

ITEM NO: 19 (iv)

DECISION-MAKER:	COUNCIL		
SUBJECT:	HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL OUTTURN 2007/08		
DATE OF DECISION:	16 JULY 2008.		
REPORT OF:	Cabinet Member for Housing and Local Services		
AUTHOR:	Name:	Karl Smith	Tel: 023 8083 2785
	E-mail:	karl.smith@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY

None

SUMMARY

This is the Housing Revenue Account (HRA) revenue and outturn report for the financial year 2007/08.

This report sets out the actual level of revenue spending on day to day services provided to council tenants recorded in the HRA in 2007/08. The report compares the latest estimate for 2007/08, i.e. the budgets approved by Council in February 2008, with the final spend for the year.

The actual level of net spending in 2007/08 was £962,600 (1.8%) lower than expected compared to a total turnover of £54.4 M. The final outturn shows a surplus for the year of £1,514,400 compared to a budgeted surplus of £551,800.

The HRA working balance at 31 March 2008 is £3,107,900.

This report also summarises the HRA Capital Programme outturn for 2007/08. The HRA Capital Programme deals with all capital expenditure on council housing and related environmental works. Total expenditure in 2007/08 was £22,392,900 compared to the revised budget of £25,092,000, which presents an 89.2% spend level against the approved budget.

This expenditure has made significant improvements in the condition of the Council's housing stock and has led to an additional 877 homes now meeting the 'Decent Homes' standards. The council is still on target to achieve the decent homes standard for all Council owned homes by 2010.

RECOMMENDATIONS:

- (i) Note that the HRA revenue outturn for the financial year 2007/08, which shows a surplus for the year of £1,514,400, and balances at

the end of the year of £3,107,900.

- (ii) Note the HRA capital outturn for 2007/08.
- (iii) Approve an increase in the level of Direct Revenue Financing (DRF) in 2008/09 of £962,600, which is equivalent to the level of revenue savings in 2007/08,
- (iv) Approve the amendments to the HRA Capital Programme for 2008/09, set out in Appendix 3, to take account of the variations in 2007/08.
- (v) Approve the increase in the budget provision for Lift Refurbishment of £495,000 in 2008/09 and £238,000 in 2009/10, with this being funded from the savings on completed capital schemes in 2007/08 (£112,000) plus part of the additional DRF (£621,000).
- (vi) To agree not to proceed with the CHP scheme in its current form because it has not been possible to identify a preferred private sector partner and to note that proposals for the use of the remaining budget provision will be brought forward as part of the capital update that will be reported to Council in September.

REASONS FOR REPORT RECOMMENDATIONS

1. The HRA revenue and capital outturn for 2007/08 forms part of the Council's statutory accounts.

CONSULTATION

2. The HRA revenue and capital outturn outlined in this report represents the actual level of spending in 2007/08. The financial information has been prepared in accordance with statutory accounting principles. There is therefore no scope for tenants, members or other stakeholders to influence the financial position contained in this report. The adjustments to the programme for 2008/09 are directly related to performance in 2007/08.
3. All Local Authorities are required to publish the HRA revenue outturn in accordance with CIPFA's Best Value Accounting Code of Practice. The HRA outturn for 2007/08 can be found in this form in the authority's Annual Statement of Accounts for 2007/08.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

4. This report outlines the actual level of spend on the HRA for the financial year 2007/08. The figures have been prepared in accordance with statutory accounting principles. There are therefore no other options relating to the HRA revenue outturn position for members to consider. Members could decide not to amend the 2008/09 Capital Programme to reflect the 2007/08 outturn, but this could result in some approved schemes either not being completed, or overspending due to contractual commitments. Members could also choose not to increase the capital budget for lift refurbishment, but this would delay the programme.

DETAIL

Background

5. The Housing Revenue Account records all the income and expenditure associated with the provision and management of Council owned homes in the City. This account funds a significant range of services to over 18,000 Southampton tenants and leaseholders and their families. This includes housing management, repairs and improvements, welfare advice, sheltered housing services, neighbourhood wardens, and contribute to bringing all Council properties up to the decent home standard.
6. The HRA Capital Programme deals with all capital expenditure on Council Housing and related environmental works. The main focus is to deliver the decent homes and neighbourhoods agenda. Other important areas of spending are on property adaptations for disabled people and tackling anti social behaviour.

