

Appendix A – HRA Detailed Commentary

1. The provisional outturn provides for a transfer to reserves of £6.590M.
2. Due to the changes in Right to Buy discounts, the Council achieved a higher level of capital receipts (£1.805M against a revised budget of £1.5M), which has enabled a year end balance of unapplied capital receipts of £3.451M. This figure is net of a £0.7M contribution to the HRA Capital Programme.
3. The provisional outturn for the Capital Programme is £13.394M (original budget £18.120M), a positive variance of £4.726M against the original budget. The majority of this variance (£4.009M) is accounted for by reduced spend at the Priory View development, where the projected completion date has slipped from the end of August to October 2015. The rest of the variance reflects the Housing Asset Management Strategy (HAMS), which incorporates a greater element of analysis and asset sweating.
4. The provisional outturn indicates a year end balance in reserves of £20.556M. HRA Balances will remain at a contingency level of £2.0M, with the Independent Living Development Reserve reducing to £11.962M, the Strategic reserve remaining at £6.394M, and the Major Repairs Reserve (MRR) remaining at £0.2M.

HRA REVENUE ACCOUNT

5. 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 and provisional outturn is shown in Table 1 below.

Table 1

	2014/15 Budget	2014/15 Provisional Outturn	Variance Provisional Outturn to Budget
	£m	£m	£m
Total Income	(28.580)	(28.486)	0.094
Housing Management	4.642	4.662	0.020
Financial Inclusion	0.220	0.235	0.015
Asset Management	1.045	1.175	0.130
Corporate Resources	1.610	1.699	0.089
Maintenance	4.473	4.455	(0.018)
Debt related costs	0.119	0.102	(0.017)
Direct Revenue Financing	6.667	5.950	(0.717)
Efficiency Programme	(0.395)	(0.395)	0
Interest repayment	4.008	4.013	0.005
Principal repayment	0	0	0
TOTAL Expenditure	22.389	21.896	(0.493)
Surplus	(6.191)	(6.590)	(0.399)
Contribution to / (from) reserves	6.191	6.590	0.399
Net Expenditure	0	0	0

6. Due to the restructure of Asset Management, there has been additional redundancy related spend of £0.108M. This accounts for the majority of the provisional outturn adverse variance of £0.130M.
7. The outturn position indicates a reduction in Direct Revenue Financing of £0.717M, due to the reduction in spend on HRA Capital projects. A further explanation is presented below.
8. There was an adverse variance for income of £0.094M (0.3%), accounted for by reduced recharges to Housing General Fund for services provided by HRA staff.

HRA CAPITAL PROGRAMME

9. The provisional outturn for the HRA's Capital Programme indicates expenditure of £13.394M against an original budget of £18.120M.

10. The overall position for the year reflects increased demand for paths and fences work, and significantly increased roof replacement works which have been identified through increased intelligence in the housing stock. This is in line with the Housing Asset Management Strategy (HAMS), which incorporates a greater element of analysis and asset utilisation. There was also an increase in structural repairs during the year, which by their nature are difficult to predict.
11. At Priory View the original cash flow projection has been revised to reflect actual works undertaken and the latest timetable for the remaining works. This has resulted in a provisional outturn of £6.744M against an original budget of £10.753M. Slippage will be proposed for the £4.009M under spend, with the project due to complete in the Autumn of 2015.
12. A contract to build 4 new homes at Creasey Park Drive, Dunstable has been entered into; the contractor took possession of the site on the 11 May 2015. The homes are due for completion by the end of 2015.
13. Other sites, primarily garage (and some recently identified infill) sites are being evaluated in detail. The initial options appraisal indicates that these sites could produce 153 units, including 15 units in the north of the area. Following consultation on the strategy the next steps will be the buy back of privately owned garages and securing of planning consent, in preparation for future development or sale.

