

<b>DECISION-MAKER:</b>	COUNCIL		
<b>SUBJECT:</b>	HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL OUTTURN 2012/13		
<b>DATE OF DECISION:</b>	17 JULY 2013		
<b>REPORT OF:</b>	CABINET MEMBER FOR HOUSING AND SUSTAINABILITY		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHORS:</b>	<b>Name:</b>	Alan Denford Nick Cross	<b>Tel:</b> 023 8083 3159 023 8083 2241
	<b>E-mail:</b>	<a href="mailto:Alan.Denford@southampton.gov.uk">Alan.Denford@southampton.gov.uk</a> <a href="mailto:Nick.Cross@southampton.gov.uk">Nick.Cross@southampton.gov.uk</a>	
<b>Directors</b>	<b>Name:</b>	Mark Heath Alison Elliott	<b>Tel:</b> 023 8083 2371 023 8083 2602
	<b>E-mail:</b>	<a href="mailto:Mark.Heath@southampton.gov.uk">Mark.Heath@southampton.gov.uk</a> <a href="mailto:Alison.Elliott@southampton.gov.uk">Alison.Elliott@southampton.gov.uk</a>	
<b>STATEMENT OF CONFIDENTIALITY</b>			
None			

### **BRIEF SUMMARY**

This is the Housing Revenue Account (HRA) revenue and capital outturn report for the financial year 2012/13.

The actual level of net revenue spending in 2012/13 was £1,007,700 lower than expected. This variation represents 1.5% of the total turnover of over £67.6M. The final outturn shows a surplus for the year of £668,000 compared to a budgeted deficit of £339,700. The HRA working balance at 31 March 2013 is £3,289,000.

Total capital expenditure in 2012/13 was £24,270,000 compared to the approved budget of £26,351,000, which represents a 92.1% spend level against the approved budget. Capital financing that was not used during the year, mainly due to scheme slippage, will be available to fund expenditure in 2013/14.

The 2012/13 capital 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:**

- (i) To note the HRA revenue outturn for the financial year 2012/13, which shows a favourable variance for the year of £1,007,700 and balances at the end of the year of £3,289,000;

- (ii) To approve the revenue carry forward into 2013/14 of £573,000, as set out in paragraph 11 of this report;
- (iii) To note the capital outturn for 2012/13;
- (iv) To approve the amendments to the HRA Capital Programme for 2013/14 set out in Appendix 3 to take account of the slippage and re-phasing in 2012/13; and
- (v) To 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 2013.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. The HRA revenue and capital outturn for 2012/13 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 2012/13. 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 2013/14 Capital Programme to reflect the 2012/13 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 City tenants recorded in the HRA in 2012/13. The report compares the latest estimate for 2012/13 with the final expenditure for the year.
6. This report also summarises the HRA Capital Programme outturn for 2012/13 and recommends adjustments to the 2013/14 capital programme to take account of actual spending in 2012/13.

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 2012/13 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 2012/13. The financial information has been prepared in accordance with statutory accounting principles. The adjustments to the capital programme for 2013/14 are directly related to performance in 2012/13. Although there is no statutory duty to consult, the information in this report has been discussed at meetings of the Tenant Resource Group.

### **Revenue Outturn**

9. The HRA Revenue Summary attached at Appendix 1 shows a decrease in expenditure of £922,700 (1.3%) and an increase in income of £85,000 (0.1%). Balances as at 31 March 2013 are therefore £1,007,700 higher than expected.
10. The net effect of changes in income and expenditure is a surplus on the HRA for the year of £668,000 against a budgeted deficit of £339,700, which results in an increase in working balances as at 31 March 2013. The working balance on the HRA, which will be carried forward into 2013/14, is therefore £3,289,000. 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 therefore supports this principle and delivers an additional surplus of £1,289,000.
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 2013/14 so that specific projects can be completed. These are listed in the table below:

	£
External decorations (to address backlog)	238,000
Housing Operations Transformation (mobile working)	180,000
Policy Team (scanning project / tenant handbook)	35,000
Replacement of stock condition database	<u>120,000</u>
<b>Total carry-forward recommendations</b>	<b><u>573,000</u></b>

12. If these carry forward requests are approved, this leaves an overall improvement in revenue balances of £434,700.

### Capital Outturn

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

Section	Approved Estimate	Actual Outturn	Over/(Under spend)	
	2012/13 £'000	2012/13 £'000	£'000	%
Safe Wind and Weather Tight	5,800	5,269	(531)	(9.2)
Modern Facilities	10,312	10,017	(295)	(2.9)
Well Maintained Communal Facilities	5,106	4,670	(436)	(8.5)
Warm & Energy Efficient	2,253	1,889	(364)	(16.2)
Estate Regeneration	2,488	2,152	(336)	(13.5)
New Build	392	273	(119)	(30.4)
<b>TOTAL</b>	<b>26,351</b>	<b>24,270</b>	<b>(2,081)</b>	<b>(7.9)</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 2013/14 Programme, which take account of the variations in 2012/13, are recommended for approval in this report (see Appendix 3). A summary of the changes is shown in the following table:

	£000
Current Programme 2013/14	44,900
Spending delayed into 2013/14 from 2012/13	3,314
Spending brought forward into 2012/13 from 2013/14	(1,311)
Proposed Programme 2013/14	46,903

17. In addition, Appendix 3 shows variations on completed capital schemes. There are under spends of £113,000 and over spends of £35,000, leading to a net saving of £78,000 on existing projects, which will be used to fund other work in 2013/14.

### **Capital Financing**

18. A comparison of the final financing of the spending in 2012/13 with the approved budgets is shown below:

	Approved Estimate £'000	Resources Used £'000	Variance £'000
Grants/Contributions	959	992	33
Depreciation	17,172	16,206	(966)
Direct Revenue Financing	4,342	6,288	1,946
Capital Receipts	3,697	784	(2,913)
Borrowing	181	0	(181)
<b>TOTAL</b>	<b>26,351</b>	<b>24,270</b>	<b>(2,081)</b>

19. The main changes to the resources are explained below:
- The combined depreciation and direct revenue financing (DRF) contribution to the funding of capital expenditure has been increased to allow other capital resources to be carried forward and reduce the borrowing requirement to support the Capital Programme in 2013/14.
  - 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 8% lower than anticipated.
20. The funding changes in 2012/13 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 DRF has been increased in 2012/13, which means that there will be more capital receipts available to fund the future years' capital programme without recourse to borrowing. 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 £434,700, after allowing for the carry forward of the £573,000 needed to fund outstanding projects.
  - The capital programme for 2013/14 will be increased by £2,003,000 due to the slippage and re-phasing from 2012/13.
  - There are net savings of £78,000 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 2013.

**RESOURCE IMPLICATIONS**

**Capital/Revenue**

28. These are 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 2012/13 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 2012/13. This is compared to the approved budget for the year.

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**KEY DECISION?** Yes

<b>WARDS/COMMUNITIES AFFECTED:</b>	All
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## SUPPORTING DOCUMENTATION

### Appendices

1.	HRA Revenue Summary Outturn 2012/13
2.	Revenue Variances
3.	HRA Capital Programme Outturn 2012/13
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	
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