



**PORTFOLIO AREA: FINANCE AND RESOURCES**

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Date of Meeting: 6 February 2003

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Public

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Key Decision: Yes

Recorded in Forward Plan: Yes

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Inside Policy Framework

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

**Report of:** THE HEAD OF FINANCE

**Report reference:** FS.3/02 (Amended)

**Summary:**

This report considers the HRA revised revenue estimates for 2002/03 to 8 December 2002. i.e. the final date of City Council ownership of its housing stock. It was previously considered by the Executive on 28 October 2002 and 19 December 2002. This copy of the report incorporates some amendments from the 19 December version, principally the need to make a further call of £150,000 on HRA balances as an additional contribution to the Raffles Area Strategy programme. A report on HRA final outturn will be submitted as part of the closure of accounts process.

**Recommendations:**

It is recommended that the Executive approves the revised HRA revenue outturn for 2002/03 and notes at this stage the estimated HRA balance at the time of transfer of £2.877m.

**Contact Officer:** David Steele

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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  
6 February 2003

FS3/02  
(Amended)

**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".

| <u>2001/02</u><br><u>Actual</u><br><u>£000</u> |                              | <u>2002/03</u><br><u>Original</u><br><u>£000</u> | <u>2002/03</u><br><u>Revised</u><br><u>To 8 Dec 2002</u><br><u>£000</u> |
|--|------------------------------|--|---|
| 32,680   | Expenditure                  | 26,508   | 19,248  |
| 33,423   | Income                       | 26,107   | 17,728  |
| (743)  | Deficit/(Surplus)<br>In Year | 401  | 1,520   |
| 3,654  | Balance b/fwd                | 2,106  | 4,397   |
| 4,397  | Balance c/fwd                | 1,705  | 2,877   |

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

- 2.1 The LSVT of the City Council's housing stock took place on 9<sup>th</sup> December 2002 and the revised estimates show the estimated HRA balance as at that date.

**3. ESTIMATE ASSUMPTIONS**

- 3.1 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 has passed 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 elsewhere on the agenda.

- 3.2 Many of the original HRA budgets were 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 was necessary to make an informed judgement as to the level of expenditure that will be incurred up to transfer day. However, it will still be some time, as at the end of the normal financial year, before the final outturn for 2002/03 is known.

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

- 4.1 Since this report was originally presented to the Executive on 28 October 2002, the estimated closing balance has been revised downwards from the original figure of £3.163m to £2.877m. The reason for this was partly set out in the reports to the Council meeting on 3 December 2002 and relates to the revenue contribution to capital (£136,000). The pension fund contribution of £200,000 that was also approved at Council was not required as part of the transfer settlement. Paragraph 5.2 below sets out the need for a further £150,000 to be committed as a revenue contribution to capital in respect of the Raffles Area Strategy. However at this point in time it is too early to be able to give an updated estimate of the eventual HRA closing balance.
- 4.2 The revised estimates as presented therefore indicate a provisional outturn for the HRA balance as at 8 December 2002 of approximately £2.877m. This compares with a balance at transfer of £1.6m that the Council has always been 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. However the final HRA balance should be well in excess of the £1.6m minimum target referred to earlier.

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

- 5.1 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. This issue was explored more fully in the City Treasurer's report to Council on 3<sup>rd</sup> December 2002 (FM 2002/03 No 88) which agreed a total Public Sector HIP in 2002/03 of £5.524m.
- 5.2 The accumulated budgets for the Raffles Area Strategy in 2002/03 total £829,270 including commitments brought forward from previous years. Unfortunately not all the demolition work was completed prior to LSVT and the estimate of outstanding commitments, including related works, is put at £270,000. Current indications are that the uncommitted budget is no more than £140,000 and thus additional resources will be required in 2002/03 (allowing for contingencies) of some £150,000. If this was agreed, the most appropriate source of such funding would appear to be the HRA balance.

5.3 The effect on the Public Sector HIP and its financing would thus be:

|                                 | Est (Nov 2002)<br>£000's | Est (Jan 2003)<br>£000'2 |
|---------------------------------|--------------------------|--------------------------|
| <b>Total HIP Expenditure</b>    | 5,524                    | 5,674                    |
| <b>Financed by:</b>             |                          |                          |
| Borrowing                       | 818                      | 818                      |
| Capital Receipts                | 875                      | 875                      |
| Major Repairs Allowance/Reserve | 3,695                    | 3,695                    |
| Revenue Contributions           | <u>136</u>               | <u>286</u>               |
| <b>Total</b>                    | 5,524                    | 5,674                    |

**6. CLOSURE OF THE HRA**

6.1 Even though the transfer of the housing stock to CHA took place 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 any outstanding balance to the General Fund cannot take place before 31 March 2004.

**7. STAFFING/RESOURCES COMMENTS**

Not applicable.

**8. HEAD OF FINANCE'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 outturn for 2002/03 and notes at this stage the estimated HRA balance at the time of transfer of £2.877m.

**12. REASONS FOR RECOMMENDATIONS**

As stated above.

