

Report of Head of Finance, Environment & Neighbourhoods

Report to Housing Advisory Board

Date: 7th June 2016

Subject: Housing Leeds (HRA) Provisional Revenue Outturn Position - 2015/16

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

The purpose of this report is to inform Housing Advisory Board of the provisional outturn position for the 2015/16 financial year in respect of the Council's Housing Revenue Account (HRA).

Recommendations

Housing Advisory Board is requested to note the contents of this report.

1. Summary

- 1.1 The HRA is projecting to provisionally outturn for 2015/16 with a surplus of £(817k)k. This is a reduction of £200k from that reported at Period 11.
- 1.2 Executive Board approval is being sought to utilise £522k of the above surplus to create an earmarked reserve to fund the cost of severance payments to Housing Management staff leaving under the Council's Early Leavers Initiative scheme. This will help to deliver staffing efficiencies required as a result of reductions to rental income from 2016/17.
- 1.3 The balance of the in year surplus (£295k) will be transferred to the HRA General Reserve.

2. Key Variances to Budget - Income

- 2.1 Income is projected to be £(1,161)k more than budget. Key variations include additional rental income of £(426)k primarily as a result of voids being less than budgeted, unbudgeted contributions to capital works from leaseholders £(186)k and additional income from service charges (£222k).
- 2.2 Salary costs and administration costs associated with Right to Buy (RTB) sales which can be capitalised in accordance with the Council's principles together with other minor variations are £(327)k higher than budget.

3. Key Variances to Budget - Expenditure

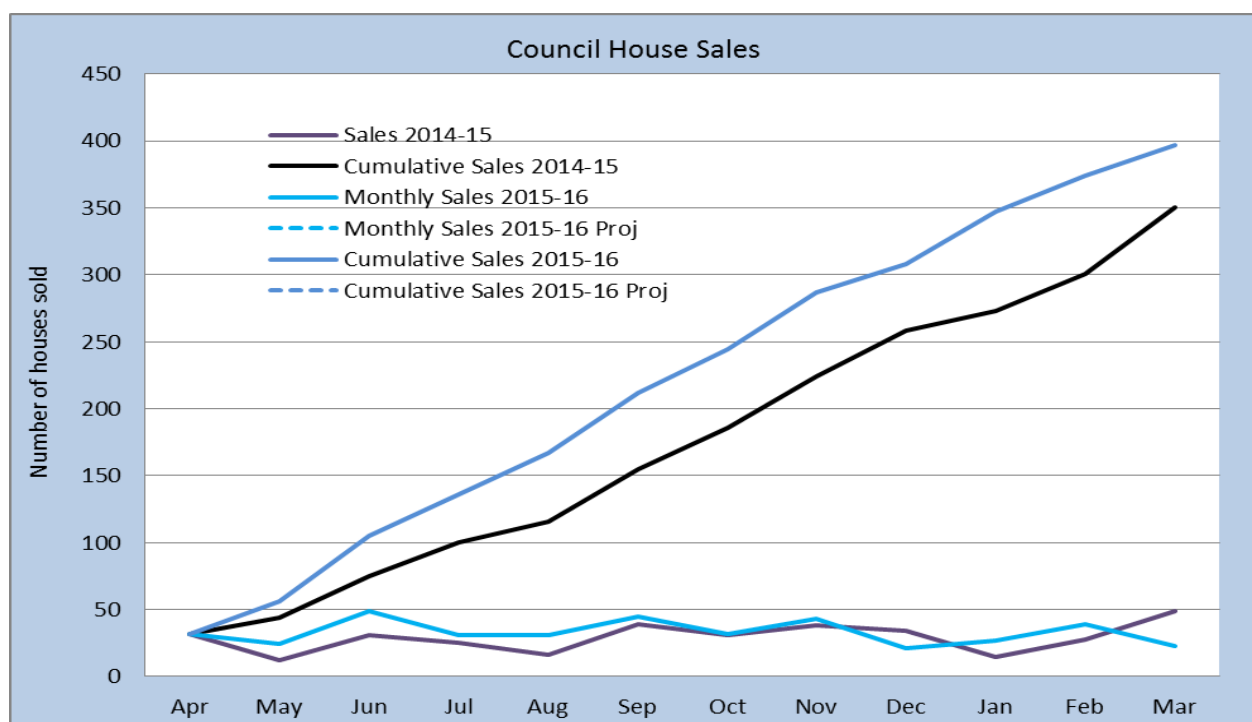
- 3.1 The overspend on the repairs budget (£2,292)k is due to a combination of additional works which have been undertaken largely as a result of resolving disrepair cases and by taking a more pro-active approach to avoiding expensive claims in the future. This preventative expenditure combined with improved processes in challenging claims will contribute towards delivering a balanced budget position in 2016/17. In addition to the above, the charge to the disrepair provision is £265k higher than budget as a result of clearing the backlog of outstanding cases.
- 3.2 There have been net savings of £(1,024)k in employee and transport costs due to vacant posts held earlier in the year whilst new structures were being implemented. It should be noted however, that these savings will not be recurring.
- 3.3 Savings of £(425)k have been achieved in relation to premises costs. Of these £(372)k relates to utility costs as a result of lower energy costs. The balance is due to a reduction in the carbon reduction levy £(38)k and minor variations in rents, cleaning and NNDR £(15)k
- 3.4 There has been a net overspend of £187k on charges for internal services. Key variations include additional charges for supporting troubled families on estates (£300k), welfare advice and support (£300k) energy portfolio work (£110k) and a more appropriate charge for the support provided by HR (£116k). These additional charges have been offset by reductions in charges for CDC £(197k), housing services £(123)k, community safety £(149)k, parks and countryside £(104)k and other minor variations £(66)k.

