

This Report will be made public on 7 June 2021

Report Number **C/21/10**

To: Cabinet
Date: 23 June 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, Portfolio Holder for Housing, Transport and Special Projects

SUBJECT: HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL FINANCIAL OUTTURN 2020/21

SUMMARY: This report summarises the 2020/21 provisional outturn position (subject to audit) for the HRA revenue expenditure and HRA capital programme compared to both the latest approved budget and quarter 4 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 2020/21 position.

RECOMMENDATIONS:

1. To receive and note Report C/21/10.

INTRODUCTION

- 1.1 This report brings the 2020/21 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 4 projections. The report covers both revenue and capital expenditure for last year.
- 1.2 The formal Statement of Accounts for 2020/21 is being audited over July and August and will be submitted to Audit and Governance Committee at their meeting in September for approval.

2. HRA REVENUE AND CAPITAL 2020/21 OUTTURN

2.1 Final Revenue outturn compared to latest approved budget

- 2.1.1 The draft Statement of Accounts 2020/21 reports the following year end position for the HRA. This report however expands further on the detail.

HRA Net Revenue Expenditure 2020/21	Latest Approved Budget 2020/21	Final Outturn 2020/21	Variance
	£000's	£000's	£000's
Income	(16,359)	(16,325)	34
Expenditure	11,591	22,975	11,384
HRA Share of Corporate Costs	175	156	(19)
Net Cost of HRA Services	(4,593)	6,806	11,399
Interest Payable/Receivable	1,572	1,334	(238)
HRA Surplus/Deficit	(3,021)	8,140	11,161
Other items of Income & Expenditure	(295)	(10,668)	(10,373)
Revenue Contribution to Capital	6,805	2,966	(3,839)
Decrease/(Increase) to HRA Reserve	3,489	438	(3,051)

- 2.1.2 The above table shows that the final position reflects a favourable movement in financial terms of £3.1m compared to the latest approved budget.
- 2.1.3 The 'Expenditure' line shows an adverse variance of £11.4m of which £6.2m relates to impairment and revaluation losses relating to council dwellings and £4.3m relates to non-distributed pension costs, however these entries are reversed out in accordance with accounting policies through the 'Other Items of Income and Expenditure' line which shows a favourable variance of (£10.4m).

2.1.4 The main reasons for the £3.0m underspend compared to the latest approved budget, are as follows:

HRA Net Revenue Expenditure

	Variance £000's
Revenue contribution to capital expenditure (see 2.1.5 below)	(3,839)
Costs of new housing structure (see 2.1.7 below)	505
Increase in cleaning costs (see 2.1.8 below)	224
Other net variances	59

Final year end movement compared to latest approved budget

(3,051)

2.1.5 The decrease in revenue contribution relates to an underspend on the new build/acquisition programme in year. These schemes are now planned to commence in 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.

2.1.6 The non-distributed pension costs relate to the transfer in of EKH staff to the Council's pension scheme. These costs are reversed out in accordance with accounting policies to the pensions reserve so there is no impact to the HRA (surplus)/deficit.

2.1.7 The new housing management service commenced on 1st October and the staffing structure is now in place. The net additional cost for the new structure in 2020/21 is £505k.

2.1.8 The increase cleaning costs relate to enhanced cleaning required at the sheltered accommodation due to Covid-19.

2.2 Final Revenue outturn compared to quarter 4 projections

2.2.1 The table below shows that the final position is £554k better than the quarter 4 projections.

HRA Net Revenue Expenditure 2020/21	Qtr 4 Projection 2020/21	Final Outturn 2020/21	Variance
	£000's	£000's	£000's
Income	(15,919)	(16,325)	(406)
Expenditure	12,223	22,975	10,752
HRA Share of Corporate Costs	175	156	(19)
Net Cost of HRA Services	(3,521)	6,806	10,327
Interest Payable/Receivable	1,609	1,334	(275)
HRA Surplus/Deficit	(1,912)	8,140	10,052
Other items of Income & Expenditure	(295)	(10,668)	(10,373)
Revenue Contribution to Capital	3,199	2,966	(233)
Decrease/(Increase) to HRA Reserve	992	438	(554)

2.2 The main reasons for the £554km variance compared to quarter 4 projection, are as follows:

HRA Net Revenue Expenditure

	Variance £000's
Dwelling Rents & Other Charges for Services and Facilities	(406)
Revenue contribution to capital expenditure	(233)
Other net variances	85
Final year end movement compared to Qtr 4 Projection	<u>(554)</u>

2.2.1 The projection for rental income anticipated a 2.5% reduction due to Covid-19 based on the latest data, however this did not materialise during the financial year and overall collection rates were higher than anticipated.

