

ITEM NO:9(iv)

DECISION-MAKER:	COUNCIL		
SUBJECT:	HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL OUTTURN 2008/09		
DATE OF DECISION:	15 JULY 2009		
REPORT OF:	CABINET MEMBER FOR HOUSING AND LOCAL SERVICES		
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STATEMENT OF CONFIDENTIALITY

None

SUMMARY

This is the Housing Revenue Account (HRA) revenue and capital outturn report for the financial year 2008/09.

This report sets out the actual level of revenue spending on day to day services provided to council tenants recorded in the HRA in 2008/09. The report compares the latest estimate for 2008/09, i.e. the budgets approved by Council in February 2009, with the final spend for the year.

The actual level of net spending in 2008/09 was £1,187,000 (2.0%) lower than expected compared to a total turnover of £58.3M. The final outturn shows a deficit for the year of £720,900 compared to a budgeted deficit of £1,907,900.

The HRA working balance at 31 March 2009 is £2,387,000.

This report also summarises the HRA Capital Programme outturn for 2008/09. The programme deals with all capital expenditure on council housing and related environmental works. Total expenditure in 2008/09 was £25,131,000 compared to the revised budget of £27,948,000, which represents an 89.9% spend level against the approved budget. This is the highest ever level of spending on the capital programme.

This expenditure has made significant improvements in the condition of the Council's housing stock and has led to an additional 1,245 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 2008/09, which shows a favourable variance for the year of £1,187,000 and balances at the end of the year of £2,387,000.
- (ii) Note the capital outturn for 2008/09.
- (iii) Approve the amendments to the HRA Capital Programme for 2009/10, set out in Appendix 3, to take account of the variations in 2008/09.

- (iv) Approve the revenue carry forward of £218,100 for Programme Repairs External Decorations.

REASONS FOR REPORT RECOMMENDATIONS

1. The HRA revenue and capital outturn for 2008/09 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 2008/09. 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 2009/10 are directly related to performance in 2008/09.
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 2008/09 can be found in this form in the authority's Annual Statement of Accounts.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

4. This report outlines the actual level of spend on the HRA for the financial year 2008/09. 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 2009/10 Capital Programme to reflect the 2008/09 outturn, but this could result in some approved schemes either not being completed, or overspending due to contractual commitments.

DETAIL

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 £1,236,700 (2.0%) and a decrease in income of £49,700 (0.1%). Balances as at 31 March 2009 are therefore £1,187,000 higher than expected. In accordance with established practice it is proposed that this extra funding will be used to support the HRA capital programme. However £218,100 is required for the revenue external decorations programme which leaves £968,900 available to the Capital Programme. The detailed use of this money will be considered as part of the full update of this programme which will be submitted to Council in September.
8. The net effect of changes in income and expenditure is a deficit on the HRA for the year of £720,900 against a budgeted deficit of £1,907,900, which results in an increase in working balances as at 31 March 2009. The working balance on the HRA, which will be carried forward into 2009/10, is therefore £2,387,000.
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 2009 this was £10,112,900 giving a total balance on the HRA at 31 March 2009 of £12,499,900.
10. The main variances which are reflected in the figures in Appendix 1 are summarised in the following table:

	2008/09 Revised Estimate £'000	2008/09 Actual £'000	Adverse/ (Favourable) Variance £'000	%
Repairs	15,955.3	15,023.3	-932.0	-5.84
Supervision & Management	15,584.8	15,337.4	-247.4	-1.59
Debt Charges / Debt Management	4,136.0	3,965.6	-170.4	-4.12
Main Housing Subsidy	5,489.7	5,608.0	118.3	2.15
Other expenditure	18,403.9	18,398.7	-5.2	0.03
Total Expenditure variations	59,569.7	58,333.0	-1,236.7	
Rent Income	56,172.5	56,217.0	44.5	0.08
Interest Received	777.6	684.1	-93.5	12.02
Other Income	711.7	711.0	-0.7	0.10
Total Income Changes	57,611.8	57,612.1	-49.7	
Net surplus / (deficit)	-1,907.9	-720.9	1,187.0	

11. The main reasons for the variances shown in the above table are explained in Appendix 2.

Capital Outturn

12. The Capital Programme outturn at Appendix 3 shows the detailed scheme variances of the total spend of £25,131,000 compared to the revised budget of £27,948,000. Variances on individual schemes in excess of £100,000 are contained in Appendix 4.

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

Section	Approved Estimate 2008/09 £'000	Actual Outturn 2008/09 £'000	Over/(Underspend)	
			£'000	%
Decent Homes	17,049	17,538	489	2.9
Decent Homes Plus	7,762	5,244	(2,518)	32.4
Decent Neighbourhoods	2,839	2,128	(711)	25.0
Other Schemes	298	221	(77)	25.8
TOTAL	27,948	25,131	(2,817)	10.1

14. 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 1,245 homes now meet the 'Decent Homes' standard. A total of 88.1% of houses in the stock now meet the standard. In addition to essential major repairs and various environmental / neighbourhood improvements, 2,141 homes have had new kitchens, 1,717 homes have had their bathrooms renewed, and 205 homes have had heating system replacements.

15. The next full revision of the HRA Capital Programme will be presented to Council for approval in September. However, some amendments to the 2009/10 Programme, which take account of the variations in 2008/09, are recommended for approval in this report (see Appendix 3). A summary of the changes is shown in the following table:

	£000
Current Programme 2009/10	32,906
Spending delayed into 2009/10	3,864
Spending brought forward from 2009/10	(786)
Proposed Programme 2009/10	35,984

16. Appendix 3 details those schemes which have underspends and overspends. The net effect of the variances on those schemes is an overspend of £267,900. The main reason for this is associated with the Decent Homes

programme, and it will therefore be funded from the Decent Homes contingency of £3M.

Capital Financing

17. A comparison of the final financing of the spending in 2008/09 with the approved budgets is shown below:

	Revised Estimate £'000	Resources Used £'000	Variance £'000
Supported Borrowing Allowance	1,496	1,496	0
Grants/Contributions	415	214	-201
Direct Revenue Financing	13,831	11,215	-2,616
Major Repairs Allowance	12,206	12,206	0
TOTAL	27,948	25,131	-2,817

18. The reduced level of Grants and Contributions is the result of the following:
- £106,000 additional contributions from leaseholders due to the increase in capital major works expenditure recovered.
 - £150,000 reduction in energy savings grants. British Gas and EON have not been forthcoming with the level of grants even though all the relevant information has been forwarded to them. It is anticipated that sums due in 2008/09 will be received in 2009/10.
 - £140,000 of grants for Estate Regeneration was not received in 2008/09, but should be received in 2009/10.
19. The reduced level of spending means that it has not been necessary to utilise as much Direct Revenue Financing as planned in 2008/09. The level of unused DRF at 31 March 2009 is £10,112,900 which is £2,616,300 higher than budgeted.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

20. Contained in the detail of the report.

Revenue

21. Contained in the detail of the report.

Property

22. None

Other

23. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

24. 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:

25. None

POLICY FRAMEWORK IMPLICATIONS

26. The HRA revenue and capital outturn for 2008/09 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 2008/09 against the budget that was approved by Council in February 2009.

SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	HRA Revenue Summary Outturn 2008/09
2.	Revenue Variances
3.	HRA Capital Programme Outturn 2008/09
4.	Capital Variances

Documents In Members' Rooms

1.	None
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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)
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1.	None	
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Background documents available for inspection at: N/A

FORWARD PLAN No: N/A **KEY DECISION?** N/A

WARDS/COMMUNITIES AFFECTED:	N/A
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