

For Publication

Housing Revenue Account (HRA) - Final Accounts 2016/17

Meeting: Cabinet

Date: 27th June 2017

Cabinet Portfolio: Cabinet Member for Homes & Customers

Report by: Director of Finance & Resources
Housing Manager

For publication

1.0 Purpose of Report

- 1.1 To report on the Revenue Outturn for 2016/17 and to provide explanations for significant variations from the Revised Estimates approved by Cabinet on 21st February 2017.
- 1.2 To report the Capital Outturn for the year.

2.0 Recommendations

- 2.1 That the report be noted.
- 2.2 That the revenue carry forward requests (£266,780 per paragraph 3.5) and capital carry forward requests (£1,109,220 per paragraph 4.1) in respect of schemes which were not finalised during 2016/17 be approved.

3.0 Revenue Outturn

- 3.1 The revenue budgets and outturn were as follows:-

	Original Budget £'000	Revised Budget £'000	Actual Outturn £'000
HRA Services (Surplus)/ Deficit	(7,915)	(8,051)	(9,022)
Direct Revenue Financing (DRF)	10,125	1,120	-
Other Appropriations	4,612	4,518	4,516
(Increase)/ Decrease in HRA balance	6,822	(2,413)	(4,506)
Change on previous column	-	(9,235)	2,093

The surplus on HRA Services shown in the table above refers to the net position of revenue income (e.g. rents) less revenue expenditure (e.g. management costs and housing repairs expenditure). The increased surplus results mainly from an underspend on supervision and management costs (£423k) and on the repairs budget (£448k).

Direct revenue funding relates to revenue balances (i.e. tenant's rents) being used to fund capital expenditure when there are insufficient other sources of funding such as right to buy and other capital receipts. The table shows that the requirement for direct revenue funding has fallen from £10,125k in the original budget, to £1,120k in the revised budget and to nil for the actual outturn. This reflects procurement issues and delayed starts on site for a number of capital schemes e.g. new build scheme at Rufford Close, refurbishment of a sheltered housing scheme (Brocklehurst Court) and the estate improvements at Barrow Hill.

Other appropriations relate to the provision for debt repayment and transfers to the major repairs reserve (to fund capital expenditure).

- 3.2 The main variations from the Original to the Revised budget (£9,235k) are shown in the table below:

Variances – Original to Revised Budget	
	£'000
Approved carry forwards	312
Net expenditure decrease in Housing Management - General	(192)

Net expenditure increase in Housing Management - Special	134
Increase in Rent, Rates, Taxes & Other Charges	77
Net decrease in rents & service charges income	94
Increase in interest receivable	(53)
OSD surplus lower than anticipated	200
Supporting People Grant less than forecast	51
Central & Departmental Support revised allocations	(223)
Reduced DRF due to revised capital programme	(9,005)
Bad Debts provision reduced	(600)
Net Miscellaneous	(30)
Total	(9,235)

3.3 The Revenue Outturn of £4,506k surplus represents:

- An increase in surplus of £11,328k against the Original Budget (a change from an original estimate of a deficit of £6,822k to an actual outturn of a surplus of £4,506k). This is mainly due to a reduction in the capital programme to reflect delayed starts on a number of schemes; and
- An increase in surplus of £2,093k against the Revised Budget (a change from a revised estimate of a surplus of £2,413k to an actual outturn of a surplus of £4,506k). This is due to an underspend on capital work (£1,114k) and an underspend of £979k on revenue budgets.

3.4 A detailed analysis of the variances from the revised budget to the outturn is shown in Annexe 3 but the most significant variances are summarised in the table below:

Significant Variances Revised to Outturn 2016/17	
<u>Description</u>	Overspend / (Under-spend) £'000
Overall decrease in income (misc. income and General Fund Contribution)	82
Increase in OSD Surplus	(169)
Increase in interest on HRA balance	(23)
Reduced Supervision & Management – general	(293)

costs	
Reduced Supervision & Management – special costs	(130)
Increased Rent, Rates, Taxes & Other Charges	6
Under-spend on Repairs and Maintenance	(448)
Capital Charges (Depreciation etc)	2
Reduced Direct Revenue Financing	(1,120)
Overall Reduction in budget requirement	(2,093)

3.5 Housing Services carry forward requests totalling £266,780 for operating spend (e.g. tenant's handbook, IT and estate improvement works) have been made, details of which are provided in Annexe 4.

