

Appendix A – Housing Revenue Account Detailed Commentary

HRA REVENUE ACCOUNT

1. The HRA annual expenditure budget is £22.389M and income budget is £28.580M, which allows a contribution of £6.191M to reserves to present a net budget of zero. A subjective breakdown of budget, year to date position and forecast outturn is shown in Table 1 below.
2. There are a number of year to date variances across the HRA. Total income has a positive variance of £0.151M with a full year forecast positive variance of £0.480M expected to be achieved. The positive outturn forecast variance is predominantly accounted for by reduced void loss (£0.260M) and increased income from the rental of garages (£0.245M).
3. Housing Management is reporting a positive year to date variance of £0.216M. The variance is mostly due to out of profile expenditure within Supported Housing and Telecare, and a small number of staff vacancies following the restructure of the Housing Service. Ultimately it is predicted that a minor year end adverse variance will result from under achievement of the vacancy saving targets.
4. Due to the restructure of Asset Management, there has been additional spend relating to redundancy of £0.078M. This has resulted in a year to date increase of £0.029M on the staff budget, and a full year adverse variance predicted to be £0.064M.
5. Early pressures of increased demand and higher tender rates resulted in the maintenance spend being ahead of profile during the early part of the year. Effective controls have been put in place to manage the service within budget. These are having the desired effect with a current overspend of £0.131M. The maintenance budget remains a sensitive area and seasonal trends are kept under review.

Table 1

	2014/15 Budget	Budget YTD	Actual YTD	Variance YTD	Full Year Forecast	Variance Full Year Forecast to Budget
	£m	£m	£m	£m	£m	£m
Total Income	(28.580)	(14.290)	(14.441)	(0.151)	(29.060)	(0.480)
Housing Management	4.642	2.321	2.105	(0.216)	4.650	0.008
Financial Inclusion	0.220	0.110	0.070	(0.040)	0.220	0
Asset Management	1.045	0.523	0.552	0.029	1.109	0.064
Corporate Resources	1.610	0.805	0.730	(0.075)	1.610	0
Maintenance	4.473	2.237	2.368	0.131	4.604	0.131
Debt related costs	0.119	0.060	0.060	0	0.119	0
Direct Revenue Financing	6.667	3.334	2.895	(0.439)	5.790	(0.877)
Efficiency Programme	(0.395)	(0.198)	(0.198)	0	(0.395)	0
Interest repayment	4.008	2.004	2.004	0	4.008	0
Principal repayment	0	0	0	0	0	0
TOTAL Expenditure	22.389	11.196	10.586	(0.610)	21.715	(0.674)
Surplus	(6.191)	(3.094)	^ (3.855)	^ (0.761)	(7.345)	(1.154)
Contribution to / (from) reserve (actioned at year end)	6.191	3.094	3.855	0.761	7.345	1.154
Net Expenditure	0	0	0	0	0	0
^ Included for balancing and illustrative purposes only						

HRA CAPITAL PROGRAMME

6. The HRA Capital Programme reports a year to date reduced spend against profile of £0.732M, with a forecast year end outturn of £16.767M against a budget of £18.120M. The budget includes deferred works of £2.503M from 2013/14 relating to the Priory View development.

The Priory View development accounts for £1.022M of the reduced spend to date, however the forecast outturn for the year is still anticipated to be £10.277M, an under spend of £0.476M.

7. The Kitchen and Bathroom programme is currently £0.180M less than profile, the rewiring programme £0.045M less than profile and the Central Heating programme £0.156M less than profile. All three budgets are expected to be delivered within budget.
8. These are offset by increased spend in Paths and Fences (£0.140M) and Roof Replacement (£0.071M). The Roof Replacement forecast spend is £0.184M above budget due to additional demand identified during the year. Asbestos management has increased spend of £0.067M due to the majority of surveys being carried out in the early part of the year with additional demand for remedial works resulting in forecast additional spend of £0.050M.
9. A more robust approach to Occupational Therapy assessments combined with a proactive approach to effectively managing adapted properties by successfully matching people to suitable accommodation, has resulted in a reduction in demand for Aids and Adaptations. The forecast outturn for Aids and Adaptations suggests an underspend of £0.355M.