2.2.2 The revenue contribution to capital was lower than projected at quarter 4 based on final capital expenditure.

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 £5.6m less than the latest approved budget.

HRA Capital Programme 2020/21	Latest Approved Budget 2020/21	Final Outturn 2020/21	Variance
	£000's	£000's	£000's
HRA Capital programme	13,755	8,128	(5,627)

2.3.2 The main reasons for the £5.6m variance compared to the latest approved budget, are as follows:

HRA Capital Programme

	Variance £000's
Enhanced Capital Programme (see 2.3.3 below)	(3,500)
New Build/Acquisitions programme (see 2.3.4 below)	(2,527)
Kitchen Replacement (see 2.3.5 below)	(291)
Heating Improvements (see 2.3.5 below)	(119)
Disables Adaptations (see 2.3.5 below)	(115)
Fire Protection Works (see 2.3.6 below)	435
Re-roofing (see 2.3.6 below)	350
EKH Single System (see 2.3.7 below)	145
Voids Capital Works (see 2.3.8 below)	129
Other net variances	(134)
Final year end movement compared to latest approved budget	<u>(5,627)</u>

2.3.3 This budget was not required in year as the enhanced capital programme was delayed in 2020/21, it is due to commence in 2021/22 following the results of stock condition surveys to be carried out in the coming months with work continuing into 2022/23.

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

19 acquisitions were made in 2020/21, 17 for affordable rent and 2 for shared ownership sale.

The new build acquisition opportunity at Radnor Park Road which will deliver 14 units for affordable rent is still progressing and on track to complete late 2022.

The Council will be pursuing a further new build acquisition opportunity, which will deliver 14 units for affordable rent and shared ownership purchase. The opportunity has been fully tested against the requirements of the Housing Revenue Account Business Plan. The scheme in Shepway Close, Folkestone, is due to complete in the second half of 2022/23.

2.3.5 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 were enforced. The stock condition surveys which commence in 2021/22 will identify works to be carried out.

2.3.6 Fire protection works in communal and external areas and re-roofing works have continued during Covid-19 lockdown and additional works were identified which were not affected by Covid-19 restrictions and were able to be completed during 2020/21.

2.3.7 There was a one-off capital cost of transitioning the EKH Single System to FHDC as part of bringing the housing service back in-house.

2.3.8 The increase in void capital works is due to the poor condition of returning properties which has been difficult to predict until the property is inspected, the stock condition survey should improve this moving forward.

2.4 Final Capital outturn compared to quarter 4 projections

2.4.1 The table below shows that the final position on the HRA Capital programme is £207k less than the quarter 4 projection.

HRA Capital Programme 2020/21	Qtr 4 Projection 2020/21	Final Outturn 2020/21	Variance
	£000's	£000's	£000's
HRA Capital programme	8,335	8,128	(207)

2.4.2 The main reasons for the £207k variance compared to the quarter 4 projections, are as follows:

HRA Capital Programme	Variance £000's
New Build/Acquisitions programme	(349)
Void Capital Works	129
Other net variances	13
Final year end movement compared to Qtr 4 Projection	(207)

3. CONCLUSION

3.1 The final position reflects a favourable movement in financial terms for the HRA Reserve of £3.0m compared to the latest approved budget.

3.2 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 2021/22 capital programme will need to continue to be reviewed to take account of the capacity to manage the programme including the slippage from 2020/21.
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.

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's Comments (NM)

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

Cheryl Ireland, Chief Financial Services Officer

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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 outturn report

Appendix 2 Housing Revenue Account capital programme outturn report