

DECISION-MAKER:	COUNCIL
SUBJECT:	HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL OUTTURN 2010/11
DATE OF DECISION:	13 JULY 2011
REPORT OF:	CABINET MEMBER FOR HOUSING
STATEMENT OF CONFIDENTIALITY	
None	

BRIEF SUMMARY

This is the Housing Revenue Account (HRA) revenue and capital outturn report for the financial year 2010/11.

The actual level of net spending in 2010/11 was £422,900 lower than expected compared to a total turnover of £60M. The final outturn shows a surplus for the year of £34,100 compared to a budgeted deficit of £388,800. The HRA working balance at 31 March 2011 is £1,622,900.

Total capital expenditure in 2010/11 was £33,584,000 compared to the approved budget of £35,477,000, which represents an 94.7% spend level against the approved budget. This expenditure has made significant improvements to the condition of the Council's housing stock and has led to an additional 1,524 extra homes now meeting the 'Decent Homes' standard as at the end of March 2011 enabling the council to ensure that all of its homes meet the Decent Homes Standard apart from those homes which form part of the regeneration programmes. Not only did the council manage to virtually double the number of homes meeting the Decent Homes standard compared to 2009/2010 but it also manage to replace lifts, provide new heating systems and boilers, install new communal door entry systems and refurbish four supported housing schemes. The council is still aiming to maintain its ongoing "decent homes" plans for Council owned homes during 2011/12.

Capital expenditure has also been focused on carrying works within our estates and neighbourhoods. This includes the decent neighbourhoods programme, estate regeneration and local authority new build.

This paper also provides members with an update on the latest position on the reform of council housing finance.

RECOMMENDATIONS:

- (i) Note that the HRA revenue outturn for the financial year 2010/11, which shows a favourable variance for the year of £422,900 and balances at the end of the year of £1,622,900.
- (ii) Approve the revenue carry forward of £250,000 for helping to fund the Mobile Working project in 2011/12
- (iii) Note the capital outturn for 2010/11.
- (iv) Approve the amendments to the HRA Capital Programme for 2011/12 set out in Appendix 3 to take account of the slippage and re-phasing in 2010/11.

- (v) Note that the use of the additional resources will be considered as part of the update of the capital programme that will be reported to Council in September.

REASONS FOR REPORT RECOMMENDATIONS

1. The HRA revenue and capital outturn for 2010/11 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 2010/11. 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 2011/12 Capital Programme to reflect the 2010/11 outturn, but this could result in some approved 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 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.
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 the decent homes and neighbourhoods agendas. Other important areas of spending are on property adaptations for disabled people and tackling anti social behaviour.
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 2010/11. The report compares the latest estimate for 2010/11 with the final spend for the year.
6. This report also summarises the HRA Capital Programme outturn for 2010/11 and recommends adjustments to the 2011/12 capital programme to take account of actual spending in 2010/11.
7. 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 2010/11 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 2010/11. 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 capital programme for 2011/12 are directly related to performance in 2010/11.

Revenue Outturn

9. The HRA Revenue Summary attached at Appendix 1 shows a decrease in expenditure of £564,000 (0.9%) and a reduction in income of £141,100 (0.2%). Balances as at 31 March 2011 are therefore £422,900 higher than expected.
10. The net effect of changes in income and expenditure is a surplus on the HRA for the year of £34,100 against a budgeted deficit of £388,800, which results in an increase in working balances as at 31 March 2011. The working balance on the HRA, which will be carried forward into 2010/11, is therefore £1,622,900.
11. An explanation of the variances can be found at appendix 2. It will be noted that the underspend on responsive repairs arose because the money that had been set aside to help fund the mobile working project was not needed in 2010/11. This project is proceeding in 2011/12 and it is therefore recommended that £250,000 is carried over into 2011/12 to enable the project to proceed.
12. If this is approved, this leaves an overall improvement of revenue balances of £172,900. The use of the additional resources will be considered as part of the full update of the capital programme which will be reported to Council in September.

Capital Outturn

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

Section	Approved Estimate 2010/11 £'000	Actual Outturn 2010/11 £'000	Over/(Underspend) £'000	%
Decent Homes	16,280	15,749	(531)	(3.3)
Decent Homes Plus	7,762	7,215	(547)	(7.0)
Decent Neighbourhoods	2,944	2,375	(569)	(19.3)
Estate Regeneration	3,532	3,549	17	0.5
New Build	4,894	4,696	(198)	(4.0)
Other Schemes	65	0	(65)	(100)
TOTAL	35,477	33,584	(1,893)	(5.3)

