

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Cabinet Member for Safe & Attractive Neighbourhoods
2.	Date:	Monday 17 June 2013
3.	Title:	Housing Revenue Account 2012/13 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 2012/13.

The report will show that the outturn position was an overall surplus (transfer to Working Balance) of £6.801m which was an increase on the budgeted sum, which in large part was the result of prudent operational and financial management achieving a series of savings whilst maximising collectable income.

The report summarises the key income and expenditure variances from the approved budget.

Attached at Appendix 1 is the year end HRA Operating Statement for 2012/13.

6. Recommendations

THE CABINET MEMBER RECEIVES AND NOTES THE UNAUDITED HRA OUTTURN REPORT FOR 2012/13.

7. Proposals and Details

- 7.1 The final Housing Revenue Account (HRA) financial outturn position for 2012/13 was a surplus of £6.801m. 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 2012/13, which shows the actual outturn against approved budget headings including variation. It follows the same format as used for monitoring financial performance during the year.
- 7.3 For 2012/13, the Net Operating Expenditure was a surplus of £7.760m and after Revenue Contributions to Capital Expenditure (RCCO) resulted in a net surplus of £6.801m. This was transferred to reserves to meet future anticipated costs outlined in the 30 year Business Plan. This represents an increase in the transfer to reserves of £4.963m against the approved budget.
- 7.4 The table below demonstrates the out turn position on the cost of delivering services, which at -£7.704m is an improvement on the budgeted position.

	Budget £000	Outturn £000	Variance £000
Expenditure	70,564	67,374	-3,190
Income	-73,327	-75,078	-1,751
Net Cost of Service	-2,763	-7,704	-4,941

- 7.5 As can be seen, total expenditure outturn was £67.374m against an approved budget of £70.564m, an overall underspend of £3.190m. 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 £15.227m compared to a budget provision of £17.438m, an underspend of £2.212m. This is an increase in under spend of £1.346m from the last budget monitoring report to Cabinet Member. The main 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 2012/13 the year end forecasts projected a decrease in the actual number of voids compared to budget.

The final number of minor voids completed in year was 1,506 compared to a budget provision of 1,600. This meant that £796k of budgeted provision was not required; this is an increase of £250k against that previously reported.

- Planned Works

Slippage on painting, plastering and batched repairs was incurred during the final month. It was also possible to transfer to capital expected revenue expenditure on garages following an analysis of the works involved. This has led to a saving of £763k on this budget heading, an increase of £265k from the February monitoring report.

- Responsive Repairs

Overall, the responsive repairs budget overspent by £276k which was due to an increase in the value of Out of Scope works - these are items which fall outside the original scope of the main contract. This is a decrease of £126k over previous forecasts. Progress has also been made towards recovering tenant rechargeable works.

- Bad Weather Contingency/Contractual Risks

To be prudent, these budgets were held until the year end and as they were not required it was possible to release £220k.

7.5.2 Supervision and Management

The outturn on this account was an overall underspend of £2.080m against a budget of £19.365m, an increase in underspend of £1.669m since the last monitoring report.

The reasons for the main variations were as follows:

- A comprehensive review of SLAs from 2011/12 to 2012/13 mainly due to Rotherham 2010 Ltd services being brought back into the council resulted in savings of £887k in the current financial year.
- Savings resulting from a review of procurement costs of £160k
- Support cost savings of £150k.
- Savings on planned maintenance and gas/electric charges within District Heating schemes reduced by an overspend on biomass fuel resulted in an overall underspend of £77k.
- Savings of £308k on salaries/pensions due to budgets which were held pending the review of the staffing structure within the service.
- Expenditure savings on supplies and services due to the Council wide moratorium on non-essential spend.

7.5.3 Negative Housing Subsidy

The final housing subsidy audited claim submitted for 2011/12 resulted in the authority paying less HRA subsidy back to central government than anticipated, resulting in a gain of £157k in 2012/13.

7.5.4 Cost of Capital

The Cost of Capital outturn was £14.361m against a budget of £14.046m, an overspend of £315k. The increase is due to interest rate fluctuations during the year.

7.5.5 Impairment of Fixed Assets (non dwellings)

Under self financing the costs of impairment/revaluation of non-dwellings (for example garages) is a new charge to the HRA. This is a yearend calculation and resulted in a charge of £646k.

Income

7.6 The table at paragraph 7.4 identifies that the total income collected was £75.078m, which, when compared to the budget of £73.327m was an increase of £1.751m. This is £223k higher than 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 £774k over and above budget (equates to 1% of the budget). This is an increase of £296k higher than the previous forecast mainly due to:

- rent write-offs being charged to the bad debt provision (£151k) in accordance with accounting standards
 - rent refund offsets not budgeted (£255k)
 - correction of previous year's write-off on debtors (£244k).
- Loss of rent income due to void dwellings was £154k less than the prudent amount budgeted for.
- Charges for services and facilities for the year amounted to £4.065m, an improvement against budget (£3.305m) of £760k. This was mainly due to additional income from the furnished homes scheme resulting from increasing customer take up.

Summary

7.7 In summary, it was possible to deliver the service at a cost lower than that budgeted for 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.

7.8 The Operating Statement at Appendix A shows that when £55k of interest on balances received in 2012/13 is added to the Cost of Service there is a Net Operating Expenditure of £7.760m.

7.9 Revenue Contribution to Capital Outlay (RCCO)

The final adjustment in the Operating Statement is a provision for a RCCO. A small increase of £9k resulted in an outturn figure of £959k.

7.10 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. This is a prudent approach given that income collection is expected to be under increasing pressure in the light of the general financial climate and welfare reform provisions, and that the asset database indicates that in the short term an optimal investment profile supersedes the resources available.

The final transfer to reserves for 2012/13 was £6.801m compared to the budget provision of £1.838m. This was an improvement of £2.277m on the February position due to the savings identified elsewhere in the report.

The cumulative total in Working Balance is £15.129m, an increase of £4.963m when compared to budget. This is broadly in line with the forecast position for the HRA in its 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 £1.838m.

Until 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 2013/14 to ensure spend is contained within approved budget.

Appendix 1 shows the Final HRA Operating Statement for 2012/13.

9. Risks and Uncertainties

The outturn figures included in this report are subject to 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 the Director of Housing and Neighbourhoods and Director of Financial Services.

Background Papers: Cabinet Report to Cabinet Member For Safe and Attractive Neighbourhoods Housing Revenue Report 2012/13 Monday 8th April 2013.

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