This Report will be made public on 4 June 2018

Folkestone & Hythe District Council

Report Number **C/18/07**

To:	**Cabinet**
Date:	**13 June 2018**
Status:	**Non-Key Decision**
Head of Service:	**Charlotte Spendley, Head of Finance**
Cabinet Members:	**Councillor Malcolm Dearden, Finance and Councillor Alan Ewart-James, Housing**

SUBJECT: **HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL FINANCIAL OUTTURN 2017/18**

SUMMARY: This report summarises the 2017/18 final 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 Cabinet needs to be kept informed of the Housing Revenue Account final 2017/18 position.

RECOMMENDATIONS:
1. **To receive and note Report C/18/07.**

INTRODUCTION

1.1 This report brings the 2017/18 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 2017/18 is being audited over July and will be submitted to Audit and Governance Committee on 30 July 2018 for approval.

2. HRA REVENUE AND CAPITAL 2017/18 OUTTURN

2.1 Final Revenue outturn compared to latest approved budget

2.1.1 The draft Statement of Accounts 2017/18 reports the following year end position for the HRA. This report however expands further on the detail.

HRA Net Revenue Expenditure 2017/18	**Latest Approved Budget 2017/18**	**Final Outturn 2017/18**	**Variance**
	£000's	**£000's**	**£000's**
Income	(16,032)	(16,141)	(109)
Expenditure	11,353	13,685	2,332
HRA Share of Corporate Costs	226	200	(26)
Net Cost of HRA Services	**(4,453)**	**(2,256)**	**2,197**
Interest Payable/Receivable	1,591	841	(750)
HRA Surplus/Deficit	**(2,862)**	**(1,415)**	**1,447**
Other items of Income & Expenditure	(22)	(3,535)	(3,513)
Revenue Contribution to Capital	8,419	4,128	(4,291)
Decrease/(Increase) to HRA Reserve	**5,535**	**(822)**	**(6,357)**

2.1.2 The above table shows that the final position is £6.357m better than the latest approved budget.

2.1.3 The main reasons for the £6.357m underspend compared to the latest approved budget, are as follows:

HRA Net Revenue Expenditure	Variance £000's	
Charges for services and facilities	24	
		24
Revenue contribution to capital expenditure	(4,291)	
Depreciation costs	(1,371)	
Repairs and maintenance	(328)	
Provision for bad or doubtful debts	(108)	
General management	(69)	
Dwelling rents	(67)	
Non dwelling rents	(66)	
Pension costs adjustment	(39)	
HRA Share of Corporate Costs	(26)	
Other net variances	(16)	
		(6,381)
Final year end movement compared to latest approved budget		**(6,357)**

Revenue contribution to capital expenditure

2.1.4 The decrease in revenue contribution to capital relates to the slippage of the capital programme and relates to the re-profiling of schemes that will commence in 2018/19 and 2019/20. The amount of revenue contribution to capital will change from year to year depending on the profile of the new build/acquisitions programme.

Depreciation costs

2.1.5 The decrease in depreciation costs relates to the combined decreases of depreciation on HRA dwellings and non-HRA dwellings. This is mainly due to having to charge the real depreciation cost to the HRA instead of using the Major Repairs Allowance as a proxy for depreciation which has been allowed and used in previous years. This entry is an accounting adjustment and is reversed through the major repairs reserve.

Repairs and maintenance

2.1.6 The decrease in repairs and maintenance expenditure mainly relates to an underspend of internal and external decorations of £335k due to an outstanding issue with the current supplier being resolved.

Provision for bad or doubtful debts

2.1.7 The phased implementation of Universal Credit commenced in January 2016 however, full implementation is now expected in May 2018. Therefore, there has been minimal impact during 2017/18.

General Management

2.1.8 The decrease in general management expenditure relates to HRA new builds budget underspending due to feasibility studies, professional and planning advice not required during 2017/18 which aligns with the profile of the new build and acquisition programme.

Dwelling rents

2.1.9 The increase in dwelling rents income relates to vacant properties being let quicker than originally estimated.

2.2 Final Revenue outturn compared to quarter 4 projections

2.2.1 The table below shows that the final position is £511k better than the quarter 4 projections.

HRA Net Revenue Expenditure 2017/18	Qtr 4 Projection 2017/18	Final Outturn 2017/18	Variance
	£000's	**£000's**	**£000's**
Income	(16,043)	(16,141)	(98)
Expenditure	10,847	13,685	2,838
HRA Share of Corporate Costs	206	200	(6)
Net Cost of HRA Services	**(4,990)**	**(2,256)**	**2,734**
Interest Payable/Receivable	1,585	841	(744)
HRA Surplus/Deficit	**(3,405)**	**(1,415)**	**1,990**
Other items of Income & Expenditure	(22)	(3,535)	(3,513)
Revenue Contribution to Capital	3,116	4,128	1,012
Decrease/(Increase) to HRA Reserve	**(311)**	**(822)**	**(511)**

.2.2 The main reasons for the £0.511m variance compared to quarter 4 projection, are as follows:

HRA Net Revenue Expenditure	**Variance £000's**	
Revenue Contribution to Capital expenditure	1,012	
General management	35	
		1,047
Depreciation costs	(1,371)	
Non dwelling rents	(70)	
Pension costs adjustment	(39)	
Provision for bad or doubtful debts	(38)	
Dwelling rents	(35)	
Other net variances	(5)	
		(1,558)
Final year end movement compared to Qtr. 4 projection		**(511)**

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 £6.129m less than the latest approved budget.

