issues which led to a slower workflow in 2019/20 and works ceasing in the final part of the year due to Covid-19.

### Heating Improvements

2.3.7 The decrease in heating improvements is largely due to the new Gas Call contract starting in October 2019 with servicing and maintenance works being prioritised before issuing install works.

## **2.4 Final Capital outturn compared to quarter 3 projections**

2.4.1 The table below shows that the final position on the HRA Capital programme is £1.9m less than the quarter 3 projection.

HRA Capital Programme 2019/20	Qtr 3 Projection 2019/20	Final Outturn 2019/20	Variance
	£000's	£000's	£000's
HRA Capital programme	6,634	4,769	(1,865)

2.4.2 The main reasons for the £1.9m variance compared to the quarter 3 projections, are as follows:

HRA Capital Programme	Variance £000's
New Build/Acquisitions programme	(1,738)
Replacement Windows and Doors	(179)
Kitchen replacements	(163)
Re-roofing	358
Other net variances	(143)
<b>Final year end movement compared to Qtr 3 Projection</b>	<b><u>(1,865)</u></b>

### 3. CONCLUSION

- 3.1 The final position reflects a favorable movement in financial terms for the HRA Reserve of £6.5m compared to the latest approved budget.
- 3.3 The financial results are subject to audit.

### 4. RISK MANAGEMENT ISSUES

- 4.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Capital receipts (including right to buy sales) do not materialise	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 capital programme will need to continue to be reviewed to take account of the capacity to manage the programme including the slippage from 2019/20.

Significant amendments having to be made to the financial results following audit.	Medium	Low	The formal accounts have been prepared in accordance with professional standards and best accounting practice.
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## 5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

### 5.1 Legal Officer's Comments (NE)

There are no legal implications arising from this report.

### 5.2 Finance Officer's Comments (CI)

This report has been prepared by Financial Services. There are therefore no further comments to add.

### 5.3 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. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

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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 outturn report

Appendix 2 Housing Revenue Account capital programme outturn report