

For publication

Housing Revenue Account (HRA) – Draft Outturn 2021/22

Meeting:	Cabinet
Date:	21 June 22
Cabinet portfolio:	Cabinet Member for Housing
Directorate:	Finance

1.0 Purpose of report

- 1.1 To report on the HRA Revenue Outturn for 2021/22 and to provide explanations for significant variations from the revised estimates reported to Council in February 2022.
- 1.2 To report on the HRA Capital Outturn for 2021/22.

2.0 Recommendations

- 2.1 That the report be noted.
- 2.2 That the revenue carry forward request (paragraph 4.7) and the capital carry forward requests (paragraph 4.9), in respect of schemes which were not finalised during 2021/22, be approved.

3.0 Reasons for recommendations

- 3.1 This report forms a key part of the formal revenue and capital monitoring arrangements against the original 2021/22 HRA revenue and capital budget estimates. The information in this report will be incorporated into the published Statement of Accounts for 2021/22.

4.0 Report Details

Revenue Outturn

- 4.1 The Housing Revenue Account (HRA) is a statutory account which records expenditure and income relating to council dwellings and the provision of services to tenants.
- 4.2 For the financial year 2021/22 the HRA reported a reduction in the HRA balance of **£6.888m**. This represents a movement of **£7.234m** compared to the forecast reduction in the balance of **£14.122m** reported at quarter 3 – period 9. This is primarily due to the reduction in direct revenue support for capital of **£9.068m**. Table 1 provides a summary of the revenue budget, and the full details are set out in **Appendix 1**.

Table 1: HRA Summary Outturn			
Movements	Original Budget	Revised Budget/ Q3 forecast	Actual
	£'000	£'000	£'000
HRA Services surplus for the year	(4,368)	(4,900)	(523)
Direct Revenue Financing (DRF)	5,740	14,579	5,510
Other movements/ appropriations	4,508	4,443	1,901
Decrease in HRA balance	5,880	14,122	6,888
Change on previous column	-	8,242	(7,234)

- 4.3 HRA Services surplus for the year (**£523k**) – refers to the net position of revenue income (e.g., rents) less revenue expenditure (e.g., management costs and housing repairs expenditure). The reduced surplus is due to;
- Housing property services – the pandemic has had a detrimental impact on repairs and maintenance and capital programme activity. A backlog of work has arisen from lockdown periods and the underlying requirement to socially distance. This has resulted in a reallocation of fixed costs to revenue and capital budgets in proportion to the work undertaken. This, together with an increase in material costs and supply chain issues, has led to a variance of £1.438m.
 - Depreciation - increase of **£2.876m** due to a rise in the value of Council dwellings. No additional transfer to the major repairs reserve has been required and this has partially offset the increase in depreciation.

- 4.4 Direct revenue funding relates to revenue balances (i.e., tenants rents) used to fund capital expenditure. The Council's 2021/22 capital programme was significantly delayed due to Covid-19 and therefore less revenue contributions were required to finance the programme.
- 4.5 Other appropriations relate to the provision for debt repayment and transfers to the major repairs reserve (MRR) to fund capital expenditure. Due to the increased cost of depreciation, no voluntary transfer to the major repairs reserve was required in 2021/22.
- 4.6 The significant variances from the quarter 3 forecast/ revised budget to the outturn are summarised in the following table:

Table 2: Significant Variances Q3 forecast/ Revised to Outturn 2021/22	
Description	Overspend/ (Underspend) £'000
Decreased rental income	423
Overall decrease in other income	23
Underspend on Housing Supervision & Management expenses	(235)
Overspend on Rents, Rates, Taxes & Other Charges	145
Overspend on Repairs & Maintenance of Council dwellings	1,438
Reduction in DRF due to underspend on Capital Programme	(9,068)
Reduced Bad Debts Provision	(200)
Decreased Interest Costs	(95)
Net of Depreciation & transfer to MRR	331
Net of all other variances	4
Overall Reduction in budget requirement	(7,234)

- 4.7 A carry forward of budget (**£7.9k**) is requested and relates to the interface and associated professional costs for the upgrade of the Northgate System. The £7.9k represents the underspending on a £109k budget and will enable the works to be concluded in 2022/23.

Capital Outturn

- 4.8 Appendix 2 provides a summary of expenditure on capital schemes in 2021/22. Schemes are funded by right to buy receipt, other capital receipts and Direct Revenue Financing. Total expenditure was **£21.711m**

against the budget of **£32.476m**, an underspend of **£10.765m** (33% of budget).

- 4.9 The pandemic has had a detrimental impact on the delivery of the 2021/22 capital programme and several schemes were delayed as a consequence. Budgets have been reprofiled to accommodate accelerated programmes and increased costs in line with contractual terms and construction projects. Approval is sought to carry forward **£10.765m** from 2021/22 into 2022/23 to enable the schemes to be completed. These schemes include the new build work at the Middlecroft Cluster, Westwood Avenue and Mastin Moor sites, the sheltered refurbishment schemes at Lowgates, the block refurbishment schemes and the Property Acquisition programme.
- 4.10 Capital Receipts - The movement on useable capital receipts in 2021/22 is summarised in Table 3. The receipts received during the year (**£5.842m**) were generated from 104 right to buy sales.

Table 3: Movement in Useable Capital Receipts	
	Total £'000
Balance b/fwd. 1 st April 2021	2,317
Add: receipts in the year	5,842
Less: Housing receipts "Pooled"	(925)
Less: Applied to finance HRA Capital Expenditure	(4,066)
Balance c/fwd. 31st March 2022	3,168 *

** The balance of £3.168m relates to retained "one-for-one" receipts. There is a requirement to spend these receipts in a timely manner to avoid repayment to the Government.*

HRA Balances and 40-year Business Plan

- 4.11 The effect of the reduced deficit on the HRA balance is outlined in Table 4.

Table 4 : HRA Balance		
	Forecast Q3/ Revised Estimate £'000	Outturn 2021/22 £'000
Balance at 1 st April 2021	(20,460)	(20,460)

Decrease in balance 2021/22	14,122	6,888
Balance at 31st March 2022	(6,338)	(13,572)

4.12 The higher actual balance at 31st March (**£13.572m**) compared to the estimated balance at quarter 3 (**£6.338k**) is primarily due to a reduction in direct revenue support for capital (**£9.068m**) partially offset by the increased cost of property repairs (**£1.438m**).

4.13 The 40-year HRA business plan incorporates the slippage on the HRA capital programme. The HRA balance is in line with expectations and can be maintained at or above the minimum set by Council of **£3.4m** over the period of the business plan. A refreshed business plan will be reported to Cabinet as part of the budget process for 2023/24.

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 regarding risks and uncertainties. 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 individual 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.

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 capital programme will make a significant contribution towards ensuring the Council's housing stock is improved to increase its Standard Assessment Procedure (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 is 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	1100
Wards affected	All

Document information

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Appendices to the report	
Annendix1	Housing Revenue Account Summary
Appendix 2	HRA Capital Expenditure 2021/22