Table 2

Scheme Title	2014/15 Capital Budget	2014/15 Provisional Outturn	Variance	Slippage to 2015/16
	Net Expenditure	Net Expenditure		Net Expenditure
	£'000	£'000	£'000	£'000
General Enhancements	100	94	(6)	0
Garage Redurbishment	31	15	(16)	0
Paths & Fences Siteworks	80	229	149	0
Estate Improvements	250	273	23	0
Energy Conservation	800	926	126	0
Roof Replacement	250	672	422	0
Central Heating Installation	1,000	663	(337)	0
Rewiring	372	441	69	0
Kitchens and Bathrooms	1,099	1,033	(66)	0
Central Heating communal	77	7	(70)	0
Secure Door Entry	281	300	19	0
Structural Repairs	156	244	88	0
Aids and Adaptations	905	610	(295)	0
Capitalised Salaries	357	400	43	0
Asbestos Management	150	358	208	0
Stock Remodelling	1,000	360	(640)	0
Drainage & Water Supply	51	25	(26)	0
Stock Refurbishment	408	0	(408)	0
Sheltered Housing Reprovision	10,753	6,744	(4,009)	(4,009)
HRA	18,120	13,394	(4,726)	(4,009)

14. Planning approval has been obtained, and Architects Project Management have been appointed to complete designs, on refurbishing the Croft Green sheltered scheme to take the project to practical completion. Start on site is expected to be May 2016 with a completion of August 2017. Options appraisals are being drawn up for 4 other sheltered schemes that offer potential development opportunities. These options 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.
15. Savills have been appointed to undertake a feasibility and options study review for three potential regeneration sites within Dunstable. The draft report was received in December 2014 and observations were sent back. A final version of the report has been received and the options are being considered as part of the overall development strategy.
16. 10 Schemes are being progressed as part of a jointly funded project to provide improvements to parking in Dunstable, Houghton Regis and Leighton Buzzard. These schemes are designed to improve parking, reduce the use of green spaces being used for unauthorised parking and to improve traffic flow in areas that have been identified. Currently 1 scheme is in for planning permission, with a further 4 being designed in detail for planning permission to be obtained.

17. The challenges in bringing forward some of the projects identified above, while concurrently taking over the delivery of Priory View and restructuring the Service, have resulted in a deferment in starting some schemes. This has resulted in a projected under spend of £1.048M within the Stock Refurbishment and Stock Remodelling programmes.
18. Importantly all stock protection work has been completed. Increased spend on asbestos management is a result of improved management processes to identify and remove the risk asbestos presents. Reduced spend on central heating results from application of asset utilisation and replacing boilers when they are at the end of their useful life, rather than predicted life.
19. As agreed by Council the programme will be financed by the use of the Independent Living Development Reserve (£6.744M), direct revenue financing (£5.950M), and capital receipts (£0.7M).

HRA EFFICIENCY PROGRAMME

20. 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.
21. 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, generated more income by recouping more service charge costs, and reduced void loss.
22. The provisional outturn indicates that the HRA will have exceeded its efficiency target, saving £0.322M on external decoration costs, generating £0.046M of increased service charge income, and reducing void loss by £0.231M. Efficiencies from asset utilisation have not been included as the process is one of re-profiling spend rather than a reduction to the bottom line.

HRA ARREARS

23. Total current and former tenant arrears were £0.926M at the year end (£0.950M in 2013/14). Current arrears are £0.5M or 1.70% of the annual rent debit of £29.370M (£0.565M or 1.97% in 2013/14). The figure of 1.70% is a 0.3% positive variance against a target of 2.0%.
24. Performance on former tenant arrears is 1.45% of the annual rent debit, against a target of 1.0%, leaving a balance of £0.426M (1.34% with a balance of £0.384M in 2013/14). A total of £0.051M of tenant arrears were written off in 2014/15 (£0.064M in 2013/14). The proportion of rent funded by Housing Benefit in 2014/15 is 57%.
25. In light of welfare reform housing management have implemented a pro-active approach to managing the impact on rent arrears. This includes early intervention, downsizing where necessary, increased contact with our residents, supporting tenants in making the right decisions regarding payment of rent and strong enforcement action when all other options have been

exhausted.

26. The outturn position for arrears represents a significant achievement when considered in the context of the welfare reform measures which took effect from 1 April 2013. This reflects both the strategic approach described above and the commitment of staff within Housing Management.
27. At the year end there is £0.124M of non tenant arrears (£0.175M 2013/14), 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. Recovery of these debts is not undertaken by the Landlord Service.

