

This Report will be made public on 11 July 2017

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report Number **C/17/20**

To: Cabinet
Date: 19 July 2017
Status: Non-Key Decision
Head of Service: Pat Main, Interim Head of Finance
Cabinet Members: Councillor Malcolm Dearden, Finance and
Councillor Alan Ewart-James, Housing

SUBJECT: HOUSING REVENUE ACCOUNT REVENUE AND
CAPITAL BUDGET MONITORING 2017/18 – 1ST
QUARTER AND 2016/17 FINANCIAL OUTTURN

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 31 May 2017. The report also summarises the 2016/17 final outturn position (subject to audit) for the HRA revenue expenditure and HRA capital programme compared to both the latest approved budget.

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 2016/17 position.

RECOMMENDATIONS:

1. To receive and note Report C/17/20.

1. INTRODUCTION

- 1.1 This report informs Cabinet of the likely projected outturn on HRA revenue and capital expenditure for 2017/18.
- 1.2 The projections are based on actual expenditure and income to 31 May 2017. Some caution therefore needs to be exercised when interpreting the results. However, a thorough budget monitoring exercise has been carried out.
- 1.3 This report also brings the 2016/17 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. The report covers both revenue and capital spend for last year (see section 4).
- 1.4 The formal Statement of Accounts for 2016/17 is being audited over July and the audited set will be submitted to Audit and Standards Committee in September 2017 for approval.

2. HOUSING REVENUE ACCOUNT REVENUE 2017/18 (see Appendix 1)

- 2.1 The table below provides a summary of the projected outturn compared to the latest budget for 2017/18.

	Latest Budget £'000	Projection £'000	Variance £'000
Income	(16,032)	(16,032)	0
Expenditure	11,254	11,230	(24)
HRA Share of Corporate Costs	226	226	0
Net Cost of HRA Services	(4,552)	(4,576)	(24)
Interest Payable/Receivable etc	1,570	1,570	0
HRA Surplus/Deficit	(2,982)	(3,006)	(24)
Revenue Contribution to Capital	3,762	8,419	4,657
Decrease/(Increase) to HRA Reserve	780	5,413	4,633

- 2.2 The table shows that overall at quarter 1 there is a projected increase in net expenditure of £4.633m on the HRA.

The main reasons for this are as follows:-

	£'000
Increase in revenue contribution to capital (see 2.3 below)	4,657
Increase in repairs and maintenance (see 2.4 below)	30
Increase in supervision and management (see 2.5 below)	11
Decrease in bad debts provision (see 2.6 below)	<u>(65)</u>
Total net projected Housing Revenue Account increase	<u>4,633</u>

- 2.3 The increase in revenue contribution to capital relates to the slippage of the capital programme in 2016/17 and largely relates to the new build/acquisition programme underspend.
The amount of revenue contribution to capital will change from year to year depending on the profile of the new build/acquisition programme.
- 2.4 The increase in repairs and maintenance relates to Fire Alarm upgrades works at Mittel Court and Prescott House which are expected to be completed by the end of June 2017.
- 2.5 The increase in supervision and management relates to an increase of £5k in the audit work programme for 2017/18, £15k slippage of the HRA New Build programme in 2016/17 for feasibility studies work required for 2017/18 and a reduction in premises insurance of £10k for HRA due to lower claims history.
- 2.6 The underspend within bad debt provision relates to there being minimal expected impact during 2017/18 since the phased implementation of Universal Credit in January 2016.
- 2.7 The financial projections have been compared to the previous year's outturn and analysed in detail. These have been adjusted where genuine underspends have previously occurred or where there has been a change to current activity levels.
- 2.8 Overall, the HRA reserve at 31 March 2018 is expected to be £1.967m compared with £6.600m in the latest budget.

3. HOUSING REVENUE ACCOUNT CAPITAL 2017/18 (see Appendix 2)

- 3.1 The original budget for HRA capital programme in 2017/18 is £8.098m and the projected outturn for the year is £15.261m, an overspend of £7.163m relating to the required carry forwards from 2016/17. For information, appendix 2 outlines the current schemes contained within the programme.
- 3.2 The reasons for the increase in expenditure are as follows:-

	£'000
New Build Programme (see 3.3 below)	6,432
Fire Protection Works (see 3.4 below)	359
Re-roofing (see 3.5 below)	165
Environmental Works (see 3.6 below)	155
Heating Improvements (see 3.7 below)	30
Garage Improvements (see 3.8 below)	23
Total slippage in expenditure from 2016/17	<u>7,163</u>

- 3.3. Carry forward required due to the new build/acquisition programme relating to the re-profiling of phase 1 and 2 of the Military Road new build programme. The phase 1 deposit was paid in 2016/17 however, the balance for phase 1 and the deposit for phase 2 will be paid in 2017/18 and then the balance for phase 2 will be made in 2018/19. The detailed reports on the relevant sites will be brought to Cabinet at the appropriate time.
- 3.4 Carry forward relates to protection upgrade works at Nailbourne Court and Romney Marsh House which will be completed during 2017/18.
- 3.5 Carry forward required on re-roofing is due to 5 pitched roofs not being completed in 2016/17 as there has been a delay in obtaining the specifications for this work to be completed.
- 3.6 Carry forward required due to works being delayed at Rowan Court, Win Pine House, Sir John Moore Avenue and Nailbourne Court due to delays in the procurement process. Works estimated to be completed by the end of July 2017.
- 3.7 Carry forward required due to boiler upgrade at Mittel Court not commencing until 2017/18.
- 3.8 Carry forward required due to works being delayed on garage improvements at Brook Lane Cottages, now commencing in 2017/18.
- 3.9 The following table compares the resources required to finance the projected outturn for the HRA capital programme in 2017/18. The variation shown below corresponds to the figure in section 3.1, above.