3.6 The following information is attached:-

Annexe 1- Housing Revenue Account Summary

Annexe 1a - Supervision and Management General Expenses

Annexe 1b - Supervision and Management Special Expenses

Annexe 1c - General Fund Contributions

Annexe 2 - Subjective Analysis

Annexe 3 - Variance Analysis, revised budget to outturn

Annexe 4 - Carry Forward Requests

Annexe 5 - HRA capital expenditure 2016/17

4.0 **Capital Outturn**

4.1 Annexe 5 provides a summary of expenditure on capital schemes in the year. This is funded by right to buy sales and other asset sales with the balance from revenue. Total expenditure was £12,880,926 against the budget of £13,995,058 giving an underspend of £1,114,132 (7.96% of budget). However, a number of schemes were not finalised at the year end and approval is sought to carry forward £1,109,220 from 2016/17 into 2017/18 to enable the schemes to be completed.

4.2 Spend on these schemes has been delayed mainly by procurement issues and late starts on site by contractors e.g. new build scheme at Rufford Close, refurbishment of a sheltered housing scheme (Brocklehurst Court) and the estate improvements at Barrow Hill.

- 4.3 If the delayed schemes are ignored the underspend on the other programmes is £4,912 which is 0.04% of the total budget.

5.0 Capital Receipts

- 5.1 The movement on useable capital receipts in the year is summarised in the table below. The receipts received during the year (£5,244k) were mainly from 103 right to buy sales along with the sale of other miscellaneous properties .

	Useable Capital Receipts
	£'000
Balance b/fwd 1 st April	661
Add: Receipts in the year	5,244
Less: Housing receipts "Pooled"	(934)
Less: Applied to finance HRA Cap Expend	(2,852)
Balance C/fwd 31st March	2,119 *

* The balance of £2,119k comprises £1,811 retained "one-for-one" receipts and £308k other retained receipts.

6.0 Balances

- 6.1 The effect of the increased surplus on HRA balances is outlined below:

	Revised Estimate £000	Actual Expenditure £000
Balance at 1st April 2016	(20,471)	(20,471)
Direct Revenue Financing	1,120	-
Other Appropriations	4,518	4,516
(Surplus)/Deficit in year on HRA Services	(8,051)	(9,022)
Balance at 31st March 2017	(22,884)	(24,977)

The increase in the balance at 31st March 2017 from £22,884k to £24,977k results mainly from an underspend on the HRA Capital Programme (£1,114k). This is shown in the table above as a reduction in direct revenue financing i.e. the outturn shows no

requirement for capital to be funded from revenue balances. See paragraphs 4.1 to 4.3 for details. In addition there were underspends on the repairs budget (£448k) and on supervision and management (£423k). This is shown in the table above as an increase in the surplus on HRA services (revenue activities) in the year. Full details are shown at Annexe 3.

- 6.2 If the carry forward requests outlined at paragraphs 3.5 and 4.1 are approved, this would give a final position at 31st March 2017 of £23,601k. Of this balance a significant proportion has been earmarked to support the Housing Capital programme in future years. Members will recall from the HRA budget report presented to Cabinet on 21st February 2017 that the HRA working balance is forecast to fall to £1,379,236 by the end of 2021/22. This is due to the impact of implications arising from the "Welfare Reform & Work Act 2016", the main issues being the 1% rent reduction (4 years from April 2016) and the introduction of Universal Credit to all claimants from November 2017.

7.0 **Recommendations**

- 7.1 That the report be noted.
- 7.2 That the revenue carry forward requests (£266,780 per paragraph 3.5) and capital carry forward requests (£1,109,220 per paragraph 4.1) in respect of schemes which were not finalised during 2016/17 be approved.

8.0 **Reasons for Recommendations**

- 8.1 To enable the HRA revenue outturn to be included in the Council's overall Statement of Accounts.
- 8.2 To consider the carry forward requests which will allow for the completion of the revenue and capital schemes which were not finalised during the financial year.

Glossary of Terms	
HRA	Housing Revenue Account

RTB	Right to Buy
DRF	Direct Revenue Funding
OSD	Operational Services Division

Decision information

Key decision number	726
Wards affected	All
Links to Council Plan priorities	To improve the quality of life for local people and to provide value for money services.

Document information

Report author	Contact number/email
Steven Spencer	5454 steve.spencer@chesterfield.gov.uk
Background documents	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
None.	
Annexes to the report	
Annexe 1	HRA Summary Operating Account 2016/17
Annexe 1a	HRA Supervision & Management General Expenses 2016/17
Annexe 1b	HRA Supervision & Management Special Expenses 2016/17
Annexe 1c	General Fund Contributions 2016/17
Annexe 2	HRA Subjective Analysis 2016/17
Annexe 3	HRA Variance Analysis
Annexe 4	HRA Carry Forward Requests
Annexe 5	HRA Capital Expenditure 2016/17