

<b>DECISION-MAKER:</b>	COUNCIL		
<b>SUBJECT:</b>	HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL OUTTURN 2013/14		
<b>DATE OF DECISION:</b>	16 JULY 2014		
<b>REPORT OF:</b>	CABINET MEMBER FOR HOUSING AND SUSTAINABILITY		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>			
None			

### **BRIEF SUMMARY**

This is the Housing Revenue Account (HRA) revenue and capital outturn report for the financial year 2013/14.

The actual level of net revenue spending in 2013/14 was £48,800 higher than budgeted. This variation represents less than 0.1% of the total turnover of over £72.2M. The final outturn shows a deficit for the year of £1,011,000 compared to a budgeted deficit of £962,200.

The budgeted deficit of £962,200 was to be funded from available balances. However, the outturn for day to day service expenditure and income items (excluding depreciation and direct revenue financing of capital) was a deficit for the year of only £14,400. Rather than continue to carry forward a working balance of over £3.2M, an additional £996,600 of revenue was allocated to fund the capital programme to reduce the need for borrowing.

The revised HRA working balance at 31 March 2013 of £2,278,000 meets the minimum requirement of £2M after allowing for the specific revenue carry forward requests detailed in this report.

Total capital expenditure in 2013/14 was £30,587,000 compared to the February 2014 approved budget of £37,029,000, which represents an 82.6% spend level. Capital financing that was not used during the year, mainly due to scheme slippage, will be available to fund expenditure in 2014/15.

The expenditure has made significant improvements to the condition of the Council's housing stock, which include replacing lifts, providing new heating systems and boilers, installing new communal door entry systems, refurbishing supported housing schemes and completing significant numbers of new kitchens and bathrooms.

Capital expenditure has also been focused on carrying out works within our estates and neighbourhoods. This includes the decent neighbourhoods' programme and estate regeneration.

## **RECOMMENDATIONS:**

It is recommended that Council:

- (i) Notes the HRA revenue outturn for the financial year 2013/14, as set out in Appendix 1, and the working balance at the end of the year of £2,278,000.
- (ii) Approves the carry forward requests, totalling £278,000, for the specific revenue items set out in paragraph 11 of this report, which can be funded from the working balance.
- (iii) Notes the HRA capital outturn for the financial year 2013/14, as summarised in paragraph 13 of this report.
- (iv) Approves the amendments to schemes in the HRA Capital Programme for 2014/15, as set out in Appendix 3, to take account of the slippage and re-phasing in 2013/14.
- (v) Notes the 2013/14 capital financing, as set out in paragraph 18 of this report, and that the use of available resources will be reviewed as part of the next full update of the HRA Business Plan later in 2014.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. The HRA revenue and capital outturn for 2013/14 forms part of the Council's statutory accounts.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. This report outlines the actual level of spend on the HRA for the financial year 2013/14. The figures have been prepared in accordance with statutory accounting principles. There are, therefore, no other options relating to the HRA outturn position for Members to consider. However, Members could decide not to approve the revenue carry forward requests or decide not to amend the 2014/15 Capital Programme to reflect the 2013/14 outturn. However, such decisions could result in revenue projects and approved capital schemes either not being completed, or overspending due to contractual commitments.

## **DETAIL (Including consultation carried out)**

### **Background**

3. 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 19,000 Southampton tenants and leaseholders and their families. This provides for the allocation, management, maintenance and improvement of Council homes in the City.
4. The HRA Capital Programme deals with all capital expenditure on Council Housing and related environmental works. The main focus is to continue the investment in the estate regeneration programme, as well as delivering safe, wind and weather tight homes, which are warm and energy efficient. There is also a focus on providing modern facilities and well maintained communal facilities.

5. This report sets out the actual level of revenue spending on day to day services provided to council tenants recorded in the HRA in 2013/14. The report compares the latest estimate for 2013/14 with the final expenditure for the year.
6. This report also summarises the HRA Capital Programme outturn for 2013/14 and recommends adjustments to the 2014/15 capital programme to take account of actual spending in 2013/14.
7. Local Authorities with a retained housing stock are required to publish the HRA revenue outturn in accordance with CIPFA's Service Reporting Code of Practice. The HRA outturn for 2013/14 can be found in this form in the authority's Annual Statement of Accounts.

### **Consultation**

8. The HRA revenue and capital outturn outlined in this report represents the actual level of spending in 2013/14. The financial information has been prepared in accordance with statutory accounting principles. The adjustments to the capital programme for 2014/15 are directly related to performance in 2013/14. Although there is no statutory duty to consult, the information in this report has been discussed at meetings of the Tenant Resources Group, which comprises tenants from across the city.

