

# REPORT TO EXECUTIVE

## PORTFOLIO AREA: FINANCE AND RESOURCES

Date of Meeting:	28 October 2002		
Public			
Key Decision:	Yes	Recorded in Forward Plan:	Yes
Inside Policy Framework			

**Title:** HOUSING REVENUE ACCOUNT (HRA) REVISED REVENUE ESTIMATES 2002/03 (TO 8 DECEMBER 2002)

**Report of:** THE CITY TREASURER

**Report reference:** FINANCIAL MEMO 2002/03 NO 69

### Summary:

This report considers the revised revenue estimates for 2002/03 to 8 December 2002. Whilst formal approval by the ODPM to the Council's proposed LSVT is not expected until sometime in November, the budgets are based in the anticipation that the transfer to CHA will take place on 9 December 2002 in respect of the Housing Revenue Account.

### Recommendations:

It is recommended that the Executive approves the revised HRA revenue and capital outturn for 2002/03 and notes at this stage the estimated HRA balance at the time of transfer of £3.163m.

**Contact Officer:** David Steele

**Ext:** 7288

**Note:** In compliance with Section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: DTLR Final HRA Subsidy Determinations (issued 19 Dec 2001); Sundry City Treasury Working Papers.

CITY OF CARLISLE

To: The Executive Financial Memo

28 October 2002 2002/03 No 69

## **HOUSING REVENUE ACCOUNT (HRA) REVISED REVENUE ESTIMATES** **2002/03**

**(TO 8 DECEMBER 2002)**

### **1. INTRODUCTION**

1.1 This report summarises the revised revenue estimates for the Housing Revenue Account (HRA) to 8 December 2002. The HRA is outlined below with more detail being shown in Appendix "A". A detailed analysis of the changes between the Original and Revised estimates for 2002/03 can be found at Appendix "A1".

<b><u>2001/02</u></b>		<b><u>2002/03</u></b>	<b><u>2002/03</u></b>
<b><u>Actual</u></b>		<b><u>Original</u></b>	<b><u>Revised</u></b>
<b><u>£000</u></b>		<b><u>£000</u></b>	<b><u>To 8 Dec 2002</u></b>
			<b><u>£000</u></b>
32,680	Expenditure	26,508	18,962
33,423	Income	26,107	17,728
(743)	Deficit/(Surplus) In Year	401	1,234
3,654	Balance b/fwd	2,106	4,397
4,397	Balance c/fwd	1,705	3,163

### **2. LARGE SCALE VOLUNTARY TRANSFER (LSVT)**

1. As members will be well aware, preparations for the City Council's LSVT to Carlisle Housing Association (CHA) are now at an advanced stage. Assuming formal agreement to the LSVT is given by the City Council at its meeting this evening, it is anticipated that approval from the Office of the Deputy Prime Minister (ODPM) will be received sometime in November. This will enable the transfer to take place on the planned date of 9 December 2002.

### **3. ESTIMATE ASSUMPTIONS**

1. The estimates set out in this report therefore reflect only expenditure to be incurred and income to be due from 1 April 2002 to 8 December 2002. Thereafter the City Council's direct responsibility for the provision of social housing and ancillary services as reflected in the HRA is due to pass to CHA. The City Council will nevertheless retain a strategic role for housing provision in its area as well as for services such as homelessness. The City Council will also continue to provide its hostel accommodation at least for the time being. Estimates for the costs of these services will be included as part of the General Fund revenue estimates which are due to be considered later in the budget cycle.
2. Many of the original HRA budgets have simply been apportioned on a daily pro-rata basis to 8 December 2002. However a more detailed exercise was undertaken in respect of those items where expenditure does not necessarily fall evenly throughout the year. This includes the provisions for repair and maintenance where it has been necessary to make an informed judgement as to the level of expenditure that will be incurred up to transfer day.

#### **4. PROVISIONAL HRA REVENUE OUTTURN 2002/03**

1. The revised estimates as presented indicate a provisional outturn for the HRA balance as at 8 December 2002 of approximately £3.16m. This compares with a balance at transfer of £1.6m that I have always advised would be the minimum required to support the additional costs of Housing Benefit that will be borne by the General Fund for the next three years. The final balance will not be known for some time after December 2002 and indeed the final HRA subsidy claim for 2002/03 will not be submitted until the autumn of 2003. Nevertheless I am fairly confident that this balance should not be less than that which is now being reported although this may be offset to some extent in dealing with the projected pension fund deficit identified in the LSVT final report.

#### **5. PROVISIONAL HRA CAPITAL OUTTURN 2002/03**

1. As part of the process of assessing the level of repairs expenditure to be incurred in 2002/03, a similar exercise was undertaken in respect of the outstanding capital commitments to be incurred up to 8 December 2002. It is my judgement that this expenditure can all be very readily funded by either the City Council's borrowing allocation for 2002/03 or its share of the Major Repairs Allowance/Major Repairs Reserve which together total over £4m.

#### **6. CLOSURE OF THE HRA**

1. Even though the transfer of the housing stock to CHA is due on 9 December 2002, ODPM rules state that an authority's HRA must remain open for a full financial year following the transfer. This enables any outstanding subsidy issues to be dealt with in 2003/04

or indeed any other post transfer adjustments. This means that formal closure of the HRA and the transfer of the outstanding balance to the General Fund cannot take place until 31 March 2004.

## **7. STAFFING/RESOURCES COMMENTS**

Not applicable.

## **8. CITY TREASURER'S COMMENTS**

Included within the report.

## **9. LEGAL COMMENTS**

Not applicable.

## **10. CORPORATE COMMENTS**

Not applicable.