HRA Capital Programme 2017/18	Latest Approved Budget 2017/18	Final Outturn 2017/18	Variance
	£000's	£000's	£000's
HRA Capital programme	**15,262**	**9,133**	**(6,129)**

2.3.2 The main reasons for the £6.129m variance compared to the latest approved budget, are as follows:

HRA Capital Programme

	Variance £000's
New Build/Acquisitions programme	(4,505)
External Enveloping (see 2.3.4 below)	(313)
Environmental Works	(231)
Re-roofing (see 2.3.4 below)	(223)
Fire Protection Works	(207)
Heating Improvements	(128)
Cyclical Sheltered Schemes (see 2.3.4	(110)
below)	(73)
Lift Replacement	(70)
Rewiring	(68)
Voids Capital Works	(49)
Garage Improvements	(49)
Thermal Insulations (see 2.3.4 below)	(42)
Replacement Windows and Doors (see 2.3.4 below)	
Disabled Adaptations	(33)
Other net variances	(28)
Variance	**(6,129)**

<u>New Build/Acquisitions programme</u>

2.3.3 The decrease in revenue contribution to capital is due to slippage of the capital programme in 2017/18 and relates to the re-profiling of new build schemes that will commence in 2018/19 and 2019/20. The amount of revenue contribution to capital will change from year to year depending on the profile of the new build/acquisition programme.

<u>External Enveloping</u>

2.3.4 There are a number of underspends due to contracts requiring re-procurement which has resulted in the work not being undertaken in 2017/18. This includes external enveloping, re-roofing, windows and doors, thermal insulations and cyclical sheltered schemes for the new scooter store at Romney Marsh House.

Environmental Works

2.3.5 The improvement works approved from The Shepway Tenant & Leaseholders Board are less than previously experienced and the use relating to the use on HRA land is no longer required due to the new build programme using larger non-HRA sites.

Fire Protection Works

2.3.6 The decrease in fire protection works relates to works that arose from the Fire Risk Assessment surveys requiring a new contract to be procured which was not possible during 2017/18 due to the timescale.

Heating Improvements

2.3.7 The decrease in heating improvements is largely due to the contractors including revenue works in their forecasts/workflow for capital. Win Pine House and Halliday Court installs have been deferred until 2018/19 due to the need to procure the works.

Lift Replacement

2.3.8 A programme of works was originally projected for 2017/18 for lift works at Mittel Court which included the refurbishment of two lifts, one has been completed with the second now planned for 2018/19.

Rewiring

2.3.9 The decrease in rewiring relates to the kitchens and bathroom replacements not requiring the anticipated level of works.

Voids Capital Works

2.3.10 The decrease in void capital works is due to the demand for high category works required being lower than originally anticipated.

2.3.11 There have been carry forward requests totaling £5.099m for current schemes within the programme, these are as follows:

	£000's
New Build/Acquisitions programme	4,505
Fire Prevention Works	207
Re-roofing	200
Cyclical Sheltered Schemes	110
Replacement Windows and Doors	50
Environmental Works	27
Total carryforward requests	**5,099**

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 £0.449m less than the quarter 4 projection.

HRA Capital Programme 2017/18	Qtr 4 Projection 2017/18	Final Outturn 2017/18	Variance
	£000's	**£000's**	**£000's**
HRA Capital programme	**9,582**	**9,133**	**(449)**

2.4.2 The main reasons for the £0.449m variance compared to the quarter 4 projections, are as follows:

HRA Capital Programme	**Variance £000's**	
Heating Improvements	216	
Replacement Windows and Doors	28	
		244
New Build/Acquisitions programme	(332)	
EKH Single System	(93)	
Cyclical Sheltered Schemes	(80)	
Environmental Works	(60)	
Disabled Adaptations	(33)	
Garage Improvements	(30)	
Rewiring	(29)	
Re-roofing	(23)	
Other net variances	(13)	
		(693)
Variance		**(449)**

3. CONCLUSION

3.1 The HRA revenue outturn 2017/18 is £6.357m better than the latest approved budget.

3.2 The HRA capital outturn 2017/18 is £6.129m better than 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
The latest projection of the outturn could be materially different to the actual year end position.	Medium	Low	This report has been drafted once all known entries have been processed, the remaining risk lies with errors and misstatements identified

			through the audit process.
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 2018/19 capital programme will need to continue to be reviewed to take account of the capacity to manage the programme including the slippage from 2017/18.
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** (DK)

There are no legal implications arising from this report.

5.2 **Finance Officer's Comments** (LH)

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

Leigh Hall, Group Accountant
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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 outturn report
Appendix 2 Housing Revenue Account capital programme outturn report