### **Revenue Outturn**

9. The actual level of net revenue spending in 2013/14 was £48,800 higher than budgeted. This variation represents less than 0.1% of the total turnover of over £72.2M. There was a budgeted deficit of £962,200 which was to be funded from available balances. However, the outturn for day to day service expenditure and income items (excluding depreciation and direct revenue financing of capital) was a deficit for the year of only £14,400. Rather than continue to carry forward a working balance of over £3.2M, an additional £996,600 of revenue was allocated to fund the capital programme to reduce the need for borrowing. After this adjustment the HRA Revenue Summary, attached at Appendix 1, shows a decrease in expenditure of £59,000 (0.1%) and a decrease in income of £107,800 (0.2%).
10. The net effect of changes in income and expenditure is a deficit on the HRA for the year of £1,011,000, which results in a reduction of £48,800 in working balances as at 31 March 2014. The working balance on the HRA, which will be carried forward into 2014/15, is therefore £2,278,000.
11. An explanation of the variances can be found at Appendix 2. It is noted that some of the under spend requires the carry forward of budget provision into 2014/15 so that specific projects can be completed. These are listed in the table below:

	£
Housing Investment - decorations (to address backlog)	165,000
District Energy Project - consultancy costs	43,000
Works at Maybush Housing Office to provide new desk space	40,000
Contribution to Estate Parking schemes	<u>30,000</u>
<b>Total carry-forward recommendations</b>	<b><u>278,000</u></b>

12. In the HRA Business Plan, agreed by Cabinet and Council in February 2012, it was agreed to set a minimum working balance for the HRA each year of £2M. This outturn supports this principle and delivers an additional surplus of £278,000, which would be used to fund the carry forward requests set out above, if they are taken forward.

### **Capital Outturn**

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

Section	Approved Estimate 2013/14 £'000	Actual Outturn 2013/14 £'000	Over/(Under spend) £'000	%
Safe Wind and Weather Tight	7,657	5,952	(1,705)	(22.3)
Modern Facilities	13,382	13,600	218	1.6
Well Maintained Communal Facilities	7,524	5,350	(2,174)	(28.9)
Warm & Energy Efficient	3,109	1,845	(1,264)	(40.7)
Estate Regeneration	4,188	3,645	(543)	(13.0)
New Build	1,169	195	(974)	(83.3)
<b>TOTAL</b>	<b>37,029</b>	<b>30,587</b>	<b>(6,442)</b>	<b>(17.4)</b>

14. Appendix 3 shows the variances in every scheme in the capital programme. Appendix 4 provides an explanation of all variances over £100,000.
15. The expenditure detailed above has made significant improvements to the condition of the Council's housing stock, which includes essential major repairs, various environmental / neighbourhood improvements and the provision of new kitchens and bathrooms.

16. Some amendments to the HRA Capital Programme, which take account of the variations in 2013/14, are recommended for approval in this report (see Appendix 3). The impact of these changes on the 2014/15 approved programme is shown in the following table:

	£000
February 2014 Approved Programme 2014/15	53,399
Previously Approved Changes	3,100
Current Programme 2014/15	56,499
Spending delayed into 2014/15 from 2013/14	3,864
Spending brought forward into 2013/14 from 2014/15	(597)
Proposed Programme 2014/15	59,766

*N.B. £36,000 of spending was brought forward into 2013/14 from 2015/16.*

17. In addition, Appendix 3 shows variations on completed capital schemes. There are under spends of £575,000 and over spends of £464,000, leading to a net saving of £111,000 on existing projects, which is available to fund other work in 2014/15.

### **Capital Financing**

18. The final financing of the capital spending in 2013/14 is shown below:

	Resources Used £'000
Grants/Contributions	139
Depreciation	18,261
Direct Revenue Financing	6,486
Capital Receipts	5,701
Borrowing	0
<b>TOTAL</b>	<b>30,587</b>

19. The main changes to the resources are explained below:
- As described in paragraph 9, the combined depreciation and direct revenue financing (DRF) contribution to the funding of capital expenditure has been increased to reduce the borrowing requirement and allow other capital resources to be carried forward to support the Capital Programme in 2014/15.
  - The use of capital receipts was reduced, due to the substitution of the available DRF and to reflect the level of expenditure in the programme being approximately 17% lower than anticipated.

20. The funding changes in 2013/14 mainly arise from timing issues. The HRA business plan assumes that part of the annual revenue income will be used to fund capital expenditure. The level of this revenue funding has been increased in 2013/14, which means that there will be more capital receipts available to fund the future HRA Programme. In overall terms, there has not been any material change in the resources needed to fund the Programme.

### **Overall position**

21. In summary:
- The HRA working balance has been reduced to the minimum value of £2m, after allowing for the carry forward of the £278,000 needed to fund outstanding projects. This is mainly due to an increase of £996,600 in the revenue contribution to the capital programme
  - The capital programme for 2014/15 will be increased by £3,267,000 due to the slippage and re-phasing from 2013/14.
  - There are net savings of £111,000 on completed capital schemes.
  - There was no material change in the overall level of resources needed to fund the HRA Capital Programme.
22. The effect of these and other changes will be considered as part of the next full update of the HRA Business Plan later in 2014.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

23. These are contained in the detail of the report.

### **Property/Other**

24. None.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

25. 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:**

26. None

## **POLICY FRAMEWORK IMPLICATIONS**

27. The HRA revenue and capital outturn for 2013/14 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 2013/14. This is compared to the approved budget for the year.

<b>KEY DECISION?</b>	Yes
<b>WARDS/COMMUNITIES AFFECTED:</b>	All

**SUPPORTING DOCUMENTATION**

**Appendices**

1.	HRA Revenue Summary Outturn 2013/14	
2.	Revenue Variances	
3.	HRA Capital Programme Outturn 2013/14	
4.	Capital Variances	

**Documents In Members' Rooms**

1.	None
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**Equality Impact Assessment**

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out	No
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**Other Background Documents**

**Equality Impact Assessment and Other Background documents available for inspection at:**

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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