## **11. RECOMMENDATIONS**

11.1 It is recommended that the Executive approves the revised HRA revenue and capital outturn for 2002/03 and notes at this stage the estimated HRA balance at the time of transfer of £3.163m.

## **12. REASONS FOR RECOMMENDATIONS**

As stated above.

D. THOMAS

City Treasurer

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City Treasury

Carlisle

18 October 2002

DKS/CH/f690203

£	OBJECTIVE ANALYSIS	£
	<b>EXPENDITURE</b>	
	<u>ESTABLISHMENT COSTS</u>	
1,869,096	MANAGEMENT & SUPPORT SERVICES	1,823,6
1,969,544	HOUSING PROVISION	2,147,2
<u>5,796,503</u>	TENANCY SERVICES	<u>6,372,4</u>
<u>9,635,143</u>		<u>10,343,3</u>
	<u>RENT RERATES</u>	
<u>9,074,250</u>	STATUTORY PAYMENTS	<u>10,144,9</u>
<u>9,074,250</u>		<u>10,144,9</u>
	<u>CAPITAL FINANCING COSTS</u>	
28,441	LEASING CHARGES	29,4
453,894	DEBT - PRINCIPAL	420,7
1,732,194	- INTEREST	1,622,0
27,889	- MANAGEMENT	34,3
3,991,540	DEPRECIATION	3,881,4
<u>79,926</u>	PREMIA COSTS	<u>90,3</u>
<u>6,313,884</u>		<u>6,078,3</u>
0	REVENUE CONTRIBUTION TO CAPITAL OUTLAY	
<u>25,023,277</u>	TOTAL EXPENDITURE	<u>26,566,6</u>
4,397,383	BALANCE C / F	1,705,3
<u>29,420,660</u>		<u>28,272,0</u>

	INCOME	
	<u>DWELLING RENTS</u>	
-16,364,493	GROSS RENTS	-16,86
353,700	PROVISION FOR BAD DEBTS	33
<u>-16,010,793</u>		<u>-16,51</u>
	<u>OTHER RENTS</u>	
-73,467	SHOPS	-8
-143,047	GARAGES	-15
-5,171	ALLOTMENTS	.
-11,936	MISCELLANEOUS	-1
<u>-233,621</u>		<u>-25</u>
	<u>FEES &amp; CHARGES</u>	
-79,831	PDU SURCHARGES	-8
-8,429	SERVCE CHARGES	
-252,620	CARELINE (PRIVATE)	-25
-78,896	SUPPORTING PEOPLE CARE CHARGE	-7
<u>-419,776</u>		<u>-41</u>
	INTEREST	
-2,604	RTB' MORTGAGES	.
-224,300	INVESTMENT INTEREST	-9
<u>-226,904</u>		<u>-9</u>
	<u>MISCELLANEOUS</u>	
-215,700	RECHARGE OF STAFF TIME GF, RTB	-22
-13,665	LEASEHOLD FLAT SERVCE CHARGES	-1
-618,000	OTHER	
<u>-847,365</u>		<u>-23</u>
-17,738,459	INCOME C / F TO NEXT PAGE	-17,52

HRA SUMMARY: 2002/2003 REVISED TO 8TH DECEMBER 2002 (LSVT TRANSFER DA

OUTTURN 2001/02 £	<u>OBJECTIVE ANALYSIS</u>	ORIGIN ESTIMATE 2002 £
-17,738,459	INCOME B / F FROM PREVIOUS PAGE	-17,520,4
	<u>CONTRIBUTIONS</u>	
-7,922,172	GOVERNMENT SUBSIDY	-8,526,8
-105,769	GENERAL FUND - AMENITY AREAS / AREA OFFICES	-118,7
<u>-8,027,941</u>		<u>-8,645,5</u>
<u>-25,766,400</u>	TOTAL INCOME	<u>-26,166,0</u>
-3,654,260	BALANCE B / F	-2,105,9
<u>-29,420,660</u>		<u>-28,272,0</u>



**HOUSING REVENUE ACCOUNT SERVICES**  
**ANALYSIS OF CHANGES FROM BASE ESTIMATE**

	£	£
<b>ORIGINAL BASE ESTIMATE 2002/03</b>		<b><u>400,630</u></b>
<b>1. Expenditure Adjustments</b>		
Allowed Changes:		
- Salary Related	11,800	
Volume Changes:		
Employees	(805,850)	
Insurances	(107,090)	
Repairs	(2,095,320)	
Supplies and Services and Transport	(246,680)	
Rent Rebates (reduction in expenditure)	(3,167,490)	
Capital Costs	(1,817,900)	
Debt Charges Interest	(5,100)	
Other	<u>(7,570)</u>	(8,253,000)
<b>2. Income Adjustments</b>		
Volume Changes:		
Housing Subsidy (reduced subsidy receivable)	3,106,860	
Investment Interest receivable	(40,520)	
Rents (net of bad debt provision)	5,350,510	
Reduced Recharges to Gen Fund	101,210	
Sundry Fees and Charges	112,820	8,630,880
<b>3. Internal Recharge Adjustments</b>		
Increase /(decrease) in Central Administration charges	(280,180)	
Increase /(decrease) in Recharge to Housing General Fund	<u>(28,190)</u>	(308,370)
ADJUSTED BASE ESTIMATE 2002/03		470,140
<b>4. Non Recurring Items</b>		
Budgets b/fwd from 2001/02 (per Council 16 July 2002)		1,484,420
RCCO not required		(520,680)
DSO Contribution		(200,000)
<b>REVISED ESTIMATE 2002/03</b>		<b><u>1,233,880</u></b>