

Report Title	ACTION PLAN TO MAINTAIN HRA BALANCES OVER THE MTFP PERIOD
Purpose of Report	For Committee to acknowledge that officers operating under delegated authority have instigated the action plan to increase the level of HRA balances available during 2016/17.
Decisions	The Committee RESOLVES to note the Action Plan.
Consultation and Feedback	Tenant Services Senior Management Team Finance Team Corporate Team
Financial Implications and Risk Assessment	<p>The report sets out an Action Plan to reduce expenditure in 2016/17 and later financial years as part of the strategy on maintain HRA balances over the medium term.</p> <p>Planned staff savings of £90k have been achieved through delaying the recruitment process for certain roles within tenant services, with further savings identified if recruitment is delayed further.</p> <p>The majority of the 2016/17 planned savings relate to a reduction in the current year's expenditure on Cyclical Maintenance and External Capital works with a planned reduction in spend of £795k.</p> <p>The report also sets out potential capital receipts following assets sales. Subject to timing, £185k is anticipated in 2016/17 with further sites identified in the report that may generate more substantial capital receipts in future years.</p> <p>The HRA budget will be subject to a separate budget monitoring report, with the budget and MTFP being reviewed and a revised version being presented to Housing Committee in December 2016. Planned savings identified in the Action Plan will then be confirmed and budgets adjusted accordingly.</p> <p>David Stanley, Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk The risk is at such a high level it has been recorded</p>

	on the Excelsis system as CCR82. The action plan is designed to mitigate the loss in 2016/17 by massive cuts in deferment of works on the capital programme. Staff savings, sales of assets and reducing spend in other budget areas identified in the report. Future programmes will be affected over the MTFP and this is being worked through with finance colleagues.
Legal Implications	<p>The Council is under a duty to prevent a debit balance on the HRA for each accounting year and in doing so must keep under review the proposals in place regarding the income and expenditure on its assets held for housing related purposes. The Council must also revise the proposals from time to time to ensure the relevant duty continues to be met.</p> <p>Karen Trickey Legal Services Manager and Monitoring Officer Tel: 01453 754369 Email: Karen.trickey@stroud.gov.uk</p>
Report Author	<p>Kevin Topping, Head of Housing Contracts Tel: 01453 754196 Email: Kevin.topping@stroud.gov.uk</p>
Options	Members can accept the Action Plan as detailed in the report. If members do not endorse elements of the Action Plan, then alternative savings will need to be identified to bring HRA balances back to a reasonable level.
Performance Management Follow Up	The committee will receive regular updates on the Action Plan through the Finance reports in December 2016 and February 2017.

1.0. Introduction

- 1.1. As previously reported to Strategy & Resources, Housing, and Audit & Standards committees during June and July that the HRA opening balance for 2015/16 had been incorrectly overstated by £909k as part of the budget setting process. This added to pressure on the HRA from issues such as rent reductions, the stock condition survey and the likelihood of property sales under the proposed high value levy.
- 1.2. In the context of the reduced level of balances available within the HRA, the impact of this error is substantial and once advised of the issue, colleagues from Tenant Services and Asset Management started an immediate review of areas of work that could mitigate the effect of this on the business.

2.0. Action Taken

- 2.1. Tenant Services immediately put a hold on all recruitment which has had a substantial effect on our service delivery at a time when the redesign of the service should have been fully complete. This has generated immediate financial savings of £90,906. It should be noted that this has caused uncertainty and concern for staff within the service.
- 2.2. Having made almost £91k worth of staff savings, which are not sustainable, we are now recruiting those posts. Further work has also been undertaken to review all budgets:
 - Tenant Involvement budget of £106,000 reduced by £15,000.
 - The capital programme has been reviewed and re-profiled to increase the level of HRA balances during 2016/17 as follows:
 - Reduction of Planned/cyclical works (Painting) - £250k
 - External works (Roofing 61 - Flat roofing 34 and general building 63) - £545k

TOTAL - £810,000

3.0. Impacts

- 3.1. Delaying the capital programme affects 357 homes during 2016/17 and recovery will take several years in catch up works. This may lead to some reputational and certainly financial risk. This is highlighted on the corporate risk register. The Asset Operations Manager, with support from unit managers, is currently profiling works for the next 5 years and beyond to accommodate the impact of this as well as the planned delivery and areas of concern that have been highlighted from our recent stock condition survey.
- 3.2. Members should be aware that deferment is not a cancellation of works, however, the more elements we put into future years the greater the financial impact is on the HRA. We must ensure that we align ourselves with the HRA business plan, the medium term financial plan, the corporate asset strategy and the finance 30 year model.

