

This Report will be made public on 8 June 2022

Report Number **C/22/11**

To: Cabinet
Date: 16 June 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, Portfolio Holder for Housing, Transport and Special Projects

SUBJECT: HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL FINANCIAL OUTTURN 2021/22

SUMMARY: This report summarises the 2021/22 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 2021/22 position.

RECOMMENDATIONS:

1. To receive and note Report C/22/11.
2. As detailed in paragraph 2.1.4, to carry forward £77k of unspent 2021/22 budget.

INTRODUCTION

- 1.1 This report brings the 2021/22 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 2021/22 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 2021/22 OUTTURN

2.1 Final Revenue outturn compared to latest approved budget

- 2.1.1 The draft Statement of Accounts 2021/22 reports the following year end position for the HRA. This report however expands further on the detail.

HRA Net Revenue Expenditure 2021/22	Latest Approved Budget 2021/22	Final Outturn 2021/22	Variance
	£000's	£000's	£000's
Income	(15,831)	(18,569)	(2,738)
Expenditure	12,943	20,063	7,120
HRA Share of Corporate Costs	175	159	(16)
Net Cost of HRA Services	(2,713)	1,653	4,366
Interest Payable/Receivable	1,623	1,000	(623)
HRA Surplus/Deficit	(1,090)	2,653	3,743
Other items of Income & Expenditure	(295)	(4,832)	(4,537)
Revenue Contribution to Capital	5,938	4,287	(1,651)
Decrease/(Increase) to HRA Reserve	4,553	2,108	(2,445)

- 2.1.2 The above table shows that the final position reflects a favourable movement in financial terms of £2.4m compared to the latest approved budget.
- 2.1.3 The 'Income' line shows a favourable variance of (£2.7m) of which (£2.0m) relates to HRA Decarbonisation capital grant funding received in year. This has been reversed out through the 'Other Items of Income and Expenditure' line so that the grant funding can be applied in future years when expenditure is incurred. The 'Expenditure' line shows an adverse variance of £7.1m of which £6.5m relates to impairment and revaluation losses relating to council dwellings, however these entries are reversed out

in accordance with accounting policies through the 'Other Items of Income and Expenditure' line. The net movement of these two entries is £4.5m which is offset by the favourable variance of (£4.5m) shown against 'Other Items of Income and Expenditure'.

2.1.4 The provisional carry forward of £77k is for Feasibility Studies in relation to HRA New Build projects, this has been approved by the Section 151 officer.

2.1.5 The main reasons for the £2.4m underspend compared to the latest approved budget, are as follows:

HRA Net Revenue Expenditure

	Variance £000's
Revenue contribution to capital expenditure (see 2.1.6 below)	(1,651)
Dwelling rents (see 2.1.7 below)	(815)
Bad debt provision (see 2.1.8 below)	(237)
Repairs and maintenance (see 2.1.9 below)	(222)
Pension costs (see 2.1.10 below)	438
Other net variances	42
Final year end movement compared to latest approved budget	<u>(2,445)</u>

2.1.6 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 2022/23 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.

2.1.7 The projection for rental income anticipated a 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.

2.1.8 The decrease in bad debt provision is due an incorrect balance used for 2020/21, therefore, an adjustment has been made in 2021/22 to correct.

2.1.9 The decrease in repairs and maintenance is largely due to an underspend on planned maintenance in relation to windows servicing and the demand for asbestos removal being lower than anticipated.

2.1.10 The increase in pension costs relates to higher employer contributions following the transfer of housing staff into the pension scheme.