14. Appendix 3 shows the variances in every scheme in the capital programme. Appendix 4 provides an explanation of all variances either over £100,000.
15. 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 1524 homes now meet the 'Decent Homes' standard. Southampton City Council within the last 6 years has met the governments Decent Homes Standard to all properties apart from those homes which are subject to regeneration plans. In addition to essential major repairs and various environmental / neighbourhood improvements 1,572 homes have had new kitchens and 1,104 homes have had their bathrooms renewed.
16. The next full revision of the HRA Capital Programme will be presented to Council for approval in September. However, some amendments to the 2011/12 Programme, which take account of the variations in 2010/11, are recommended for approval in this report (see Appendix 3). A summary of the changes is shown in the following table:

	£000
Current Programme 2011/12	28,819
Spending delayed into 2011/12 from 2010/11	2,376
Spending brought forward into 2010/11 from 2011/12	(590)
Proposed Programme 2011/12	30,605

Capital Financing

17. A comparison of the final financing of the spending in 2010/11 with the approved budgets is shown below:

	Approved Estimate £'000	Resources Used £'000	Variance £'000
Supported Borrowing Allowance	1,496	1,496	0
Unsupported Borrowing	9,192	5,303	(3,889)
Useable capital receipts	0	0	0
Grants/Contributions	5,781	6,451	670
Direct Revenue Financing	8,614	9,940	1,326
Major Repairs Allowance	10,394	10,394	0
TOTAL	35,477	33,584	(1,893)

18. The changes to the resources are explained below:

- Unsupported borrowing is lower than forecast because:
 - Less borrowing was needed for the new build programme due to the timing of grant receipts from the HCA,

- Spending on the installation of digital TV was lower than expected and
 - The £3.1M allocated for general support for the capital programme was not required.
 - The level of Grants and Contributions increased because some of the HCA grant for the new build programme was received earlier than budgeted and there were additional receipts from charges to leaseholders for major works.
 - There was sufficient DRF available to increase the amount used in 2010/11 and avoid some prudential borrowing.
19. The funding changes in 2010/11 mainly arise from timing issues. Over the life of the programme it will still be necessary to undertake the full amount of prudential borrowing reported to Council in February. The use of additional DRF in 2010/11 means that there is less available in future years. The level of unused DRF at 31 March 2011 is £2.303M. In overall terms, there has not been any material change in the resources available to fund the HRA capital programme in the period to 2012/13.

Overall position

20. In summary:
- The HRA working balance has increased by £172,900, after allowing for the carry forward of the £250,000 needed to fund the mobile working project,
 - The capital programme for 2011/12 will be increased by £1,786M due to the slippage and rephasing from 2010/11.
 - There are net savings of £108,000 on completed capital schemes.
 - There was no material change in the level of resources available to fund the HRA capital programme in the period to 2012/13.

The effect of these changes will be considered as part of the next full update of the capital programme that will be reported to council in September.

21. 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 2010 this was £2.303M giving a total balance on the HRA at 31 March 2010 of £3,925,700

Update on Reform of Council Housing Finance

22. This section provides an update on developments since the HRA budget report was submitted to Cabinet and Council in February this year.
23. The Government published its latest proposals in early February. The broad principle remains that the HRA pays a one-off levy to CLG to buy its way out of the current subsidy system and stop the annual payments to CLG.
24. The key features of the current draft settlement are:
- The legal basis for the new system is the Localism Bill. The intention is that the new system will start from April 2012.
 - It is still expected that the new system will be benefit to us initially and in the long term.

- The draft settlement is not as good as previous proposals because:
 - The levy has increased to £64M from £52M,
 - The cost of borrowing has been increased by nearly 1%,
 - The Government will still retain 75% of all receipts from sales of HRA dwellings under the right-to-buy. Previous proposals were that councils could retain all receipts from RTB.

25. The latest proposals also retain the proposition that there will a limit placed on the maximum level of borrowing that the HRA can have outstanding at any one time. There will effectively be a cap on HRA debt levels.

26. The implications of all these changes are currently being assessed. It should be noted that the government plans to update the terms of the settlement in November and a final settlement will not be made available until January 2012.

RESOURCE IMPLICATIONS

Capital/Revenue

27. Contained in the detail of the report.

Property/Other

28. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

29. 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:

30. None

POLICY FRAMEWORK IMPLICATIONS

31. The HRA revenue and capital outturn for 2010/11 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 2010/11. This is compared to the approved budget for the year.

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KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	All
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SUPPORTING DOCUMENTATION

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

Appendices

1.	HRA Revenue Summary Outturn 2010/11
2.	Revenue Variances
3.	HRA Capital Programme Outturn 2010/11
4.	Capital Variances

Documents In Members' Rooms

1.	None
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	Yes/No
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Other Background Documents

Integrated 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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