

This Report will be made
public on 11 June 2019

Report Number **C/19/02**

To: Cabinet
Date: 19 June 2019
Status: Non-Key Decision
Head of Service: Charlotte Spendley, Head of Finance
Cabinet Members: Councillor David Godfrey, Portfolio Holder for
Housing, Transport and Special Projects

SUBJECT: **HOUSING REVENUE ACCOUNT REVENUE AND
CAPITAL FINANCIAL OUTTURN 2018/19**

SUMMARY: This report summarises the 2018/19 final 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 2018/19 position.

RECOMMENDATIONS:

1. To receive and note Report C/19/02.

INTRODUCTION

- 1.1 This report brings the 2018/19 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 2018/19 is being audited over July and will be submitted to Audit and Governance Committee on 30 July 2019 for approval.

2. HRA REVENUE AND CAPITAL 2018/19 OUTTURN

2.1 Final Revenue outturn compared to latest approved budget

- 2.1.1 The draft Statement of Accounts 2018/19 reports the following year end position for the HRA. This report however expands further on the detail.

HRA Net Revenue Expenditure 2018/19	Latest Approved Budget 2018/19	Final Outturn 2018/19	Variance
	£000's	£000's	£000's
Income	(15,829)	(15,896)	(67)
Expenditure	10,994	14,782	3,788
HRA Share of Corporate Costs	225	155	(70)
Net Cost of HRA Services	(4,610)	(959)	3,651
Interest Payable/Receivable	1,513	1,508	(5)
HRA Surplus/Deficit	(3,097)	549	3,646
Other items of Income & Expenditure	(15)	(5,036)	(5,021)
Revenue Contribution to Capital	8,666	2,330	(6,336)
Decrease/(Increase) to HRA Reserve	5,554	(2,157)	(7,711)

- 2.1.2 The above table shows that the final position reflects a favorable movement in financial terms of 7.711m than the latest approved budget.
- 2.1.3 The main reasons for the £7.711m underspend compared to the latest approved budget, are as follows:

HRA	
Net Revenue Expenditure	Variance £000's
Revenue contribution to capital expenditure	(6,335)
Depreciation costs	(1,017)
Repairs and maintenance	(369)
Dwelling rents	(233)
	<hr/>
	(7,954)
General management	120
Other net variances	123
	<hr/>
	243
Final year end movement compared to latest approved budget	<hr/>
	(7,711)

Revenue contribution to capital expenditure

- 2.1.4 The decrease in revenue contribution to capital relates to the slippage of the capital programme and the re-profiling of schemes that will commence in 2019/20 and 2020/21. The amount of revenue contribution to capital will change from year to year depending on the profile of the new build/acquisitions programme.

Depreciation and impairment 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 a proxy for depreciation which has been allowed in previous years. This entry is an accounting adjustment and is reversed through the major repairs reserve.

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.

Repairs and maintenance

- 2.1.6 The decrease in repairs and maintenance expenditure mainly relates to an underspend of internal and external decorations of £352k due to no contract in place following the termination of the previous contractor. In discussions with the four Councils high priority was given to fire prevention works to be carried out in 2018/19.

Dwelling Rents

- 2.1.7 The increase in dwelling rents income largely relates to the additional homes provided through the Council's New Build and Acquisition programme during 2018/19.

General Management

- 2.1.8 The increase in general management expenditure relates to HRA new builds budget underspending due to feasibility studies, professional and planning advice not required during 2018/19 which aligns with the profile of

the new build and acquisition programme offset by an increase in the HRA pension recharge.

2.2 Final Revenue outturn compared to quarter 3 projections

2.2.1 The table below shows that the final position is £24k better than the quarter 3 projections.

HRA Net Revenue Expenditure 2018/19	Qtr 3 Projection 2018/19	Final Outturn 2018/19	Variance
	£000's	£000's	£000's
Income	(15,859)	(15,896)	(37)
Expenditure	9,519	14,782	5,263
HRA Share of Corporate Costs	201	155	(46)
Net Cost of HRA Services	(6,139)	(959)	5,180
Interest Payable/Receivable	1,514	1,508	(6)
HRA Surplus/Deficit	(4,625)	549	5,174
Other items of Income & Expenditure	(15)	(5,036)	(5,021)
Revenue Contribution to Capital	2,507	2,330	(177)
Decrease/(Increase) to HRA Reserve	(2,133)	(2,157)	(24)

2.2 The main reasons for the £0.24m variance compared to quarter 3 projection, are as follows:

HRA Net Revenue Expenditure	Variance £000's	
Revenue contribution to Capital expenditure	(177)	
Dwelling rents	<u>(104)</u>	(281)
General management	197	
Other net variances	<u>60</u>	
		<u>257</u>
Final year end movement compared to Qtr. 3 projection		<u>(24)</u>

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 £8.324m less than the latest approved budget.

