

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Cabinet Member for Safe and Attractive Neighbourhoods
2.	Date:	Monday 2nd July 2012
3.	Title:	Housing Revenue Account 2011/12 Outturn Report
4.	Directorate:	Neighbourhoods and Adult Services

5. Summary

This report presents the unaudited outturn position on the Housing Revenue Account (HRA) for the financial period 2011/12.

The report will show that the out turn position was an overall surplus (transfer to Working Balance) of £5.555m which was an increase on the budgeted sum.

The report summarises the key income and expenditure variances from the approved budget to demonstrate that whilst there was substantial increase in repair and maintenance costs, it has been possible to accommodate these within existing resources, as a result of savings in supervision and management costs, and with increased income.

Attached at Appendix 1 is the year end HRA Operating Statement for 2011/12.

6. Recommendations

THE CABINET MEMBER RECEIVES AND NOTES THE UNAUDITED HRA OUTTURN REPORT FOR 2011-12.

7. Proposals and Details

- 7.1 The final Housing Revenue Account (HRA) financial outturn position for 2011/12 was a surplus of £5.555m. This has been transferred to the HRA reserve (Working Balance). The key income and expenditure variances from budget are highlighted below.
- 7.2 Appendix 1 is the HRA's Operating Statement for 2011/12, which shows the actual outturn against approved budget including variation. It follows the same format as used for monitoring financial performance during the year.
- 7.3 For 2011/12, the Net Operating Expenditure was a surplus of £6.605m and after Revenue Contributions to Capital Expenditure (RCCO) resulted in a net surplus of £5.555m. This was transferred to reserves to meet future costs outlined in the 30 year Business Plan. This represents an increase in transfer to reserves of £943k against the approved budget (a further £612k surplus than forecast at the end of January 2012).
- 7.4 The table below demonstrates the out turn position on the cost of delivering services, which at -£6.533m is an improvement on the budgeted position.

	Budget £000	Out Turn £000	Variance £000
Expenditure	74,634	74,014	-620
Income	-80,022	-80,547	-525
Net Cost of Service	-5,388	-6,533	-1,145

- 7.5 As can be seen, total expenditure outturn was £74.014m against an approved budget of £74.634m, an overall underspend of £620k. The main reasons for variations against the various budget lines which make up total expenditure were as follows:-

Expenditure

7.5.1 Contribution to Housing Repairs

The outturn on repairs was £15.697m compared to a budget provision of £14.658m, an overspend of £1.039m. This is £136k less than the previous report to Cabinet Member. The changes at final outturn can be analysed as follows:

- Voids.

Previous reports identified that due to the responsive nature of voids, it is difficult to forecast the actual number and the average cost of repairs which will be dealt with during the year. Throughout 2011/12 the year end forecasts projected an increase in the actual number of voids compared to budget. This was in part due to the development of new build properties, which enabled considerable movement within the council housing stock and hence the creation of multiple voids.

Similarly an additional emphasis on encouraging tenants to down size has also created a significant number of void properties. This resulted in overspends on both revenue and capital budgets.

The final number of voids completed in year was 1,792 (both major and minor) compared to a budget provision of 1,701. Actual voids charged to revenue totalled 1,516 compared to a previous forecast of 1,642 which was due to an increase in major voids which were charged to capital. As a result, the total overspend on minor voids fell to £401k, a reduction of £185k against that previously reported. However, there was an increase in capital void spend which is reported within the Indicative Outturn report for the 2011/12 Housing Investment Programme (HIP).

- Planned Works

Essential structural, asbestos testing and damp proofing works were carried out during the latter part of the financial year which led to an overspend of £292k on this budget head an increase of £131k from the previous monitoring report.

- Responsive Repairs

Overall, the responsive repairs budget overspent by £286k which was due to an increase in the value of Out of Scope works. This is an increase of £151k over previous forecasts. These are items which fall outside the original scope of the contract, tenant recharge type works which cannot be recovered and vandalism costs. A process is in place to actively recover tenant recharges, and a review of works required but out of scope of the contract is being carried out with a view to determining if an adjustment is required to the price per property (PPP)

- Bad Weather Contingency.

The increased costs identified above were met from the savings on voids and the release of the bad weather contingency sum which resulted in an overall saving of £136k when compared to previous forecasts.

7.5.2 Supervision and Management

The outturn on this account was an overall underspend of £1.511m against a budget of £16.405m, an increase in underspend of £810k since the last monitoring report.

