

For publication

Housing Revenue Account (HRA) – Final Accounts 2018/19

Meeting: Cabinet

Date: 21st May 2019

Cabinet portfolio: Cabinet Member for Housing

Report by: Director of Finance & Resources

For publication

1.0 Purpose of report

- 1.1 To report on the Revenue Outturn for 2018/19 and to provide explanations for significant variations from the Revised Estimates approved by Cabinet on 26th February 2019.
- 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 (£136,720 per paragraph 3.5) in respect of projects which were not finalised during 2018/19 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	(4,477)	(5,534)	(8,885)
Direct Revenue Financing (DRF)	5,303	8,358	3,324
Other Appropriations	4,734	3,588	3,741
(Increase)/Decrease in HRA balance	5,560	6,412	(1,820)
Change on previous column	-	852	(8,232)

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 a reduction in direct revenue funding and also a reduction in the provision for bad debts.

Direct revenue funding relates to revenue balances (i.e. tenants 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 increased from £5,303k in the original budget, to £8,358k in the revised budget and reduced to £3,324k for the outturn. The reduced actual figure reflects procurement issues and delayed starts for a number of capital schemes e.g. new build (Manor Drive, Brockwell Court & Heaton Court) and various estate improvement works.

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 Revised budget £852k are shown in the table below:

Variances – Original to Revised Budget	
	£'000
Approved carry forwards	168
Net expenditure decrease in Housing Supervision & Management	(36)
Reduction in Rent, Rates, Taxes & Other Charges	(147)
Net increase in rental & service charge income	(188)
Central & Departmental Support revised allocations	115
Increased DRF due to revised Capital Programme	3,055
Bad Debts Provision reduced	(1,740)
Repairs & Maintenance budget reduced	(385)
Net Miscellaneous	10
Total	852

3.3 The Revenue Outturn of £1,820k surplus represents:

- An increase in surplus of £7,380k against the Original Budget (a change from an original estimate of a deficit of £5,560k to an actual outturn of a surplus of £1,820k). This is mainly due to an underspend on the capital programme and a decrease in the bad debts provision.
- An increase in surplus of £8,232k against the Revised Budget (a change from a revised estimate of a deficit of £6,412k to an actual outturn of a surplus of £1,820k). This is mainly due to an underspend on capital work (£5,566k) and a reduction in the provision for bad debts (£2,968k).

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 following table:

Significant Variances Revised to Outturn 2018/19	
Description	Overspend/ (Underspend) £'000
Increased rental income	(176)
Overall decrease in other income	109

Underspend on Housing Supervision & Management expenses	(454)
Underspend on Rents, Rates, Taxes & Other Charges	(14)
Overspend on Repairs & Maintenance of Council dwellings	234
Reduction in DRF due to underspend on Capital Programme	(5,035)
Reduced Bad Debts Provision	(2,968)
Increased Depreciation Costs	109
Net of all other variances	(37)
Overall Reduction in budget requirement	(8,232)

3.5 Housing services carry forward requests totalling £136,720 for operating spend (e.g. Survey costs for the Linacre site, IT and replacement Allocations System) 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 & Management General Expenses

Annexe 1b – Supervision & 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 2018/19

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 £17,683,120 against the budget of £23,249,300 giving an underspend of £5,566,180 (23.94% of budget).

- 4.2 Spend on some schemes has been delayed mainly by procurement issues and late starts on sites by contractors e.g. new build schemes at Manor Drive, Brockwell Court and Heaton Court, plus estate environmental works.

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 (£5,162k) were mainly from 100 right to buy sales along with the sale of miscellaneous properties.

	Useable Capital receipts
	£'000
Balance b/fwd 1 st April	3,229
Add: receipts in the year	5,162
Less: Housing receipts "Pooled"	(925)
Less: Applied to finance HRA Capital Expenditure	(3,467)
Balance c/fwd 31st March	3,999 *

* The balance of £3,999k is all retained "one-for-one" receipts. These "one-for-one" retained receipts need to be spent as soon as possible to avoid repayment to the Government. This has been addressed by the inclusion of new build schemes in the 2019/20 capital programme.

6.0 Balances

- 6.1 The effect of the increased surplus on HRA balances is outlined in the following table:

	Revised Estimate £'000	Actual Expenditure £'000

Balance at 1 st April 2018	(27,417)	(27,417)
Direct Revenue Financing	8,358	3,324
Other Appropriations	3,588	3,741
(Surplus)/Deficit in year on HRA Services	(5,534)	(8,885)
Balance at 31 st March 2019	(21,005)	(29,237)

The increase in the balance at 31st March from £27,417k to £29,237k results mainly from an underspend on the HRA Capital Programme (£5,566k) and a reduction in the provision for bad debts (£2,968k). The former is shown in the above table as a reduction in direct revenue financing (capital to be funded from revenue balances). See paragraphs 4.1 to 4.2 for details.

- 6.2 If the carry forward requests outlined at paragraph 3.5 are approved, this would give a final position at 31st March 2019 of £29,100k. Of this balance a significant proportion has been earmarked to support the Housing Capital Programme in future years (as highlighted in the HRA Capital Programme which was reported to Council on 26th February 2019).

7.0 Recommendations

- 7.1 That the report be noted.
- 7.2 That the revenue carry forward requests (£136,720 per paragraph 3.5) in respect of projects which were not finalised during 2018/19 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 projects which were not finalised during the financial year.

Glossary of Terms	
HRA	Housing Revenue Account
RTB	Right to Buy
DRF	Direct Revenue Financing

Decision information

Key decision number	878
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
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Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
<i>This must be made available to the public for up to 4 years.</i>	
Appendices to the report	
Annexe 1	HRA Summary Operating Account 2018/19
Annexe 1a	HRA Supervision & Management General Expenses 2018/19
Annexe 1b	HRA Supervision & Management Special Expenses 2018/19
Annexe 1c	General Fund Contributions 2018/19
Annexe 2	HRA Subjective Analysis 2018/19
Annexe 3	HRA Variance Analysis
Annexe 4	HRA Carry Forward Requests
Annexe 5	HRA Capital Expenditure 2018/19