HRA Capital Programme 2018/19	Latest Approved Budget 2018/19	Final Outturn 2018/19	Variance
	£000's	£000's	£000's
HRA Capital programme	13,673	5,349	(8,324)

2.3.2 The main reasons for the £8.324m variance compared to the latest approved budget, are as follows:

HRA Capital Programme	Variance £000's
New Build/Acquisitions programme	(6,356)
Fire Protection Works	(935)
Re-roofing	(399)
Rewiring	(281)
Heating Improvements	(231)
Cyclical Sheltered Schemes	(151)
Kitchen Replacement	(105)
	(8,458)
Replacement Windows and Doors	283
Other net variances	(149)
Variance	(8,324)

New Build/Acquisitions programme

2.3.3 The decrease in revenue contribution to capital is due to slippage of the capital programme in 2018/19 and relates to the re-profiling of new build schemes that will commence in 2019/20 and 2020/21. The amount of revenue contribution to capital will change from year to year depending on the profile of the new build/acquisition programme.

There are a number of sites within the pipeline for the programme to deliver 300 homes by 2025/26, these currently include Highview School, Princess Street & Fernfield Lane.

Fire Protection Works

- 2.3.4 The decrease in fire protection works relates to works that arose from the recent Fire Risk Assessment surveys undertaken. These costs when surveyed and then tendered were lower than anticipated.

Re-roofing

- 2.3.5 Following the liquidation of the current contractor and a delay in retendering only emergency works were carried out, resulting in a lower than budget spend.

Rewiring

- 2.3.6 A rewiring contract is due for procurement in 2019/20, the majority of works required were identified in 2018/19 but the contract was unable to be procured before year end.

Heating Improvements

- 2.3.7 The decrease in heating improvements is largely due to there being a review of the current contractor, therefore, no installs were carried out in 2018/19. The current contractor has given notice on the contract and re-procurement is underway for this contract, this new contract will be mobilised during the summer 2019. The underspend was also due to a boiler room refurbishment identified in year but the contractor was not in place before year end.

Cyclical Sheltered

- 2.3.8 The decrease in cyclical sheltered is largely due to the new scooter store project not being undertaken and there were no other works identified for 2018/19.

Kitchen Replacement

- 2.3.9 The decrease in kitchen replacements is due to resourcing issues with the contractor and surveying properties on the programme which did not require works.

Replacement Windows and Doors

- 2.3.10 The increase in replacement windows and doors is due to an agreement between EKH and FHDC to utilise the underspend from other budgets within Capital to proceed with required works.

- 2.3.11 There have been carry forward requests totaling £6.606m for current schemes within the programme, these are as follows:

	£000's
New Build/Acquisitions programme	6,356
Heating Improvements	150
Fire Prevention Works	<u>100</u>
Total carryforward requests	<u>6,606</u>

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 £0.342m less than the quarter 3 projection.

HRA Capital Programme 2018/19	Qtr 3 Projection 2018/19	Final Outturn 2018/19	Variance
	£000's	£000's	£000's
HRA Capital programme	5,691	5,349	(342)

2.4.2 The main reasons for the £342k variance compared to the quarter 3 projections, are as follows:

HRA Capital Programme	Variance £000's
New Build/Acquisitions programme	(217)
Kitchen Replacement	(105)
Other net variances	(20)
Variance	(342)

3. CONCLUSION

3.1 The final position reflects a favorable movement in financial terms for the HRA Reserve of 7.711m 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 2019/20 capital programme will need to continue to be reviewed to take account of the capacity to manage the programme including the

			slippage from 2018/19.
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 (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 Accountant

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