10. **Table 2**

Scheme Title	2014/15 Capital Budget	Full Year Forecast	Variance	Monthly Budget Monitoring September 2014		
				Profilled Budget YTD	Actual YTD	Variance
				Net Expenditure	Net Expenditure	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
General Enhancements	100	40	(60)	30	22	(8)
Garage Redurbishment	31	10	(21)	4	2	(2)
Paths & Fences Siteworks	80	200	120	22	162	140
Estate Improvements	250	250	0	111	173	62
Energy Conservation	800	800	0	220	441	221
Roof Replacement	250	434	184	216	287	71
Central Heating Installation	1,000	1,000	0	498	342	(156)
Rewiring	372	372	0	186	141	(45)
Kitchens and Bathrooms	1,099	1,099	0	388	208	(180)
Central Heating communal	77	77	0	10	0	(10)
Secure Door Entry	281	281	0	138	179	41
Structural Repairs	156	200	44	138	177	39
Aids and Adaptations	905	550	(355)	175	176	1
Capitalised Salaries	357	357	0	180	189	9
Asbestos Management	150	200	50	78	145	67
Stock Remodelling	1,000	400	(600)	109	177	68
Drainage & Water Supply	51	20	(31)	12	3	(9)
Plasticisation	0	0	0	0	11	11
Sheltered Housing Reprovision	10,753	10,277	(476)	3,198	2,176	(1,022)
Stock Refurbishment (NEW)	408	200	(208)	30	0	(30)
HRA	18,120	16,767	(1,353)	5,743	5,011	(732)

11. The energy conservation programme has completed the first phase of the current programme resulting in spend being out of profile by £0.221M; further major works are due to commence in January resulting in an outturn forecast to be on budget.
12. The housing development team is still being recruited and is currently staffed on an interim basis. Both development and regeneration require significant initial investment of time and resources before a pipeline of schemes can be developed. Although work in both of these areas is underway it has been concurrent to the restructuring of the service and operational issues have, and continue to be, addressed.
13. The garage strategy continues to be refined with the development potential of the sites being examined. None of the sites are straightforward to develop, having poor access and often have utilities services running through them. Architects have been appointed and planning submission programmed for the first build of 4 new homes, a mix of shared ownership and social rent, with completion planned for the summer of 2015.
14. Other sites, primarily garage (and some recently identified infill) sites are being evaluated in detail, following the initial options appraisal. Support is being engaged to lead the buy back of privately owned garages and demolition of some of the Council's empty garages, in preparation for future development.
15. Architects have been appointed to complete designs on refurbishing one sheltered scheme, Croft Green, aiming for submission of planning permission in September 2014. The proposed scheme is supported by existing residents. Briefs are also being prepared for options appraisals to be drawn up for 4 other schemes that offer potential development opportunities, but will need the support of residents, and will form the basis of a larger development programme to improve the Landlord's housing offer for older people.
16. A review is being undertaken of all HRA land for development potential.
17. Amey Construction have been engaged to provide parking options in two areas where parking is particularly difficult. An options appraisal to review potential regeneration sites has been procured, with the initial findings expected in November 2014.
18. The challenges in bringing forward some of the projects identified above are forecast to result in an under spend of £0.808M within the Stock Refurbishment and Stock Remodelling programmes.

HRA EFFICIENCY PROGRAMME

19. Since 2010 the Housing service has been using Housemark to provide a benchmarking service. The analysis provided has assisted in identifying the areas where HRA budgets are higher relative to other stock retained authorities.

20. The HRA revenue budget for 2014/15 was reduced by £0.395M, as part of the Council's efficiency programme. The Housing Service has made savings in its external decorations contract costs and generated more income from the Lifeline service. Further revenue savings will be achieved from additional capitalisation of staff time within Asset Management.
21. The HRA is forecast to fully achieve its efficiency target for 2014/15.

HRA ARREARS.

22. Table 3 shows a breakdown of the HRA Debt position at the end of September. Total tenant debt amounted to £1.051M compared to £0.957M at the end of September 2014. Current tenant arrears are £0.638M or 2.18% (£0.568M or 1.94% at August) of the annual rent debit of £29.303M, whilst former tenant arrears are at 1.41% with a balance of £0.413M against a target of 1% (1.33% with a balance of £0.389M at August).
23. The recovery of former tenant arrears has recently transferred to the income management teams. A full review of current procedures is underway to seek improvements in performance.
24. Performance with regard to the recovery of outstanding arrears and increase in rental income has remained high, due to the focus and consistency of the approach taken to help and support our customers who are facing difficulties in paying their rent. Alongside this work from the income management team there has been a drive to increase the number of tenants paying by direct debit, which has had a positive impact on the collection of rental income.
25. There are currently £0.128M of non tenant arrears (£0.105M August), which comprises the following: rents at shops owned by the HRA, service charges and ground rent relating to leaseholders who purchased flats via the Right to Buy scheme, and property damage relating to existing and former tenants.

