

For publication

Housing Revenue Account (HRA) – Final Accounts 2019/20

Meeting: Cabinet

Date: 9th June 2020

Cabinet portfolio: Cabinet Member for Housing

Report by: Acting Chief Finance Officer

For publication

1.0 Purpose of report

- 1.1 To report on the Revenue Outturn for 2019/20 and to provide explanations for significant variations from the Revised Estimates approved by Cabinet on 25th February 2020.
- 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 request per paragraph 3.4 and the capital carry forward requests per paragraph 4.2 in respect of schemes which were not finalised during 2019/20 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	(3,416)	(4,895)	(6,350)
Direct Revenue Financing (DRF)	12,775	11,642	6,798
Other Appropriations	3,826	3,955	4,055
(Increase)/Decrease in HRA balance	13,185	10,702	4,503
Change on previous column	-	(2,483)	(6,199)

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). This surplus is more than forecast due mainly to 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. The table shows that the requirement for direct revenue funding has reduced from £12,775k in the original budget, to £11,642k in the revised budget and reduced to £6,798k for the outturn. The reduced actual figure reflects procurement issues and delayed starts on new build schemes at Manor Drive and Brockwell Court, coupled with the impact of the coronavirus which halted all works later in March.

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

3.2 The Revenue Outturn of £4,503k deficit represents:

- A reduction in deficit of £6,199k against the Revised Budget (a change from a revised estimate of a deficit of £10,702k to an actual outturn of a deficit of £4,503k). This is mainly due to a reduction in direct revenue support for capital (£4,844k) and a reduction in the provision for bad debts (£862k).

3.3 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 2019/20	
Description	Overspend/ (Underspend) £'000
Increased rental income	(133)
Overall decrease in other income	54
Underspend on Housing Supervision & Management expenses	(411)
Overspend on Rents, Rates, Taxes & Other Charges	21
Underspend on Repairs & Maintenance of Council dwellings	(153)
Reduction in DRF due to underspend on Capital Programme	(4,844)
Reduced Bad Debts Provision	(862)
Increased Depreciation & Interest Costs	140
Net of all other variances	(11)
Overall Reduction in budget requirement	(6,199)

3.4 There is just one carry forward request for £29,760, which relates to survey costs for the Linacre site, details of which are provided in Annexe 4.

3.5 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 2019/20

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 £20,037,661 against the budget of £24,736,600 giving an underspend of £4,698,939 (19% of budget).
- 4.2 However, a number of schemes were not finalised at the year-end and approval is sought to carry forward £4,297,700 from 2019/20 into 2020/21 to enable the schemes to be completed. These schemes include the new build work at Manor Drive and Brockwell Court, plus others delayed due to the impact of the coronavirus in March 2020.

5.0 Capital Receipts

- 5.1 The movement on useable capital receipts in the year is summarised in the following table. The receipts received during the year (£3,815k) were from 76 right to buy sales.

	Useable Capital receipts
	£'000
Balance b/fwd 1 st April	3,999
Add: receipts in the year	3,815

Less: Housing receipts "Pooled"	(925)
Less: Repayment of unspent receipts	(270)
Less: Applied to finance HRA Capital Expenditure	(3,026)
Balance c/fwd 31st March	3,593 *

* The balance of £3,593k 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.

However, during 2019/20 a sum of £270,227 has had to be repaid to the Government, plus interest of £39,534, in respect of one-for-one receipts that were not spent by the due date of 31.3.20. This was due to procurement issues and delayed starts on the Brockwell Court and Manor Drive new build schemes.

Under accounting regulations, if the Council has not actually received goods and services in the financial year, it cannot include expenditure for those goods and services in the accounts. Although we had committed the 'one-for-one' receipts, we were unable to use them by the due date. A contributory factor to this delay was the Covid-19 pandemic.

The capital programme for 2020/21 has recently been reviewed and rephased to ensure that the one-for-one receipts are utilised in good time to prevent any further repayment to government.

6.0 Balances

6.1 The effect of the reduced deficit on HRA balances is outlined in the following table:

	Revised Estimate £'000	Actual Expenditure £'000
Balance at 1 st April 2019	(29,237)	(29,237)
Direct Revenue Financing	11,642	6,798
Other Appropriations	3,955	4,055

(Surplus)/Deficit in year on HRA Services	(4,895)	(6,350)
Balance at 31 st March 2020	(18,535)	(24,734)

The higher than estimated balance at 31st March (£24,734k actual compared to £18,535k revised budget) results mainly from a reduction in direct revenue support for capital (£4,844k) and a reduction in the provision for bad debts (£862k).

- 6.2 If the carry forward requests outlined at paragraphs 3.4 and 4.2 are approved, this would give a final position at 31st March 2020 of £20,406k. 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 25th February 2020).

7.0 Recommendations

- 7.1 That the report be noted.
- 7.2 That the revenue carry forward request per paragraph 3.4 and the capital carry forward requests per paragraph 4.2 in respect of schemes which were not finalised during 2019/20 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 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	951
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 2019/20
Annexe 1a	HRA Supervision & Management General Expenses 2019/20
Annexe 1b	HRA Supervision & Management Special Expenses 2019/20
Annexe 1c	General Fund Contributions 2019/20
Annexe 2	HRA Subjective Analysis 2019/20
Annexe 3	HRA Variance Analysis
Annexe 4	HRA Carry Forward Requests
Annexe 5	HRA Capital Expenditure 2019/20

