

DECISION-MAKER:	COUNCIL
SUBJECT:	HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL OUTTURN 2011/12
DATE OF DECISION:	11 JULY 2012
REPORT OF:	CABINET MEMBER FOR HOUSING AND LEISURE SERVICES
STATEMENT OF CONFIDENTIALITY	
None	

BRIEF SUMMARY

This is the Housing Revenue Account (HRA) revenue and capital outturn report for the financial year 2011/12.

The actual level of net spending in 2011/12 was £525,100 lower than expected. This variation represents 0.8% of the total turnover of over £63M. The final outturn shows a surplus for the year of £997,800 compared to a budgeted surplus of £472,700. The HRA working balance at 31 March 2012 is £2,620,700.

Total capital expenditure in 2011/12 was £22,123,000 compared to the approved budget of £23,476,000, which represents a 94.2% spend level against the approved budget. This 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, estate regeneration and local authority new build.

This paper also provides Members with an update on the HRA Business Plan following the introduction of self financing on 1st April 2012.

RECOMMENDATIONS:

- (i) Note the HRA revenue outturn for the financial year 2011/12, which shows a favourable variance for the year of £525,100 and balances at the end of the year of £2,620,700.
- (ii) Approve the revenue carry forward into 2012/13 of £225,000, within the responsive repairs budget, to help fund the continuation of the mobile working project and £57,000, within the programme repairs budget, for electrical testing and smoke detector maintenance works that were delayed.
- (iii) Note the capital outturn for 2011/12.
- (iv) Approve the amendments to the HRA Capital Programme for 2012/13 set out in Appendix 3 to take account of the slippage and re-phasing in 2011/12.
- (v) Note that the use of the additional resources will be considered as part of the next full update of the HRA Business Plan later in 2012.

REASONS FOR REPORT RECOMMENDATIONS

1. The HRA revenue and capital outturn for 2011/12 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 2011/12. 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 2012/13 Capital Programme to reflect the 2011/12 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 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 2011/12. The report compares the latest estimate for 2011/12 with the final expenditure for the year.
6. This report also summarises the HRA Capital Programme outturn for 2011/12 and recommends adjustments to the 2012/13 capital programme to take account of actual spending in 2011/12.
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 2011/12 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 2011/12. 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 2012/13 are directly related to performance in 2011/12. The report will be taken to tenants for information at the July meeting of the Tenants' Resources Group.

Revenue Outturn

9. The HRA Revenue Summary attached at Appendix 1 shows a decrease in expenditure of £581,900 (0.9%) and a reduction in income of £56,800 (0.1%). Balances as at 31 March 2012 are therefore £525,100 higher than expected.
10. The net effect of changes in income and expenditure is a surplus on the HRA for the year of £997,800 against a budgeted surplus of £472,700, which results in an increase in working balances as at 31 March 2012. The working balance on the HRA, which will be carried forward into 2012/13, is therefore £2,620,700. In the HRA Business Plan agreed by Cabinet and Council in February this year it was agreed to set the working balance for the HRA each year at £2m. This outturn therefore supports this principle and delivers an additional surplus of £620,700.
11. An explanation of the variances can be found at Appendix 2. It is noted that the under spend on responsive repairs arose because part of the money that had been set aside to help fund the mobile working project was not needed in 2011/12. A conscious decision was taken to delay work on this project until the lean project had begun reporting its findings. Now the implementation of the new processes identified is well underway, the mobile working project can proceed to conclusion and it is therefore recommended that £225,000 is carried forward into 2012/13. In addition, it is recommended that £57,000 is carried forward within the programme repairs budget for electrical testing and smoke detector maintenance works on 130 properties that were delayed until the early part of 2012/13 due to programming issues.
12. If these carry forward requests, totalling £282,000 are approved, this leaves an overall improvement of revenue balances of £243,100.