- 3.5 Net savings of £(146)k have been realised in relation to capital charges. This is due to a combination of higher charges for capital (£282k) and impairment charges (£455k), offset by additional Right To Buy receipts (£884k) being available to repay debt.
- 3.6 Other key variations include a reduction in leasing charges in relation to Heat Lease schemes £(775)k ,savings in relation to the tenant mobility scheme £(170)k and the requirement to make additional contribution for large insurance claims (£364k).
- 3.7 The contribution required to the bad debt provision is £270k lower than budget due to a combination of fewer rent arrears being written off than projected and the impact of the introduction of the Government’s welfare changes being less than anticipated.

4. Right to Buy (RTB) Sales

- 4.1 To the end of March 2016 there were 397 completed sales. This is 47 more than during 2014/15. The total year sales have generated sales receipts of £18,057k. In accordance with the Government’s formula, LCC can retain the sum of £11,754k.
- 4.2 Of this, £4,049k will be passported to Registered Social Landlords (RSLs) as a grant. This is to fund 30% of the cost of building new housing stock, and must be match-funded by a 70% contribution from the RSL. A further £5,384k can be retained for ‘allowable debt’ which can be used either to repay debt or to fund other capital expenditure. The remaining sum of £2,321k will be retained corporately to fund the General Fund Capital Programme.