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Head of Finance

Contact Officer: David Steele

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28 January 2003  
DKS/CH/FS3-02

| £                 | OBJECTIVE ANALYSIS                     | £                 | £                 |
|-------------------|--|-------------------|-------------------|
|                   | <u>EXPENDITURE</u>                     |                   |                   |
|                   | <u>ESTABLISHMENT COSTS</u>             |                   |                   |
| 1,869,096         | MANAGEMENT & SUPPORT SERVICES          | 1,823,630         | 1,524,410         |
| 1,969,544         | HOUSING PROVISION                      | 2,147,290         | 1,352,640         |
| 5,796,503         | TENANCY SERVICES                       | 6,372,460         | 4,847,510         |
| <u>9,635,143</u>  |  | <u>10,343,380</u> | <u>7,724,560</u>  |
|                   | <u>RENT REBATES</u>                    |                   |                   |
| 9,074,250         | STATUTORY PAYMENTS                     | 10,144,960        | 6,977,470         |
| <u>9,074,250</u>  |  | <u>10,144,960</u> | <u>6,977,470</u>  |
|                   | <u>CAPITAL FINANCING COSTS</u>         |                   |                   |
| 28,441            | LEASING CHARGES                        | 29,440            | 19,800            |
| 453,894           | DEBT - PRINCIPAL                       | 420,740           | 408,170           |
| 1,732,194         | - INTEREST                             | 1,622,000         | 1,078,930         |
| 27,889            | - MANAGEMENT                           | 34,380            | 29,350            |
| 3,991,540         | DEPRECIATION                           | 3,881,470         | 2,679,810         |
| 79,926            | PREMIA COSTS                           | 90,300            | 44,370            |
| <u>6,313,884</u>  |  | <u>6,078,330</u>  | <u>4,260,430</u>  |
| 0                 | REVENUE CONTRIBUTION TO CAPITAL OUTLAY | 0                 | 286,000           |
| <u>25,023,277</u> | TOTAL EXPENDITURE                      | <u>26,566,670</u> | <u>19,248,460</u> |
| 4,397,383         | BALANCE C / F                          | 1,705,360         | 2,877,500         |
| <u>29,420,660</u> |  | <u>28,272,030</u> | <u>22,125,960</u> |

| <u>INCOME</u>      |                                |                    |                    |
|--------------------|--------------------------------|--------------------|--------------------|
|                    | <u>DWELLING RENTS</u>          |                    |                    |
| -16,364,493        | GROSS RENTS                    | -16,854,690        | -11,418,690        |
| 353,700            | PROVISION FOR BAD DEBTS        | 335,300            | 160,000            |
| <u>-16,010,793</u> |                                | <u>-16,519,390</u> | <u>-11,258,690</u> |
|                    | <u>OTHER RENTS</u>             |                    |                    |
| -73,467            | SHOPS                          | -85,320            | -50,340            |
| -143,047           | GARAGES                        | -152,860           | -103,060           |
| -5,171             | ALLOTMENTS                     | -5,250             | -3,500             |
| -11,936            | MISCELLANEOUS                  | -10,600            | -7,320             |
| <u>-233,621</u>    |                                | <u>-254,030</u>    | <u>-164,220</u>    |
|                    | <u>FEES &amp; CHARGES</u>      |                    |                    |
| -79,831            | PDU SURCHARGES                 | -84,720            | -53,970            |
| -8,429             | SERVICE CHARGES                | -580               | -490               |
| -252,620           | CARELINE (PRIVATE)             | -252,240           | -174,620           |
| -78,896            | SUPPORTING PEOPLE CARE CHARGE  | -78,530            | -74,170            |
| <u>-419,776</u>    |                                | <u>-416,070</u>    | <u>-303,250</u>    |
|                    | <u>INTEREST</u>                |                    |                    |
| -2,604             | RTB' MORTGAGES                 | -2,200             | -1,520             |
| -224,300           | INVESTMENT INTEREST            | -90,000            | -131,200           |
| <u>-226,904</u>    |                                | <u>-92,200</u>     | <u>-132,720</u>    |
|                    | <u>MISCELLANEOUS</u>           |                    |                    |
| -215,700           | RECHARGE OF STAFF TIME GF, RTB | -225,070           | -155,820           |
| -13,665            | LEASEHOLD FLAT SERVICE CHARGES | -13,700            | -9,490             |
| -618,000           | OTHER                          | 0                  | -200,000           |
| <u>-847,365</u>    |                                | <u>-238,770</u>    | <u>-365,310</u>    |
| -17,738,459        | INCOME C / F TO NEXT PAGE      | -17,520,460        | -12,224,190        |

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

| OUTTURN<br>2001/02<br>£ | <u>OBJECTIVE ANALYSIS</u>                   | ORIGINAL<br>ESTIMATE<br>2002/03<br>£ | REVISED<br>ESTIMATE<br>To 8th Dec<br>2002<br>£ |
|-------------------------|---|--------------------------------------|--|
| -17,738,459             | INCOME B / F FROM PREVIOUS PAGE             | -17,520,460                          | -12,224,190                                    |
|                         | <u>CONTRIBUTIONS</u>                        |                                      |  |
| -7,922,172              | GOVERNMENT SUBSIDY                          | -8,526,860                           | -5,420,000                                     |
| -105,769                | GENERAL FUND - AMENITY AREAS / AREA OFFICES | -118,720                             | -84,390  |
| <u>-8,027,941</u>       |   | <u>-8,645,580</u>                    | <u>-5,504,390</u>                              |
| <u>-25,766,400</u>      | TOTAL INCOME                                | <u>-26,166,040</u>                   | <u>-17,728,580</u>                             |
| -3,654,260              | BALANCE B / F                               | -2,105,990                           | -4,397,380                                     |
| <u>-29,420,660</u>      |   | <u>-28,272,030</u>                   | <u>-22,125,960</u>                             |

**ANALYSIS OF CHANGES FROM BASE ESTIMATE**

|  | £               | £                       |
|--|-----------------|-------------------------|
| <b>ORIGINAL BASE ESTIMATE 2002/03</b>                    |                 | <u><u>400,630</u></u>   |
| <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)               |
| <b>ADJUSTED BASE ESTIMATE 2002/03</b>                    |                 | 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  |                 | (234,680)               |
| DSO Contribution   |                 | (200,000)               |
| <b>REVISED ESTIMATE 2002/03</b>                          |                 | <u><u>1,519,880</u></u> |