Capital Outturn

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

Section	Approved Estimate 2011/12 £'000	Actual Outturn 2011/12 £'000	Over/(Under spend)	
			£'000	%
Safe Wind and Weather Tight	1,914	2,060	146	7.6
Modern Facilities	11,336	11,125	(211)	(1.9)
Well Maintained Communal Facilities	4,768	4,491	(277)	(5.8)
Warm & Energy Efficient	1,000	731	(269)	(26.9)
Estate Regeneration	2,539	2,010	(529)	(20.8)
New Build	1,919	1,706	(213)	(11.1)
TOTAL	23,476	22,123	(1,353)	(5.8)

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 2012/13 Programme, which take account of the variations in 2011/12, are recommended for approval in this report (see Appendix 3). A summary of the changes is shown in the following table:

	£000
Current Programme 2012/13	31,443
Spending delayed into 2012/13 from 2011/12	1,423
Spending brought forward into 2011/12 from 2012/13	(574)
Proposed Programme 2012/13	32,292

In addition, Appendix 3 shows variations on completed capital schemes. There are under spends of £523,000 and over spends of £19,000, leading to a net saving of £504,000 on existing projects.

17. Due to the ongoing discussions about the potential estate regeneration of Townhill Park, the Council previously agreed to hold any kitchen and bathroom works in the properties that may have been affected by the regeneration. Now that the principal outline of the regeneration has been agreed over three phases and a 10 year period, it is necessary to carry out some improvements to previously deferred properties that will feature in phases 2 & 3 of the regeneration. At current estimates the work required will be £512,000 and so provision will be made within the 2012/13 Housing refurbishment programme for this work to be completed. It is anticipated that the net savings in the projects for 2011/12 will be used to support this work.

Capital Financing

18. A comparison of the final financing of the spending in 2011/12 with the approved budgets is shown below:

	Approved Estimate £'000	Resources Used £'000	Variance £'000
Grants/Contributions	3,096	2,568	(528)
Direct Revenue Financing	7,284	6,459	(825)
Major Repairs Allowance	13,096	13,096	0
TOTAL	23,476	22,123	(1,353)

19. The changes to the resources are explained below:
- The level of Grants and Contributions used to fund the programme was reduced due to slippage in the Estate Regeneration programme. This will mean that some of the HCA grant will be applied later than anticipated.
 - The level of Direct Revenue Financing was also reduced to reflect the level of expenditure in the rest of the programme being approximately 4% lower than anticipated.
20. The funding changes in 2011/12 mainly arise from timing issues. The HRA business plan assumes that part of the annual revenue income will be used to fund capital expenditure. If the level of this Direct Revenue Financing (DRF) is reduced in 2011/12 this means that there will be more available to fund the future years' capital programme without recourse to borrowing. The level of unused DRF at 31 March 2012 is £2,727,800. In overall terms, there has not been any material change in the resources used to fund the HRA capital programme.

Overall position

21. In summary:
- The HRA working balance has increased by £243,100, after allowing for the carry forward of the £282,000 needed to fund the continuation of the mobile working project and the delayed programme repairs.

- The capital programme for 2012/13 will be increased by £849,000 due to the slippage and re-phasing from 2011/12.
 - There are net savings of £504,000 on completed capital schemes.
 - There was no material change in the level of resources used 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 2012.

Update on the HRA Business Plan

23. This section provides an update on the thirty year business plan for the HRA since the budget report was submitted to Cabinet and Council in February 2012. This follows the introduction of self financing on 1st April 2012.
24. On 28th March 2012 the HRA paid a one-off levy to CLG to buy its way out of the current subsidy system and stop the need for annual payments. The budget report assumed borrowing of £75.521M would be required to fund the payment of this levy. However, the final settlement was £1.674M lower than anticipated and required borrowing of only £73.847M.
25. The budget report assumed an interest rate on borrowing of exactly 4%. However, when funds were acquired from the Public Works Loans Board on 26th March 2012 the average interest rate was slightly over 3.5%.
26. The combined impact of these variations is that there is an annual saving of £433,000 and a subsequent increase in the surplus on the HRA Business Plan of almost £13M over thirty years. In addition, there is a forecast increase in interest on cash balances over the thirty year period of approximately £0.5M.
27. The implications of these changes and further Business Plan sensitivity analysis will be included as part of the next full review of the HRA Business Plan later in 2012.

RESOURCE IMPLICATIONS

Capital/Revenue

28. Contained in the detail of the report.

Property/Other

29. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

30. 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:

31. None

POLICY FRAMEWORK IMPLICATIONS

32. The HRA revenue and capital outturn for 2011/12 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 2011/12. 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 2011/12
2.	Revenue Variances
3.	HRA Capital Programme Outturn 2011/12
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.	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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1.	None	
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