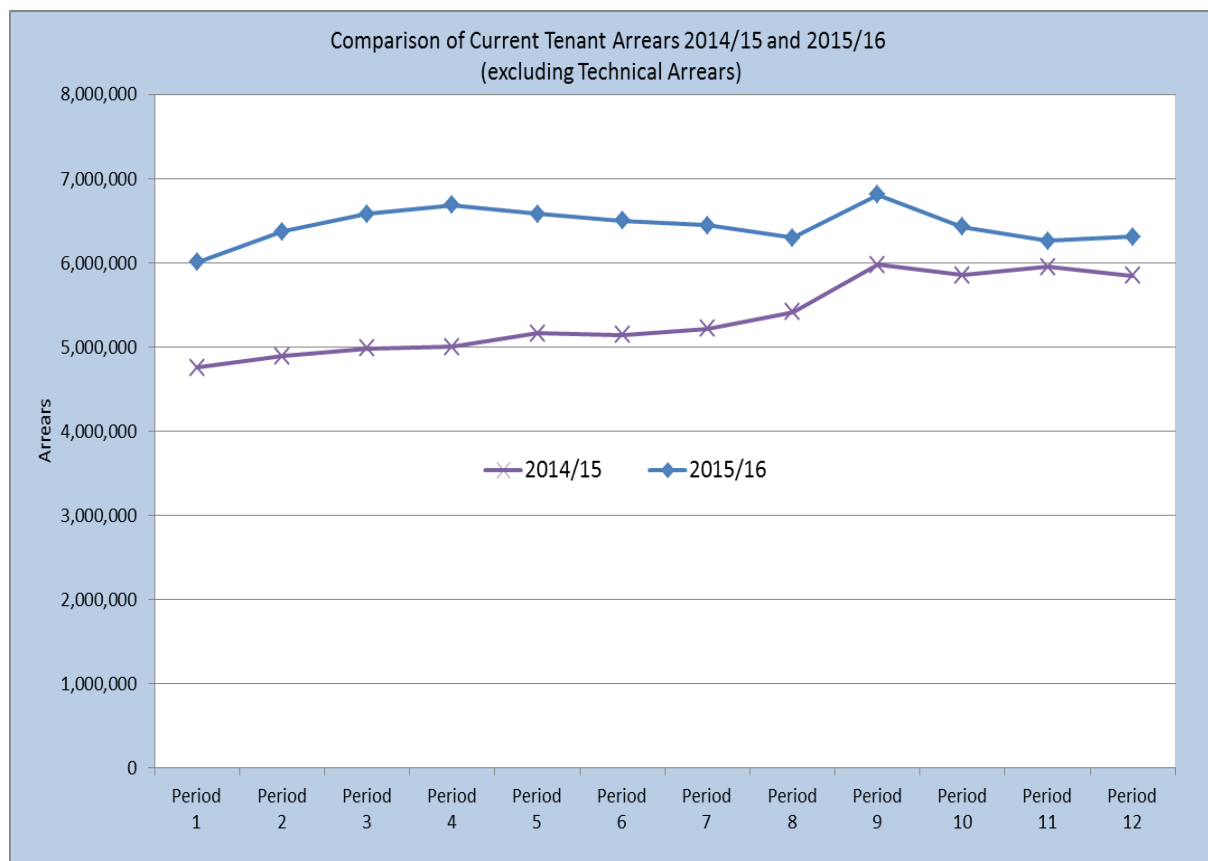
Council House Sales to end of March 2016



5. Arrears

- 5.1 Excluding technical arrears, arrears for current tenants are £6,309k at the end of 2015/16 compared to £5,847k at the end of 2014/15, an increase of £462k.

Comparison of Current Tenant Arrears 2014/15 and 2015/16



- 5.2 Dwelling rent collection rates for all tenants as at the end of March 2016 was 97.24% against a target of 98.06%. As can be seen in the table below this is higher than the previous 2 months but lower than the collection rate of 97.45% as at the end of March 2015.

Comparison of Collection rates Jan to March 2014/15 and 2015/16

	Jan	Feb	Mar
2014/15	97.29%	97.43%	97.45%
2015/16	97.00%	97.17%	97.24%

- 5.3 Rent collection performance is one of the main priorities for the service in 2016-17 and a number of actions are planned to improve performance this year, including regular campaigns, robust performance monitoring, targeted support for tenants affected by Universal Credit and Under Occupation and active promotion of direct debit.
- 5.4 At a previous meeting, HAB requested information on rent collection rates for tenants on full, partial and not in receipt of Housing Benefit. Work has now been completed to enable this to be reported, and the year-end position is as follows:

Benefit Status	Owing (rent plus previous year arrears) £	Paid (less pre-payments) £	%
Full	101,585,348	101,477,998	99.89
Partial	48,644,235	48,008,222	98.69
Self-Funding	70,871,421	65,513,850	92.44
Total	221,101,004	215,000,070	97.24

The roll out of Universal Credit and the requirement for claimants to pay their rent directly to their landlord presents a risk to future income levels, and more work needs to be done to look behind these figures to understand the risks involved and the factors that determine tenants' propensity to pay.

- 5.5 At the end of March there were 5,033 tenants classified as under-occupiers. At the end of 2014/15 approximately 53% of under-occupiers were in arrears, this has reduced to 52% as at the end of March 2016. The value of dwelling rent arrears for under-occupiers at the end of 2014/15 was £855k. This has reduced to £825k as at the end of March 2016.

6. Background Documents

- 6.1 None.

7. Recommendations

- 7.1 HAB is requested to note the contents of this report.