4.0. HRA Assets

4.1. Asset Management have looked at bringing forward disposal of sites and revisions to the New Build Programme as follows:

Site	Current position	Outcome
Former Ambulance Station	Sale agreed, solicitors instructed	Capital receipt £185k in 2016/17
Fountain Crescent, W-U-E	A revised planning application for market housing will be made in August/September when marketing will start. The site has been offered to Registered Providers on a preferential basis as a mechanism to use the Council's Right to Buy (RTB) receipts.	£700k-£900k capital receipt, plus potential to deploy RTB receipts and avoid interest payments. Current plan means completion by March 2017

5.0. Risks

- 5.1. Not included in the service reduction mentioned above, there is also the issue of £9M backlog of repairs works which have been identified from the stock condition survey, these works are currently being addressed through our medium to long term plans for our stock but will continue to become more critical as time progresses especially with an ageing stock which requires more intensive and costly care. Without sufficient budget to consider regeneration of our stock over the 30 years of our business plan and beyond we would ultimately fail our tenants and reduce the core value of our ongoing housing stock.
- 5.2. The longer term outlook for the HRA is also challenging. Rents are relatively low with social rents set to fall annually by 1% over the next 3 years. Further pressures remain on rental income with the expectation of an increasing level of RTB sales, sheltered scheme voids/demolitions, potential need to undertake sales of higher-value properties to help fund the extension of RTBs to Housing Association Tenants, and the continued impact of welfare reform (particularly Universal Credit).
- 5.3. It should also be noted the Head of Housing Contracts has facilitated a review of all capital budgets resulting in a reduction in the capital programme. This is referred to in more detail in the **Housing Revenue Account (HRA) Budget Monitoring Report 2016/17 Q1** to this committee. This is due to the risk and uncertainty around the impact of government policy over the coming months. Therefore, there is a need to not only address the immediate impact on HRA balances, but to ensure that an adequate level of balances is maintained over the medium term plan period.

Capital works are currently being reprogrammed on this basis to deliver in future years once the financial position has been fully established.

6.0. Summary

- 6.1. The total amount of savings achieved to address the financial overstatement of £909,000 are as follows:

Savings immediate and intermediate together £1,085,906

Staff savings	90,906
Reduction in Tenant Involvement budget	15,000
External works	545,000
Reduction of planned/cyclical works	250,000
Sale of former ambulance site	185,000
TOTAL SAVINGS	1,085,906

7.0. Impact on HRA Balances

- 7.1. The table below shows the potential impact of the Action Plan savings on HRA balances should they be delivered in full. The first table shows that balances at the end of 2015/16 were £1.907m. As a result of the Action Plan savings outlined in the report, balances are projected to be £1.036m at the end of 2016/17.
- 7.2. The table also shows the planned level of HRA Earmarked Reserves after allowing for the £1.2m transfer to reserves as approved in the 2016/17 budget.
- 7.3. It should be noted that the level of HRA balances and reserves will change during the year as outturn forecasts are updated and expenditure eligible to be funded from the reserves is incurred. Members will receive regular updates on the level of HRA balances in the Q1 and Q3 budget monitoring reports.

Jan 2016 Briefing Note Action Plan

	2015/16 Outturn (£'000)	2016/17 Original (£'000)	2016/17 Revised (£'000)	2016/17 Revised (£'000)
HRA BALANCES				
HRA Balance b/f	3,370	3,235	1,907	1,907
Change in Balances	(1,463)	(1,666)	(1,889)	(871)
HRA Balance c/f	1,907	1,569	18	1,036

Jan 2016 Briefing Note Action Plan

	2015/16 Outturn (£'000)	2016/17 Original (£'000)	2016/17 Revised (£'000)	2016/17 Revised (£'000)
EARMARKED RESERVES				
Earmarked Reserves b/f	1,517	0	0	0
New Build & Regeneration	(1,517)	0	0	0
IT Project	0	0	0	0
Sheltered Housing	0	650	650	650
Queens Court	0	200	200	200
Estates Redevelopment	0	350	350	350
Earmarked Reserves c/f	0	1,200	1,200	1,200