

DECISION-MAKER:	COUNCIL		
SUBJECT:	HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL OUTTURN 2015/16		
DATE OF DECISION:	20 JULY 2016		
REPORT OF:	CABINET MEMBER FOR HOUSING AND ADULT CARE		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY

None

BRIEF SUMMARY

This is the Housing Revenue Account (HRA) revenue and capital outturn report for the financial year 2015/16.

The actual level of net revenue spending in 2015/16 was a break even position, with expenditure exactly equalling income. There was a budgeted surplus for the year of £260,600, which was not achieved. This was originally intended to offset a forecast overspend in 2014/15, which did not materialise. The revised HRA working balance at 31 March 2016 of £2,000,000 meets the minimum requirement for the HRA, as approved by Cabinet and Council in February 2012.

The outturn for day to day service expenditure and income items (excluding depreciation and direct revenue financing of capital) was an adverse variance for the year of £909,000. The whole of this variance has been balanced by a reduction in the revenue allocated to fund the capital programme.

Total capital expenditure in 2015/16 was £38,818,000 compared to the latest approved budget of £56,008,000, which represents a 69.2% spend level. Capital financing that was not used during the year, mainly due to scheme slippage, will be available to fund expenditure in 2016/17.

The level of HRA capital expenditure in 2015/16 has not been exceeded in any of the preceding thirteen years that expenditure has been recorded in the Council's current financial system. 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 and new build.

RECOMMENDATIONS:

	(i)	To note the HRA revenue outturn for the financial year 2015/16, as set out in Appendix 1, and the working balance at the end of the year of £2,000,000.
	(ii)	To note the HRA capital outturn for the financial year 2015/16, as summarised in paragraph 12 of this report.
	(iii)	To approve the amendments to schemes in the HRA Capital Programme for 2016/17, as set out in Appendix 3, to take account of the slippage and re-phasing in 2015/16.
	(iv)	To note the 2015/16 capital financing, as set out in paragraph 17 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 2016.

REASONS FOR REPORT RECOMMENDATIONS

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|----|---|
| 1. | The HRA revenue and capital outturn for 2015/16 forms part of the Council's statutory accounts. |
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ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

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| 2. | This report outlines the actual level of spend on the HRA for the financial year 2015/16. 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 amend the 2016/17 Capital Programme to reflect the 2015/16 outturn. However, such a decision could result in approved capital schemes either not being completed, or overspending due to contractual commitments. |
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DETAIL (Including consultation carried out)