2017/18 HRA	1-4-1 Capital Receipts	Revenue Contribution	Major Repairs Reserve	Total
	£'000	£'000	£'000	£'000
Projected Outturn	3,445	8,419	3,397	15,261
Approved	1,516	3,762	2,820	8,098
Variation	1,929	4,657	577	7,163

4. HRA REVENUE AND CAPITAL 2016/17 OUTTURN

4.1 Final Revenue outturn compared to latest approved budget

4.1.1 The Narrative Report of the unaudited Statement of Accounts 2016/17 reports the following year end position. This report however expands further on the detail.

HRA Net Revenue Expenditure 2016/17	Latest Approved Budget 2016/17	Final Outturn 2016/17	Variance Budget to Outturn
	£'000	£'000	£'000
Income	(16,113)	(16,170)	(57)
Expenditure	11,324	7,158	(4,166)
HRA Share of Corporate Costs	235	222	(13)
Net Cost of HRA Services	(4,554)	(8,791)	(4,237)
Interest Payable/Receivable	1,622	1,638	16
HRA Surplus/Deficit	(2,932)	(7,153)	(4,221)
Other items of Income & Expenditure	(25)	3,469	3,494
Repayment of Debt	900	0	(900)
Revenue Contribution to Capital	6,387	2,169	(4,218)
Decrease/(Increase) to HRA Reserve	4,330	(1,515)	(5,845)

4.1.2 The above table shows that the final position is £5.845m better than the latest approved budget.

4.1.3 The large decrease in expenditure and the large increase in other items of income & expenditure mainly relates to the valuation of the housing stock. The housing stock is externally valued and increased by 6.5% during 2016/17, this change is shown within other items of income & expenditure and then reversed out under expenditure.

4.1.4 The main reasons for the £5.845m underspend, compared to the latest approved budget, are as follows:

HRA	Variance
Net Revenue Expenditure	£000
Charges for services and facilities	28
Pension costs adjustment	15
Interest receivable	14
Special management	6

Rents, rates and taxes	2	65
Revenue contribution to capital expenditure	(4,218)	
Repayment of debt	(900)	
Repairs and maintenance	(326)	
General management	(176)	
Provision for bad or doubtful debts	(105)	
Dwelling rents	(80)	
Depreciation costs	(79)	
HRA Share of Corporate Costs	(13)	
Debt management expenses	(7)	
Non dwelling rents	(6)	
	<u>(5,910)</u>	
Final year end movement compared to latest approved budget		<u>(5,845)</u>

4.3 Final Capital outturn compared to latest approved budget

4.3.1 The table below shows that the final position on the HRA Capital programme is £6.904m less than the latest approved budget.

HRA Capital Programme 2016/17	Latest Approved Budget 2016/17	Final Outturn 2016/17	Variance Budget to Outturn
	£'000	£'000	£'000
HRA Capital programme	12,422	5,518	(6,904)

4.3.2 The main reasons for the £6.904m variance, compared to the latest approved budget are as follows:

HRA Capital Programme	Variance £000
New Build/Acquisitions programme	(5,793)
Lift Replacement	(283)
External Enveloping	(198)
Re-roofing	(162)
Environmental Works	(154)
Fire Protection Works	(112)
Heating Improvements	(85)
Void Capital Works	(82)
Thermal Insulations	(40)
Bathroom Improvements	(29)
Treatment Works	(19)
Play Areas	(9)
Other net variances	(6)
	<u>(6,972)</u>

Kitchen Replacements	34	
Disabled Adaptations	26	
Rewiring	8	
		68
Variance		(6,904)

5. CONCLUSION

- 5.1 The HRA revenue outturn 2016/17 is £5.845m better than the latest approved budget.
- 5.2 The HRA capital outturn 2016/17 is £6.904m better than the latest approved budget.
- 5.3 The financial results are subject to audit.
- 5.4 The projected outturn for both the HRA revenue expenditure and capital programme for 2017/18 reflects the position based on actual expenditure and forecasts at 31 May 2017.

6. RISK MANAGEMENT ISSUES

- 6.1 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 2017/18 to 2018/19 capital programme will need to continue to be reviewed to take account of the capacity to manage the programme. 2017/18 planned expenditure will need to be reviewed to determine whether any expenditure will fall into 2018/19 and beyond.
Significant amendments	High	Low	The formal accounts have been prepared in

having to be made to the financial results following audit.			accordance with professional standards and best accounting practice.
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7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Officer's Comments (DK)

There are no legal implications arising from this report.

7.2 Finance Officer's Comments (LH)

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

7.3 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.

8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Leigh Hall, Group Accountant

Tel: 01303 853231 Email: leigh.hall@shepway.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 May 2017

[Appendix 2](#) Housing Revenue Account capital budget monitoring report at 31 May 2017