

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Cabinet Member for Safe & Attractive Neighbourhoods
2.	Date:	Monday 16 June 2014
3.	Title:	Housing Revenue Account 2013/14 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 2013/14.

The report will show that the outturn position was an overall surplus (transfer to Working Balance) of £1.570m, a variation of £4.168m from the budget. This in large part was the result of tight 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 2013/14.

6. Recommendations

THE CABINET MEMBER RECEIVES AND NOTES THE UNAUDITED HRA OUTTURN REPORT FOR 2013/14.

7. Proposals and Details

- 7.1 The Housing Revenue Account (HRA) financial outturn position for 2013/14 was a surplus of £1.570m. 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 2013/14, which shows the actual outturn against approved budget headings including variation, the same format as used for monitoring financial performance during the year.
- 7.3 For 2013/14, the Net Operating Expenditure was a surplus of £9.470m and after interest and Revenue Contributions to Capital Expenditure (RCCO) resulted in a net surplus of £1.570m. 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 £4.168m against the approved budget.
- 7.4 The table below demonstrates the out turn position on the cost of delivering services, which at -£9.470m is an improvement on the budgeted position.

	Budget £000	Outturn £000	Variance £000
Expenditure	73,090	70,775	-2,316
Income	-78,903	-80,245	-1,341
Net Cost of Service	-5,813	-9,470	-3,657

Expenditure

- 7.5 As can be seen, total expenditure outturn was £70.775m against an approved budget of £73.090m, an overall underspend of £2.316m. The main reasons for variations against the various budget lines which make up total expenditure were as follows:-

7.5.1 Contribution to Housing Repairs

The outturn on repairs was £17.130m compared to a budget provision of £17.966m, an underspend of £866k. This was a small increase in the under spend of £110k from the last budget monitoring report to Cabinet Member. The main variances 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 2013/14 the year end forecasts projected an increase in the actual number of voids compared to budget.

The final number of minor voids completed in year was 1,757 compared to a budget provision of 1,500 a 17% increase. This resulted in an overspend of £264k; this is an increase of £53k against that previously reported.

- Planned Works

Slippage on structural works, asbestos and various planned schemes was incurred during the final month, reduced by an overspend on damp proofing works. This has contributed to a saving of £425k on this budget heading, an increase of £65k from the February monitoring report.

- Responsive Repairs

Overall, the responsive repairs budget underspent by £147k 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 £140k over previous forecasts. Progress has also been made towards recovering tenant rechargeable works.

- Overheads

Contractor shared savings and release of contractual risk amounts contributed to an underspend at outturn of £378k.

- Cyclical

The provision for bad weather was not fully required and underspent by £47k. Further savings on district heating, various service budgets and estate management resulted in a total underspend of £180k within this budget.

7.5.2 Supervision and Management

The outturn on this account was an overall underspend of £1.276m against a budget of £20.065m, an increase in underspend of £283k since the last monitoring report.

The reasons for the main variations were as follows:

- Savings of £464k on salaries due to vacancy management and budgets which were held pending the review of the staffing structure within the service.
- Additional pressure of £358k on pensions, voluntary severance and ill health retirement costs.
- Savings on planned maintenance and utility charges within District Heating schemes resulted in an overall underspend of £230k.
- Expenditure savings on supplies and services due to the Council wide moratorium on non-essential spend, reduced by an increased transfer to reserves on Furnished Homes, resulted in an overall underspend of £940k.

7.5.3 Cost of Capital

The Cost of Capital outturn was £14.312m against a budget of £14.602m, an underspend of £290k due to interest rate fluctuations during the year.

Income

7.6 The table at paragraph 7.4 identifies that the total income collected was £80.245m, which, when compared to the budget of £78.904m was an increase of £1.341m. This is £232k 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 £366k over and above budget (equates to 0.5% of the budget). The increase is mainly due to the actual profile of Right to Buy sales during the year, rent allowances and adjustments being lower than anticipated plus the loss of rent income due to void dwellings was less than budgeted for.

7.6.2 Charges for services and facilities for the year amounted to £4.433m, an improvement against budget (£3.601m) of £831k. This was mainly due to additional income from the furnished homes scheme resulting from increasing customer take up plus additional income from Right to Buy fees.

7.6.3 There was also an over recovery of income in respect of other fees and charges of £180k against budget, which included additional income from the sale of tenants contents insurance, income from the sale of second hand furniture and income from the recovery of court costs.

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 has resulted in a substantial saving on the net cost of service.

7.8 The Operating Statement at Appendix A shows that when £71k of interest on balances received in 2013/14 is added to the Cost of Service there is a Net Operating Expenditure of £9.541m.

7.9 Appropriations

The final adjustments in the Operating Statement are:

- Revenue Contribution to Capital Outlay (RCCO) - this is in line with the budget of £8.437m.
- Impairment/Revaluation of Fixed Assets (non-dwellings) - under self-financing the costs of impairment/revaluation of non-dwellings (for example garages) is a charge to the HRA. This is a year-end calculation and resulted in a charge of £16k for impairment and a credit of £482k for revaluation of fixed assets.

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 2013/14 was £1.570m compared to the budget provision of a transfer from reserves of £2.599m. This was an increase of £1.200m on the February position due to the savings identified elsewhere in the report.

The cumulative total in Working Balance is £16.698m, an increase of £4.168m when compared to budget.

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. The HRA is facing major challenges due to Self Financing and welfare reforms which will impact on future resources. It is imperative that it has sufficient reserves to effectively manage HRA housing stock over the 30 year business plan.

The key HRA managed budgets, particularly repairs and maintenance now outsourced to external contractors, will continue to be the subject of close monitoring during 2014/15 to ensure spend is contained within approved budget.

Appendix 1 shows the Final HRA Operating Statement for 2013/14.

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 2013/14 Monday 7th April 2014.

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