

For publication

Housing Revenue Account (HRA) – Final Accounts 2020/21

Meeting:	Cabinet
Date:	15 June 2021
Cabinet portfolio:	Cabinet Member for Housing
Directorate:	Finance

1.0 Purpose of report

- 1.1 To report on the Revenue Outturn for 2020/21 and to provide explanations for significant variations from the Revised Estimates approved by Cabinet on 23 February 2021.
- 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 4.1.7 and the capital carry forward requests per paragraph 4.2.2 in respect of schemes which were not finalised during 2020/21 be approved.

3.0 Reasons for recommendations

- 3.1 To keep Members informed about the council's current financial standing for the Housing Revenue Account.

4.0 Report Details

4.1 Revenue Outturn

- 4.1.1 The revenue budgets and outturn were as follows:

	Original Budget £'000	Revised Budget £'000	Actual Outturn £'000
HRA Services (Surplus)/Deficit	(4,800)	(3,811)	(4,219)
Direct Revenue Financing (DRF)	10,962	15,009	4,151
Other Appropriations	4,181	4,250	4,341
(Increase)/Decrease in HRA balance	10,344	15,448	4,273
Change on previous column	-	(5,104)	(11,175)

- 4.1.2 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. The reduction in bad debts is due to fewer right offs and lower than anticipated levels of rent arrears at year end.
- 4.1.3 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 £15,009k in the revised budget to actual expenditure of £4,151k for the outturn. The reduced actual figure reflects ongoing issues and delayed starts due to Covid-19.
- 4.1.4 Other appropriations relate to the provision for debt repayment and transfers to the major repairs reserve (to fund capital expenditure).
- 4.1.5 A reduction in the deficit of £11,175k against the Revised Budget (a change from a revised estimate of a deficit of £15,448k to an actual outturn of a deficit of £4,273k. This is mainly due to a reduction in direct revenue support for capital (£10,858k) and a reduction in the provision for bad debts (£1,380k).
- 4.1.6 The significant variances from the revised budget to the outturn are summarised in the following table:

Significant Variances Revised to Outturn 2020/21	
Description	Overspend/ (Underspend) £'000
Decreased rental income	142
Overall decrease in other income	75

Overspend on Housing Supervision & Management expenses	97
Overspend on Rents, Rates, Taxes & Other Charges	(16)
Overspend on Repairs & Maintenance of Council dwellings	546
Reduction in DRF due to underspend on Capital Programme	(10,858)
Reduced Bad Debts Provision	(1,380)
Increased Depreciation & Interest Costs	127
Net of all other variances	92
Overall Reduction in budget requirement	(11,175)

4.1.7 There is just one carry forward request for £12,575 which relates to the Interface and associated professional costs in relation to the Northgate System, details of which are provided in Annexe 2.

4.1.8 The following information is attached:

Annexe 1 – Housing Revenue Account Summary

Annexe 2 – Carry Forward Requests

Annexe 3 – HRA Capital Expenditure 2020/21

4.2 Capital Outturn

4.2.1 Annexe 3 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 £19,135,303 against the budget of £28,787,000 giving an underspend of £9,651,697 (34% of budget).

4.2.2 However, several schemes were not finalised at the year-end and approval is sought to carry forward £9,651,697 from 2020/21 into 2021/22 to enable the schemes to be completed. These schemes include the new build work at Brockwell Court, the Neighbourhood action plan at Barrow Hill, the sheltered refurbishments on the Lowgates schemes plus Property Acquisitions and others delayed due to the impact of the coronavirus.

4.3 Capital Receipts

4.3.1 The movement on useable capital receipts in the year is summarised in the following table. The receipts received during the year (£3,042k) were from 57 right to buy sales.

	Useable Capital receipts
	£'000
Balance b/fwd 1 st April	3,593
Add: receipts in the year	3,042
Less: Housing receipts "Pooled"	(925)
Less: Applied to finance HRA Capital Expenditure	(3,393)
Balance c/fwd 31st March	2,317 *

* The balance of £2,317k 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.

4.4 Balances

4.4.1 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 2020	(24,734)	(24,734)
Direct Revenue Financing	15,009	4,151
Other Appropriations	4,250	4,341
(Surplus)/Deficit in year on HRA Services	(3,811)	(4,219)
Balance at 31st March 2021	(9,286)	(20,460)

The higher than estimated balance at 31st March (£20,460)k actual compared to (£9,286)k revised budget results mainly from a reduction in direct revenue support for capital (£10,585k) and a reduction in the provision for bad debts (£1,380k).

4.4.2 If the carry forward requests outlined at paragraphs 4.1.7 and 4.2.2 are approved, this would give a final position at 31st March 2021 of £10,796k. 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 23rd February 2021).

5 **Alternative options**

5.1 There are no alternative options to consider.

6 Implications for consideration – Council Plan

6.1 Effective management of the resources available to the HRA enables the Council to deliver its objectives of providing quality housing and improving housing conditions across the borough.

7 Implications for consideration – Financial and value for money

7.1 The report in its entirety deals with financial and value for money implications.

8 Implications for consideration – Legal

8.1 The Accounts & Audit Regulations 2015 require the authority to produce an annual Statement of Accounts prepared in accordance with proper accounting practices. The Housing Revenue Account outturn forms part of that Statement.

9 Implications for consideration – Human resources

9.1 There are no human resource implications to consider in this report.

10 Implications for consideration – Risk management

10.1 In preparing the year end accounts, some elements are based on assumptions made about the future or that are otherwise uncertain. Any assumptions made take account of historical experience, current trends and other relevant factors.

10.2 The year end accounts are subject to an audit process carried out by independent external auditors, including those elements relating to the Housing Revenue Account.

11 Implications for consideration – community wellbeing

11.1 The efficient, effective and economic management of council housing and the delivery of responsive repairs and planned and programmed works ensures good quality affordable homes are available in the Borough. The focus of the capital programme is to ensure homes are warm, dry, and well maintained which has a positive impact on an individuals' and community health and well-being. The programme also includes delivery

of adaptations to ensure people can remain living in their own homes promoting community cohesion and continuity.

12 Implications for consideration – Economy and skills

12.1 There are no economy and skills implications to consider in this report.

13 Implications for consideration – Climate Change

13.1 The operational delivery of responsive repairs will continue to include the ongoing review of components to minimise climate change impacts and ensure energy efficiency standards are improved.

13.2 The investment proposed in the Housing Capital Programme will make a significant contribution towards ensuring the Council's Housing stock is improved to increase its SAP ratings and ensure all homes are efficient and provide affordable warmth for our tenants. In delivering programmes of work for example the block refurbishment programmes specific consideration will be given to energy efficiency and the components used in window replacements and heating replacement systems.

14 Implications for consideration – Equality and diversity

14.2 Individual equality and diversity impact assessments are not required for the closure of accounts process. These are included as part of the decision-making processes for specific spending options.

Decision information

Key decision number	
Wards affected	All

Document information

Report author	Contact number/email
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Annexes to the report	
Annexe 1	Housing Revenue Account Summary
Annexe 2	Carry Forward Requests
Annexe 3	HRA Capital Expenditure 2020/21