Revenue Outturn

7. The HRA Revenue Summary attached at Appendix 1 shows a decrease in expenditure of £846,700 (1.6%) and an increase in income of £115,900 (0.2%). Balances as at 31 March 2008 are therefore £962,600 higher than expected. In accordance with established practice it is proposed that this extra funding will be used to support the HRA capital programme, and in particular the spending needed to achieve the decent homes standard.
8. The net effect of changes in income and expenditure is a surplus on the HRA for the year of £1,514,400, which results in an increase in working balances as at 31 March 2008. The working balance on the HRA, which will be carried forward into 2008/09, is therefore £3,107,900.
9. In addition to the working balance, the HRA also has a balance of revenue funding that is earmarked to support the HRA Capital Programme. At 31 March 2008 this was £15,225,400 giving a total balance on the HRA at 31 March 2008 of £18,333,300.
10. The main variances which are reflected in the figures in Appendix 1, are summarised in the following table:

	2007/08 Revised Estimate £'000	2007/08 Actual £'000	Adverse/ (Favourable) Variance £'000	%
Repairs	15,670.2	14,365.0	1,305.2	-8.33
Supervision & Management	15,035.7	15,462.0	426.3	2.84
Debt Charges / Debt Management	4,467.3	4,461.5	-5.8	-0.12
Main Housing Subsidy	1,506.7	1,545.5	38.5	2.58
Other expenditure	17,758.1	17,757.3	-0.8	0.00
Total Expenditure variations	54,438.0	53,591.3	-846.7	
Rent Income	53,355.7	53,345.7	-10.0	-0.02
Interest Received	828.6	844.9	16.3	1.97

Other Income	805.5	915.1	109.6	13.2
Total Income Changes	54,989.8	55,105.7	115.9	
Net surplus / (deficit)	551.8	1,514.4	962.6	

11. The main reasons for the variances shown in the above table are explained in Appendix 2. It is proposed that the revenue saving in 2007/08 is utilised to support the HRA capital programme, and that the level of DRF in 2008/09 is increased by this amount.

Capital Outturn

12. The Capital Programme Outturn at Appendix 3 shows the detailed scheme variances of the total spend of £22,392,900 compared to the revised budget of £25,092,000. Variances on individual schemes in excess of £100,000 are contained in Appendix 4.
13. The next full revision of the HRA Capital Programme will be presented to Council for approval in September. However, some amendments to the 2008/09 Programme, which take account of the variations in 2007/08, are recommended for approval in this report (see Appendix 3). A summary of the changes is shown in the following table:

	£000
Spending delayed into 2008/09	3,285
Spending brought forward from 2008/09	(698)
Savings on completed schemes	250
Overspends on completed schemes	(138)
Overall reduction in spending	2,699

14. In producing this analysis it has become clear that there have been substantial increases in the costs of the Lift Refurbishment programme. This is because of the need to maintain a lift facility in sheltered blocks when the main lift is refurbished as well as a general increase in the cost of the works. It is recommended that the budgets for lift refurbishment are increased by £495,000 in 2008/09 and £238,000 in 2009/10 to enable the project to proceed as planned. This would be funded from the savings of £112,000 identified above plus additional DRF of £621,000, which is possible because of the revenue saving in 2007/08.
15. It is also the case that it has not been possible to procure a preferred private sector partner to take the CHP scheme forward in its current form. It is therefore proposed that a decision is taken not to proceed with the current scheme. The HRA capital programme has a net provision ie, after allowing for assumed grants / external funding, of £899,000 in the period 2008/09 and 2009/10. Before a decision is taken on the alternative use of this funding it is necessary to identify what works are still required to some of the dwellings in the Millbrook area. It is proposed that this will be addressed in the capital update report that will come to Council in September.

