

For publication

Housing Revenue Account (HRA) – Final Accounts 2017/18 (HC000)

Meeting: Cabinet

Date: 15 May 2018

Cabinet portfolio: Cabinet Member for Homes and Customers

Report by: Director of Finance & Resources

For publication

1.0 Purpose of report

- 1.1 To report on the Revenue Outturn for 2017/18 and to provide explanations for significant variations from the Revised Estimates approved by Cabinet on 20th February 2018.
- 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 (£167,690 per paragraph 3.5) and capital carry forward requests (£1,467,950 per paragraph 4.1) in respect of schemes which were not finalised during 2017/18 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	(5,715)	(5,294)	(5,629)
Direct Revenue Financing (DRF)	5,547	1,581	-
Other Appropriations	4,665	4,497	3,189
(Increase)/Decrease in HRA balance	4,497	784	(2,440)
Change on previous column	-	(3,713)	(3,224)

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 (£625k) and on the repairs budget (£970k) offset by an increase in depreciation/revaluation losses (£1,306k).

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 fallen from £5,547k in the original budget, to £1,581k in the revised budget and to nil for the outturn. This reflects procurement issues and delayed starts for a number of capital schemes e.g. new build at Rufford Close, refurbishment of the sheltered schemes 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 Revised budget (£3,713k) are shown in the table below:

Variances - Original to Revised Budget	
	£'000
Approved carry forwards	267
Net expenditure decrease in Housing Supervision & Management	(247)
Increase in Rent, Rates, Taxes & Other Charges	211
Net increase in rental & service charge income	(303)
Decrease in interest receivable	93
Central & Departmental Support revised allocations	(58)
Reduced DRF due to revised Capital Programme	(3,966)
Bad Debts Provision increased	20
Electrical testing budget increased	282
Net Miscellaneous	(12)
Total	(3,713)

- 3.3 The Revenue Outturn of £2,440k surplus represents:

- An increase in surplus of £6,937k against the Original Budget (a change from an original estimate of a deficit of £4,497k to an actual outturn of a surplus of £2,440k). 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 £3,224k against the Revised Budget (a change from a revised estimate of a deficit of £784k to an actual outturn of a surplus of £2,440k). This is due to an underspend on capital work (£1,483k) and an underspend of £1,741k on revenue budgets (mainly repairs & maintenance of dwellings and supervision and management costs).

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

Significant Variances Revised to Outturn 2017/18	
Description	Overspend/ (Underspend) £'000
Increased rental income	(41)
Overall decrease in other income	18
Underspend on Housing Supervision & Management expenses	(625)
Underspend on Rents, Rates, Taxes & Other Charges	(22)
Underspend on Repairs & Maintenance of Council dwellings	(970)
Reduction in DRF due to underspend on Capital Programme	(1,581)
Net of all other variances	(3)
Overall Reduction in budget requirement	(3,224)

3.5 Housing services carry forward requests totalling £167,690 for operating spend (e.g. tenants handbook, 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 2017/18

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 £14,110,159 against the budget of £15,593,081 giving an underspend of £1,482,922 (9.51% of budget). However, a number of schemes were not finalised at the year end and approval is sought to carry forward £1,467,950 from 2017/18 into 2018/19 to enable the schemes to be completed.

- 4.2 Spend on these schemes has been delayed mainly by procurement issues and late starts on sites by contractors e.g. new build scheme at Rufford Close, refurbishment of sheltered schemes and the estate improvements at Barrow Hill.

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 (£5,691k) were mainly from 105 right to buy sales along with the sale of miscellaneous properties.

	Useable Capital receipts
	£'000
Balance b/fwd 1 st April	2,119
Add: receipts in the year	5,691
Less: Housing receipts "Pooled"	(925)
Less: Applied to finance HRA Capital Expenditure	(3,698)
Balance c/fwd 31st March	3,187 *

* The balance of £3,187k comprises £3,145k retained “one-for-one” receipts and £42k other retained receipts. The “one-for-one” retained receipts need to be spent as soon as possible to avoid repayment to the Government. This has been addressed by new build schemes in the 2018/19 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 2017	(24,977)	(24,977)
Direct Revenue Financing	1,581	-
Other Appropriations	4,497	3,189
(Surplus)/Deficit in year on HRA Services	(5,294)	(5,629)
Balance at 31 st March 2018	(24,193)	(27,417)

The increase in the balance at 31st March from £24,193k to £27,417k results mainly from an underspend on the HRA Capital Programme (£1,483k). This is shown in the above table 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 4.2 for details. In addition there were underspends on the repairs budget (£970k) and on supervision and management (£625k). Full details are shown at Annex 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 2018 of £25,782k. 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 22nd February 2018).

7.0 Recommendations

- 7.1 That the report be noted.

- 7.2 That the revenue carry forward requests (£167,690 per paragraph 3.5) and capital carry forward requests (£1,467,950 per paragraph 4.1) in respect of schemes which were not finalised during 2017/18 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 Financing

Decision information

Key decision number	820
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.	
<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 2017/18
Annexe 1a	HRA Supervision & Management General Expenses 2017/18
Annexe 1b	HRA Supervision & Management Special Expenses 2017/18
Annexe 1c	General Fund Contributions 2017/18
Annexe 2	HRA Subjective Analysis 2017/18
Annexe 3	HRA Variance Analysis
Annexe 4	HRA Carry Forward Requests
Annexe 5	HRA Capital Expenditure 2017/18