Table 3

Table 6

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	0.161	0.129	0.099	0.111	0	0.500
Former Tenant						0.426
						0.926

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	0.006	0	0	0.006	0	0.006	0.018
Leaseholders	0	0	0.008	0.002	0.007	0.032	0.049
Void recoveries	0	0	0	0.006	0.018	0.025	0.049
Misc recoveries	(0.006)	(0.003)	(0.003)	(0.007)	0.002	0.025	0.008
	0.000	(0.003)	0.005	0.007	0.027	0.088	0.124

PROMPT PAYMENT INDICATOR

28. 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 the year was 69% of 2,551 invoices paid on time.
29. Actions are being implemented to improve this aspect of the service but have not yet taken effect. Work to improve the process has identified invoices that are included in the overdue report but are outside of the service's control. There is a Self Billing project in progress to automate payment of invoices. This project is progressing well and will significantly improve timescales for making payment.

HRA CAPITAL RECEIPTS

30. New Right to Buy (RtB) discounts and proposals for re-investing the capital receipts came into effect from April 2012. From July 2014 the maximum discount available increased to 70% or £77K on all property types.
31. As of the 1 April 2014 there was a bought forward balance of £2.346M in HRA Useable Capital Receipts, of which £1.078M was reserved for investment in new build.

32. During the financial year 2014/15, 28 properties have been sold compared to 30 in 2013/14, resulting in retained capital receipts of £1.805M.
33. £0.197M of this income relates to receipts modelled in the self-financing calculations, and will contribute to the financing of the HRA Capital programme. This leaves £1.608M of receipts received as a result of the higher level of sales achieved following the changes to RtB discounts.
34. The sum of £1.608M includes £0.036M of transaction cost. £0.868M is a compensation for the debt attributable to the extra properties sold, and reflects the loss to the HRA of disposing of these properties. Whilst this amount is calculated as a proportion of self-financing debt there is no requirement to make debt repayment from it.
35. The remainder of £0.704M represents the proportion that is reserved for investment in new build. The Council has entered into an agreement with the Secretary of State to invest these receipts in new build.
36. When added to the amount brought forward from 2013/14, there is a total of £1.781M retained for new build. 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 £5.937M on new build by 31 March 2018.
37. The use of these receipts is restricted to schemes that do not receive Homes and Communities Agency (HCA) funding. 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.
38. The HRA's Budget proposals for the period of the Medium Term Financial Plan (MTFP) propose significant investment in new build (in excess of £10.5M by 31 March 2018, excluding spend on Priory View).
39. The retained receipts for the year referred to above result in a balance of £4.151M. £0.7M is earmarked to fund part of the 2014/15 capital programme, leaving a balance carried forward of £3.451M. These funds will further enhance the resources available for the HRA's capital programme.
40. 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 2019, then this would pose a threat to the surpluses predicted both in the medium and longer term.
41. If additional sales continue to represent a small percentage of the Council's stock, there is a significant benefit as retained receipts will provide the Council with additional funds for reinvestment.

RESERVES

42. The total reserves available as at April 2014 were £20.710M, comprising £2.0M in HRA Balances, £12.116M in the Independent Living Development Reserve, £6.394M in the Strategic Reserve and £0.2M in the Major Repairs Reserve.
43. The provisional outturn indicates a year end balance in reserves of £20.556m. HRA Balances will remain at a contingency level of £2.0M, with the Independent Living Development Reserve reducing to £11.962M, the Strategic reserve remaining at £6.394M, and the Major Repairs Reserve (MRR) remaining at £0.2M.
44. In total this equates to a forecast contribution to reserves for the year of £6.590M, offset by spend from reserves of £6.744M to result in a net decrease of £0.154M.
45. An Investment Strategy has been formulated, that sets 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 2015.

Table 4

Reserves	Provisional Outturn 2014/15				
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
Independent Living Development Reserve	12,116	(6,744)	-	6,590	11,962
Strategic Reserve	6,394	-	-	-	6,394
Major Repairs (HRA)	200	-	-	-	200
	20,710	(6,744)	-	6,590	20,556

Table 5

Net Revenue Position Full Analysis

Service	Budget	Provisional Outturn	Variance	Transfers to/(from) reserves	Variance after use of earmarked reserves
	£000	£000	£000	£000	£000
Assistant Director Housing Service	19,532	19,429	(106)	-	(106)
Housing Management (HRA)	(24,914)	(24,895)	20	-	20
Asset Management (HRA)	5,244	5,315	72	-	72
Financial Inclusion	138	151	14	-	14
Total	0	0	0	0	0