16. A summary of capital expenditure for the HRA is shown in the following table:

Section	Approved	Actual	Over/(Underspend)	
	Estimate	Outturn		
	2006/07	2006/07	£'000	%
	£'000	£'000	£'000	%
Decent Homes	16,528	16,338	(190)	1.2
Decent Homes Plus	5,924	4,848	(1,076)	18.1
Decent Neighbourhoods	2,274	920	(1,354)	59.5
Other Schemes	366	287	(79)	21.6
TOTAL	25,092	22,393	(2,699)	10.8

17. The expenditure detailed above has made significant improvements in the condition of the Council's housing stock. Council is also asked to note that following expenditure detailed in this report, an additional 877 homes now meet the 'Decent Homes' standard. A total of 80.8% of houses in the stock now meet the standard. In addition to essential major repairs and various environmental / neighbourhood improvements, 102 homes have new roofs, 1,067 homes have had new kitchens, and 1,047 homes have had their bathrooms renewed.

Capital Financing

18. A comparison of the final financing of the spending in 2007/08 with the approved budgets is shown below.

	Revised Estimate	Resources Used	Variance
	£'000	£'000	£'000
Supported Borrowing Allowance	1,496	1,496	0
Useable Capital Receipts	1,040	1,441	401
Grants/Contributions	808	4,670	3,862
Direct Revenue Financing	9,515	2,553	(6,962)
Major Repairs Allowance	12,233	12,233	0
TOTAL	25,092	22,393	(2,699)

19. The increase in capital receipts is primarily from the sale of the Swallows Public House. This leaves approximately a further £1.6M to be raised to achieve the £3M target by 2010/11.

20. The increase in grants and contributions is the result of payments received from NDC, which has been offset by a reduction of £136,000 in other contributions. The majority of the NDC payments represent funding being received earlier than expected from NDC, but it also includes the £543,000 approved by Cabinet on 31 March 2008 for 3 extra NDC funded schemes. All the income from NDC in 2007/08 has been used to pay for the Better Homes projects, which has resulted in the use of less DRF in 2007/08. This position will be reversed in 2008/09 and later years as the DRF is used to fund projects in the Thornhill area.
21. The reduced level of spending, together with the increase in capital receipts and grants and contributions, means that it has not been necessary to utilise as much Direct Revenue Financing as planned in 2007/08. The level of unused DRF at 31 March 2008 is £15,225,400 which is £6,962,000 higher than budgeted.

Overall Resource Position

22. The following changes in resources:
- Additional revenue savings of £962,600
 - Savings on completed schemes in the capital programme of £112,000
 - Reduction in general grants and contributions £136,000
- mean that there are extra resources of £938,600 available. It is proposed that £733,000 is allocated to meet cost and other pressures on the Lift Refurbishment programme, which leaves unallocated DRF of £205,600. The use of this will be considered as part of the review of the HRA capital programme that will be presented to Cabinet and Council in September this year.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

23. Contained in the detail of the report.

Revenue

24. Contained in the detail of the report.

Property

25. None.

Other

26. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

27. The requirement to maintain a Housing Revenue Account is set out in the Local Government and Housing Act 1989 and the requirement to publish final accounts is set out in the Accounts and Audit regulations 2003.

Other Legal Implications:

28. None.

POLICY FRAMEWORK IMPLICATIONS

29. The HRA revenue and capital outturn for 2007/08 forms part of the Council's overall Statutory Accounts. The details in this report reflect the actual level of spending on day to day services that were provided to council tenants, and the actual level of capital spending in 2007/08 against the budget that was approved by Council in February 2008.

SUPPORTING DOCUMENTATION

Appendices

1.	HRA Revenue Summary Outturn 2007/08
2.	Revenue Variances
3.	HRA Capital Programme Outturn 2007/08
4.	Capital Variances

Documents In Members' Rooms

1.	None
----	------

Background Documents

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	None	
----	------	--

Background documents available for inspection at:

FORWARD PLAN No:

KEY DECISIONYes

WARDS/COMMUNITIES AFFECTED:	All
------------------------------------	-----