The reasons for the main variations were as follows:

- Re-phasing of the implementation of the Housing Information Management System from 2011/12 to 2012/13 resulted in savings of £265k in the current financial year.
- Support cost savings of £238k.
- Underspend on energy costs within District Heating schemes (£252k).
- Savings of £323k on salaries due to vacancies which were held pending the review of the staffing structure within the service.
- Reduction in spend on supplies and services due to the Council wide moratorium on non essential spend.

7.5.3 Negative Housing Subsidy

The final cost of negative housing subsidy repaid to central government for 2011-12 was £16.702m compared to the budget provision of £16.162m, an increase of £540k. RMBC incurred lower interest rate charges and debt management costs during 2011-12, therefore the authority had to pay more subsidy back to central government.

7.5.4 Cost of Capital

The Cost of Capital outturn was £11.152m against a budget of £11.597m, a reduction of £445k. These savings are due to lower interest rates as outlined above in 7.5.3.

Income

7.6 The table at paragraph 7.4 identifies that the total income collected was £80.547m, which, when compared to the budget of £80.022m was an increase of £525k. This is in line with previous forecasts. The main reasons for the variations against the various Income budgets can be summarised as follows:

7.6.1

- Income from Dwelling rents was £205k over and above budget mainly due to new build properties being made available earlier than anticipated.
- Loss of rent income due to void dwellings was £75k over the amount budgeted for.
- Charges for services and facilities for the year amounted to £3.367m, an improvement against budget (£3.028m) of £339k. This was mostly due to additional income from the furnished homes scheme as a result of higher than anticipated customer take up.

Summary

7.7.1 In summary, therefore, it can be seen that the actual cost of delivering the service was lower than budgeted and this position together with the fact that actual income

generated was higher than budget as resulted in a substantial saving on the net cost of service.

7.7.2 The Operating Statement at Appendix A shows that when £73k of interest on balances received in 2011/12 is added to the Cost of Service there is a Net Operating Expenditure of £6.606m.

7.8 Revenue Contribution to Capital Outlay (RCCO)

The final adjustment in the Operating Statement is a provision for a RCCO. Savings within the budget have allowed us to increase the contribution made to capital expenditure in 2011/12 to £1.050m. By doing this, the Right to Buy receipts which had previously been earmarked to fund part of the capital programme in 2011/12 will be carried forward to be used to underpin the Aids and Adaptations capital works in 2012/13 .

7.9 Transfer to Reserves (Working Balance)

Once all income and expenditure had been accounted for, the resultant surplus was transferred to reserves (Working Balance) to be used to underpin the 30 year Business Plan as previously reported.

The final transfer to reserves for 2011/12 was £5.556m compared to the budget provision of £4.613m, this was an improvement of £612k on the January position due to the savings identified elsewhere in the report.

The cumulative total in Working Balance is £8.327m, an increase of £1.193m when compared to budget. This will help to ease the budget pressures in the earlier years of the 30 Year Business Plan.

8. Finance

The Local Government and Housing Act 1989 places a duty on all local housing authorities to keep an HRA in accordance with proper accounting practices and to set to budget to avoid any end of year deficit. Due to the uncertainties around Self Financing and the need to have sufficient reserves to effectively manage HRA housing stock, the Council set a prudent budget with an anticipated surplus of £4.613m.

In recent years the HRA has shown a deficit outturn which has resulted in a significant reduction in HRA reserves. The continued use of reserves to fund deficits will have a major impact on future years and could result in the HRA being in an overall deficit position. The HRA is facing major challenges due to Self Financing and welfare reforms which will impact on future resources.

The key HRA managed budgets, particularly repairs and maintenance now outsourced to external contractors, will continue to be the subject of close monitoring during 2012/13.

Appendix 1 shows the Final HRA Operating Statement for 2011-12.

9. Risks and Uncertainties

The outturn figures included in this report are subject to quality assurance work on the Council's Statement of Accounts and subsequent external audit verification during July and August.

10. Policy and Performance Agenda Implications

HRA funding is ring fenced and can only be used to provide and support services to Rotherham Council House tenants.

11. Background Papers and Consultation

This report has been discussed with Strategic Director of Neighbourhoods & Adult Services, Director of Financial Services and Director of Housing and Neighbourhoods.

Background Papers : Cabinet Report to Cabinet Member For Safe and Attractive Neighbourhoods Housing Revenue Report 2011/12 Monday 5th March 2012

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