2.2 Final Revenue outturn compared to quarter 4 projections

2.2.1 The table below shows that the final position is £950k worse than the quarter 4 projections.

HRA Net Revenue Expenditure 2021/22	Qtr 4 Projection 2021/22	Final Outturn 2021/22	Variance
	£000's	£000's	£000's
Income	(16,523)	(18,569)	(2,046)
Expenditure	13,007	20,063	7,056
HRA Share of Corporate Costs	175	159	(16)
Net Cost of HRA Services	(3,341)	1,653	4,994
Interest Payable/Receivable	1,616	1,000	(616)
HRA Surplus/Deficit	(1,725)	2,653	4,378
Other items of Income & Expenditure	(295)	(4,832)	(4,537)
Revenue Contribution to Capital	3,178	4,287	1,109
Decrease/(Increase) to HRA Reserve	1,158	2,108	950

2.2 The main reasons for the £950k variance compared to quarter 4 projection, are as follows:

HRA Net Revenue Expenditure

	Variance £000's
Revenue contribution to capital expenditure (see 2.2.1 below)	1,109
Pension related costs (see 2.1.10 above)	438
Bad debt provision (see 2.1.8 above)	(236)
Depreciation costs (see 2.2.2 below)	(227)
Repairs and maintenance (see 2.1.9 above)	(109)
Other net variances	(25)
Final year end movement compared to Qtr 4 Projection	950

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

2.2.2 The decrease in depreciation costs relates to decreases in depreciation on dwellings.

Impairment and revaluation gains/losses relating to council dwellings, including a statutory adjustment required for Social Housing stock value is included in the 'Expenditure' line above. These entries are reversed out through the 'Other Items of Expenditure and Income' line in accordance with accounting policies so there is no net impact on the HRA surplus.

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 £3.5m less than the latest approved budget.

HRA Capital Programme 2021/22	Latest Approved Budget 2021/22	Final Outturn 2021/22	Variance
	£000's	£000's	£000's
HRA Capital programme	14,605	11,136	(3,469)

2.3.2 The main reasons for the £3.5m variance compared to the latest approved budget, are as follows:

HRA Capital Programme

	Variance £000's
New Build/Acquisitions programme (see 2.3.3 below)	(3,597)
Void Capital Works (see 2.3.4 below)	(138)
Fire Protection Works (see 2.3.5 below)	557
Re-roofing (see 2.3.6 below)	199
Other net variances (see 2.3.7 below)	(490)
Final year end movement compared to latest approved budget	(3,469)

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 sites being ready for works to commence. These schemes have been re-profiled and works on site are now due to commence in 2022/23 for Highview and Biggins Wood.

7 acquisitions were made in 2021/22 for affordable rent.

2.3.4 The underspend in void capital works is due to an over accrual for works in 2020/21 which has reduced the appearance of the actual spend in 2021/22 of £308k.

2.3.5 The increase in fire protection works is largely due to essential Health & Safety Fire precaution works at Bradford Court, Mittel Court, Nailbourne Court and Stephen Court.

2.3.6 The increase in re-roofing is due to Prescott House requiring urgent works which was not within the planned programme of works.

2.3.7 The other net variances which total an underspend of £490k are across various capital programmes and relate to delays in works being completed in the first half of the year due to workforce shortages within Mears and

access problems due to the pandemic, reduced number of properties requiring works and delays in procurement contracts.

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 £818k more than the quarter 4 projection.

HRA Capital Programme 2021/22	Qtr 4 Projection 2021/22	Final Outturn 2021/22	Variance
	£000's	£000's	£000's
HRA Capital programme	10,318	11,136	818

2.4.2 The main reasons for the £818k variance compared to the quarter 4 projections, are as follows:

HRA Capital Programme	Variance £000's
New Build/Acquisitions programme	(142)
Fire Protection Works	557
Re-roofing	199
Enhanced Capital Programme	174
Other net variances	30
Final year end movement compared to Qtr 4 Projection	818

3. CONCLUSION

3.1 The final position reflects a favourable movement in financial terms for the HRA Reserve of £2.4m 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 2022/23 capital programme will need to continue to be reviewed to take

			account of the capacity to manage the programme including the slippage from 2021/22.
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 (LW)

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

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 outturn report

Appendix 2 Housing Revenue Account capital programme outturn report