3.	<p><u>Background</u></p> <p>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 provides for the allocation, management, maintenance and improvement of Council homes in the City.</p>
4.	The HRA Capital Programme deals with all capital expenditure on Council Housing and related environmental works. The main focuses are to continue the investment in estate regeneration and new build programmes, as well as delivering safe, wind and weather tight homes, which are warm and energy efficient, and 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 2015/16. The report compares the latest estimate for 2015/16 with the final expenditure for the year.
6.	This report also summarises the HRA Capital Programme outturn for 2015/16 and recommends adjustments to the 2016/17 capital programme to take account of actual spending in 2015/16.
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 2015/16 can be found in this form in the authority's Annual Statement of Accounts.										
8.	<p><u>Consultation</u></p> <p>The HRA revenue and capital outturn outlined in this report represents the actual level of spending in 2015/16. The financial information has been prepared in accordance with statutory accounting principles. The adjustments to the capital programme for 2016/17 are directly related to performance in 2015/16. 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, and their input to this report is acknowledged with thanks.</p>										
9.	<p><u>Revenue Outturn</u></p> <p>The actual level of net revenue spending in 2015/16 was a break even position, with expenditure exactly equalling income. There was a budgeted surplus for the year of £260,600, which was not achieved. This was originally intended to offset a forecast overspend in 2014/15, which did not materialise. However, the outturn for day to day service expenditure and income items (excluding depreciation and direct revenue financing of capital) was an adverse variance for the year of £909,000. Much of this was due to 2013/14 winter related remedial repair work, as detailed in Appendix 2. The whole of this variance has been balanced by a reduction in the revenue allocated to fund the capital programme.</p>										
10.	After this adjustment, the HRA Revenue Summary, attached at Appendix 1, shows a reduction in expenditure of £15,000 (0.02%) and a reduction in income of £275,600 (0.36%). An explanation of the main variances can be found at Appendix 2.										
11.	The HRA Business Plan, agreed by Cabinet and Council in February 2012, set a minimum working balance for the HRA each year of £2,000,000. The revised HRA working balance at 31 March 2016 meets this minimum requirement.										
12.	<p><u>Capital Outturn</u></p> <p>A summary of capital expenditure for the HRA is shown in the following table:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Section</th> <th style="text-align: center;">Approved Estimate 2015/16 £000</th> <th style="text-align: center;">Actual Outturn 2015/16 £000</th> <th style="text-align: center;">Over/(Under spend) £000</th> <th style="text-align: center;">%</th> </tr> </thead> <tbody> <tr> <td>Safe Wind and</td> <td style="text-align: center;">16,146</td> <td style="text-align: center;">12,496</td> <td style="text-align: center;">(3,650)</td> <td style="text-align: center;">(22.6)</td> </tr> </tbody> </table>	Section	Approved Estimate 2015/16 £000	Actual Outturn 2015/16 £000	Over/(Under spend) £000	%	Safe Wind and	16,146	12,496	(3,650)	(22.6)
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13.	Appendix 3 shows the variances in every scheme in the capital programme. Appendix 4 provides an explanation of significant variances.																														
14.	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.																														
15.	<p>Some amendments to the HRA Capital Programme, which take account of the variations in 2015/16, are recommended for approval in this report (see Appendix 3). The impact of these changes on the 2016/17 approved programme is shown in the following table. Although every effort will be made to complete as much of the programme as possible, it must be recognised this is the largest and most ambitious annual capital programme proposed to date. Making funding available in 2016/17 ensures as many schemes as possible can be commenced promptly, while any that cannot be started in 2016/17 can be carried over to the following year.</p> <table border="1"> <thead> <tr> <th></th> <th>£000</th> </tr> </thead> <tbody> <tr> <td>February 2015 Approved Programme 2016/17</td> <td>58,889</td> </tr> <tr> <td>Previously Approved Changes</td> <td>(1,117)</td> </tr> <tr> <td>Current Programme 2016/17</td> <td>57,772</td> </tr> <tr> <td>Spending delayed into 2016/17 from 2015/16</td> <td>17,672</td> </tr> <tr> <td>Spending brought forward into 2015/16 from 2016/17</td> <td>(1,008)</td> </tr> <tr> <td>Proposed Programme 2016/17</td> <td>74,436</td> </tr> </tbody> </table>		£000	February 2015 Approved Programme 2016/17	58,889	Previously Approved Changes	(1,117)	Current Programme 2016/17	57,772	Spending delayed into 2016/17 from 2015/16	17,672	Spending brought forward into 2015/16 from 2016/17	(1,008)	Proposed Programme 2016/17	74,436																
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16.	In addition, Appendix 3 shows variations on completed capital schemes. There are under spends of £922,000 and over spends of £321,000, leading to a net under spend of £601,000 on existing projects.																														
17.	The final financing of the capital spending in 2015/16 is shown below:																														

	Resources Used £000
	1,248
	19,833
	7,532
	4,195
	6,010
	TOTAL
	<u>38,818</u>
18.	<p>The main changes to the resources are explained below:</p> <ul style="list-style-type: none"> • Borrowing of £6,010,000 was required to finance capital expenditure in the year. This was a significantly reduced sum, mainly due to the slippage in the programme. However, borrowing of £41,000,000 would be needed to deliver the full proposed programme for 2016/17. If that level of borrowing is needed, it can be achieved within the government 'debt cap' while still preserving the Council approved £6,000,000 borrowing headroom. • As described in paragraph 9, the combined depreciation and direct revenue financing (DRF) contribution to the funding of capital expenditure has been reduced to balance the deficit in the outturn for day to day service expenditure and income items. The deficit was principally due to 2013/14 winter related remedial repair work. It is anticipated that this work will reduce the draw on the capital programme in future years. • There was an increase in the useable capital receipts from right-to-buy sales in 2015/16 which has enabled the forward capital programme to remain fully funded.
19.	<p>The funding changes in 2015/16 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 reduced in 2015/16, and a greater proportion of the capital programme will be funded from the increases in the useable capital receipts from right-to-buy sales. In overall terms, there has not been any material change in the resources needed to fund the Programme.</p>
20.	<p><u>Overall position</u></p> <p>In summary:</p> <ul style="list-style-type: none"> • The HRA working balance remains at the minimum value of £2,000,000. • The capital programme for 2016/17 will be increased by £16,664,000 due to the slippage and re-phasing from 2015/16. • There was no material change in the overall level of resources needed to fund the HRA Capital Programme.

RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
21.	These are contained in the detail of the report.
<u>Property/Other</u>	
22.	None.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
23.	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.
<u>Other Legal Implications:</u>	
24.	None.
POLICY FRAMEWORK IMPLICATIONS	
25.	The HRA revenue and capital outturn for 2015/16 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 2015/16. This is compared to the approved budget for the year.

KEY DECISION?	Yes.
WARDS/COMMUNITIES AFFECTED:	All.
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	HRA Revenue Summary Outturn 2015/16
2.	Revenue Variances
3.	HRA Capital Programme Outturn 2015/16
4.	Capital Variances
Documents In Members' Rooms	

1.	None.
Equality Impact Assessment	
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
Privacy Impact Assessment	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	No
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)
1.	None.