Table 3

Debt Analysis - Tenant Arrears							
Description of debt	0-4 weeks	4-8 weeks	8-13 weeks	13-52 weeks	Over 1 yr	TOTAL	
	£M	£M	£M	£M	£M	£M	
Current Tenant	0.197	0.194	0.125	0.122	0	0.638	
Former Tenant						0.413	
						1.051	
Debt Analysis - Other Arrears							
Description of debt	From 15 to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 365 days	Over 1 yr but not over 2 yrs	Over 2 yrs	TOTAL
	£M	£M	£M	£M	£M	£M	£M
Shops	0.011	0	0	0.005	0	0	0.016
Leaseholders	(0.008)	0.001	0	0.015	0.118	0	0.126
Void recoveries	0.004	0	0	0.008	0	0	0.012
Misc recoveries	(0.010)	(0.003)	(0.002)	(0.021)	0.009	0.002	(0.026)
	(0.003)	(0.002)	(0.002)	0.007	0.127	0.002	0.128

PROMPT PAYMENT INDICATOR

26. The performance target for payment to suppliers, where there is no dispute over the amount invoiced, is 90% of invoices paid within 30 days of invoice receipt date. The HRA performance for September was 68% (150) of 226 invoices paid on time. 26 of the late payments relate to utilities with an average value of £36. In other cases the disputed invoice process should have been used more rigorously.
27. Actions are being implemented to improve this aspect of the service but have not yet taken effect. There is a Self Billing project in progressing to automate payment of invoices. This project is progressing well and will significantly improved timescales for making payment.

HRA CAPITAL RECEIPTS

28. New Right to Buy (RtB) discounts and proposals for re-investing the capital receipts came into effect from April 2014. From July 2014 the maximum discount available increased to 70% or £0.077m on all property types.
29. Up to the end of September 2014, 32 RtB applications were received with 10 properties being sold, compared to 27 Applications and 13 sales over the same period in 2013/14. It is currently projected that the number of RtB sales will be between 25 and 30 for the year, resulting in a residual receipt for the year of approximately £1.5M.
30. As a result of the changes to housing pooling the council has a balance at the end of June of useable capital receipts of £2.887M (balance bought forward from 2013/14 £2.546M), of which £1.253M is reserved for investment in new social housing. The Council has entered into an agreement with the Secretary of State to invest these receipts in new social housing. The use of these receipts is restricted to schemes that do not receive Homes and Communities Agency (HCA) funding.
31. The retained receipt can represent no more than 30% of the cost of the replacement properties, so the Council is committed to spend at least £4.178M on new build by 30 June 2017.
32. The Priory View project has been awarded £1.703M from the HCA, therefore the retained receipts from RtB sales reserved for new build cannot be used on this scheme.
33. The HRA's Budget proposals for the period of the Medium Term Financial Plan (MTFP) propose significant investment in new build (in excess of £5.0M by 30 September 2017, excluding spend on Priory View).

34. Current projections suggest RtB sales will not have a negative impact on the Business Plan, particularly if the number of new build properties exceeds the properties sold. However if annual RtB sales were to make up a significant percentage of the Housing Stock, such that it diminished by 10% (equivalent to approximately 500 properties) or more over the period to 31 March 2018, then this would pose a threat to the surpluses predicted both in the medium and longer term.

RESERVES

35. The total reserves available as at year end 2013/14 were £20.710M, comprising £2.0M in HRA Balances, £12.116M in the Extra Care Development Reserve, £6.394M in the Strategic Reserve and £0.2M in the Major Repairs Reserve.
36. The current position indicates a year end balance in reserves of £17.778M. HRA Balances are projected to remain at a contingency level of £2.0M, with the Extra Care Development Reserve decreasing to £6.731M, the Strategic reserve increasing to £8.847M, and the Major Repairs Reserve (MRR) remaining at £0.2M.
37. In total this equates to a forecast contribution to reserves for the year of £7.345M, offset by spend from reserves of £10.277M to result in a net decrease of £2.932M.
38. An Investment Strategy is currently being formulated, that will set out proposals for the use of the reserves that are forecast to materialise in the short to medium term. This strategy was referred to in the HRA Budget Report that was approved by Council in February 2014.

Table 4

Reserves					
Month: September 2014					
Description	Opening Balance 2014/15	Spend against reserves	Release of reserves	Proposed transfer to Reserves	Proposed Closing Balance 2014/15
	£000	£000	£000	£000	£000
HRA Balances	2,000	-	-	-	2,000
Extra Care Development Reserve	12,116	(10,277)	-	4,892	6,731
Strategic Reserve	6,394	-	-	2,453	8,847
Major Repairs (HRA)	200	-	-	-	200
	20,710	(10,277)	-	7,345	17,778

Table 5 – Net Revenue Position Full Analysis

Month: September 2014	Year to date				Year				
Director	Budget	Actual	Use of Reserves	Variance	Approved Budget	Provisional Outturn	Variance	Transfers to/(from) reserves	Variance after use of earmarked reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Assistant Director Housing Service	9,768	9,814	-	46	19,535	20,073	538	-	538
Housing Management (HRA)	(12,457)	(12,764)	-	(307)	(24,871)	(25,564)	(693)	-	(693)
Asset Management (HRA)	2,621	2,763	-	142	5,198	5,353	155	-	155
Financial Inclusion	68	14	-	(54)	138	138	-	-	-
Total	0	-173	0	-173	0	0	0	0	0