

DECISION-MAKER:	COUNCIL		
SUBJECT:	HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL OUTTURN 2014/15		
DATE OF DECISION:	15 JULY 2015		
REPORT OF:	CABINET MEMBER FOR HOUSING AND SUSTAINABILITY		
<u>CONTACT DETAILS</u>			
AUTHORS:	Name:	Alan Denford Nick Cross	Tel: 023 8083 3159 023 8083 2241
	E-mail:	Alan.Denford@southampton.gov.uk Nick.Cross@southampton.gov.uk	
Director	Name:	Mark Heath	Tel: 023 8083 2371
	E-mail:	Mark.Heath@southampton.gov.uk	
STATEMENT OF CONFIDENTIALITY			
None			

BRIEF SUMMARY

This is the Housing Revenue Account (HRA) revenue and capital outturn report for the financial year 2014/15.

The actual level of net revenue spending in 2014/15 was in line with the budget. The final outturn shows a deficit for the year of £278,800. This was a budgeted deficit equivalent to the specific revenue carry forward requests approved by Council as part of the HRA outturn report in July 2014.

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 £2,011,500. The whole of this variance has been balanced by a reduction in the revenue allocated to fund the capital programme.

The revised HRA working balance at 31 March 2015 of £2,000,000 meets the minimum requirement for the HRA, as approved by Cabinet and Council in February 2012.

Total capital expenditure in 2014/15 was £30,225,000 compared to the February 2015 approved budget of £34,929,000, which represents an 86.5% spend level. Capital financing that was not used during the year, mainly due to scheme slippage, will be available to fund expenditure in 2015/16.

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 2014/15, as set out in Appendix 1, and the working balance at the end of the year of £2,000,000.
- (ii) Notes the HRA capital outturn for the financial year 2014/15, as summarised in paragraph 12 of this report.
- (iii) Approves the amendments to schemes in the HRA Capital Programme for 2015/16, as set out in Appendix 3, to take account of the slippage and re-phasing in 2014/15.
- (iv) Notes the 2014/15 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 2015.

REASONS FOR REPORT RECOMMENDATIONS

1. The HRA revenue and capital outturn for 2014/15 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 2014/15. 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 2015/16 Capital Programme to reflect the 2014/15 outturn. However, such a decision could result in 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 2014/15. The report compares the latest estimate for 2014/15 with the final expenditure for the year.
6. This report also summarises the HRA Capital Programme outturn for 2014/15 and recommends adjustments to the 2015/16 capital programme to take account of actual spending in 2014/15.
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 2014/15 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 2014/15. The financial information has been prepared in accordance with statutory accounting principles. The adjustments to the capital programme for 2015/16 are directly related to performance in 2014/15. 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.

Revenue Outturn

9. The actual level of net revenue spending in 2014/15 was in line with the budget. The final outturn shows a deficit for the year of £278,800. This was a budgeted deficit equivalent to the specific revenue carry forward requests approved by Council as part of the HRA outturn report in July 2014. 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 £2,011,500. Much of this was due to repairing storm damage over and above what would usually be expected, as detailed in Appendix 2. The whole of this deficit has been balanced by a reduction in the revenue allocated to fund the capital programme.
10. After this adjustment the HRA Revenue Summary, attached at Appendix 1, shows an increase in expenditure of £219,900 (0.3%) and an equivalent increase in income of £219,900 (0.3%). 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 2015 meets this minimum requirement.

Capital Outturn

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

Section	Approved	Actual	Over/(Under	
	Estimate	Outturn	spend)	
	2014/15	2014/15	£000	%
	£000	£000		
Safe Wind and Weather Tight	5,211	5,378	167	3.2
Modern Facilities	14,460	13,701	(759)	(5.2)
Well Maintained Communal Facilities	7,343	5,199	(2,144)	(29.2)
Warm & Energy Efficient	2,606	1,700	(906)	(34.8)
Estate Regeneration	2,424	2,044	(380)	(15.7)
New Build	2,885	2,203	(682)	(23.7)
TOTAL	34,929	30,225	(4,704)	(13.5)

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. Some amendments to the HRA Capital Programme, which take account of the variations in 2014/15, are recommended for approval in this report (see Appendix 3). The impact of these changes on the 2015/16 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 2015/16 ensures as many schemes as possible can be commenced promptly, while any that cannot be started in 2015/16 can be carried over to the following year.

	£000
February 2015 Approved Programme 2015/16	65,546
Previously Approved Changes	1,419
Current Programme 2015/16	66,965
Spending delayed into 2015/16 from 2014/15	5,074
Spending brought forward into 2014/15 from 2015/16	(1,744)
Proposed Programme 2015/16	70,295

N.B. £40,000 of spending was brought forward into 2014/15 from 2016/17.

16. In addition, Appendix 3 shows variations on completed capital schemes. There are under spends of £193,000 and over spends of £198,000, leading to a net over spend of £5,000 on existing projects, which will be addressed in the September 2015 capital update.

Capital Financing

17. The final financing of the capital spending in 2014/15 is shown below:

	Resources Used £000
Grants/Contributions	2,102
Depreciation	18,939
Direct Revenue Financing	5,544
Capital Receipts	3,640
Borrowing	0
TOTAL	30,225

18. The main changes to the resources are explained below:
- No borrowing was required to finance capital expenditure in the year, due to slippage in the programme. However, borrowing of £38,000,000 would be needed to deliver the full proposed programme for 2015/16. This 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 additional expenditure on responsive repairs following the winter storms of 2013/14. 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 2014/15 which has enabled the forward capital programme to remain fully funded.
19. The funding changes in 2014/15 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 2014/15, 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.

Overall position

20. In summary:
- The HRA working balance remains at the minimum value of £2,000,000.
 - The capital programme for 2015/16 will be increased by £3,330,000 due to the slippage and re-phasing from 2014/15.
 - There was no material change in the overall level of resources needed to fund the HRA Capital Programme.
21. The effect of these and other changes will be considered as part of the next full update of the HRA Business Plan later in 2015.

RESOURCE IMPLICATIONS

Capital/Revenue

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

Property/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 2014/15 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 2014/15. This is compared to the approved budget for the year.

KEY DECISION?	Yes
WARDS/COMMUNITIES AFFECTED:	All

SUPPORTING DOCUMENTATION

Appendices

1.	HRA Revenue Summary Outturn 2014/15
2.	Revenue Variances
3.	HRA Capital Programme Outturn 2014/15
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)
1. None	