

APPENDIX A

HRA REVENUE ACCOUNT

1. The HRA annual expenditure budget is £23.070M and income budget is £29.579M, which allows a contribution of £6.509M 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 an adverse variance of £0.370M with a full year forecast adverse variance of £0.706M. The adverse income variance is due to reduced rental and service charge incomes as a result of the delays in completing Priory View, together with reduced recharges of HRA services to the General Fund.

Table 1

[illegible]

3. Housing Management is reporting a positive year to date variance of £0.091M, with a full year forecast positive variance of £0.048M. The full year positive variance is due to a forecast reduction in insurance related claims, however this position could change due to unforeseen events.
4. The Maintenance budget has a year to date under spend of £0.320M, accounted for by reduced expenditure within Voids (£0.177M) and savings on Day to Day maintenance (£0.144M). Controls initiated during the previous financial year within Day to Day and Voids maintenance are expected to deliver savings for the year of £0.586M.

HRA CAPITAL PROGRAMME

5. Across the HRA Capital Programme there is a year to date positive variance of £1.159M, with a forecast year end outturn of £18.329M against a budget of £20.954M. The budget includes deferred works of £4.009M from 2014/15 relating to the Priory View development.

Table 2

Scheme Title	Approved Budget 2015/16	Full Year Forecast	Variance	Monthly Budget Monitoring September 2015		
				Profiled YTD	Actual YTD	Variance
	Net Expenditure	Net Expenditure	Net Expenditure	Net Expenditure	Net Expenditure	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
General Enhancements (Minor Works)	105	105	0	45	16	(29)
Lift Replacement	50	50	0	50	50	0
Fire Safety & Alarm Systems	100	100	0	0	0	0
Garage Refurbishment	31	31	0	15	7	(8)
Paths & Fences siteworks	150	150	0	53	35	(18)
Estate Improvements	265	265	0	133	132	(1)
Energy Conservation	812	682	(130)	0	(1)	(1)
Roof Replacement	550	680	130	135	111	(24)
Assisted Living Technology	65	65	0	0	0	0
Central Heating Installation	1,040	1,040	0	500	444	(56)
Rewiring	375	375	0	120	137	17
Kitchens and Bathrooms	1,202	1,202	0	406	337	(69)
Central Heating communal	78	78	0	17	2	(15)
Door Replacement	286	286	0	120	137	17
Structural repairs	259	259	0	126	152	26
Aids and adaptations	550	550	0	275	193	(82)
Drainage and Water Supply	50	50	0	25	0	(25)
Capitalised salaries	500	500	0	250	250	0
Asbestos management	360	360	0	180	145	(35)
Stock remodelling	200	500	300	50	57	7
Green Space Improvement	100	100	0	10	10	0
Parking Schemes	125	125	0	25	0	(25)
Priory View	8,134	8,134	0	6,210	5,554	(657)
Investment Panel Programme	100	100	0	10	0	(10)
Mixed Tenure Independent Living Scheme, HR	50	50	0	0	21	21
Communal/PIR Lighting	700	700	0	341	306	(35)
Targeted door replacement	75	75	0	20	1	(19)
Garage Site Assembly	174	174	0	0	14	14
Creasey Park New Homes	600	600	0	351	244	(107)
Garage Site Development	318	318	0	0	0	0
Croft Green	3,000	200	(2,800)	58	43	(15)
Sheltered Housing Refurbishment	300	300	0	0	0	0
New Homes, North Central Beds	125	125	0	15	1	(14)
Major Renewal Schemes	125	0	(125)	17	0	(17)
HRA	20,954	18,329	(2,625)	9,557	8,398	(1,159)

Table 3
Proposed Funding of HRA Capital Programme

Source	Amount £'000
Revenue Contributions	5,302
Useable Capital Receipts	3,600
Independent Living Development Reserve	8,184
Strategic Reserve	1,243
Total	18,329

6. There is a forecast underspend of £2.8M relating to the Croft Green Development where major construction work is now forecast to commence in 2016/17 with completion forecast for the winter of 2017. The delayed start is a result of procurement advice received recommending a two stage tender process that aims to maximise the chance of getting an appropriate contractor. When complete, the development will provide 23 self-contained flats and communal facilities.
7. Meadsway Construction commenced work in May 2015 to build four units of accommodation at Creasy Park Drive, including one designed for wheelchair access. The Minister of State for Housing and Planning visited the site in July. The project will be part funded from retained right to buy receipts, available as a result of changes to Right to Buy regulations (see further explanation later in this report). Completion of the development is expected in the winter of 2015/16.
8. The Garage Site Development programme has identified 30 sites that have the potential to deliver 123 new homes of mixed type and tenure. The budget will be used to progress land and garage buy-backs and planning consent on the above sites. A financial business case for alternative uses will be prepared for consideration as part of the scheme development.
9. The Landlord Business has worked with colleagues in other areas of the Council to identify land that is suitable for housing and within the Council's ownership. The objective is to extend the supply of affordable housing throughout the county, rather than just in the south of the area. Land with the potential to deliver 2-3 units, currently owned by Corporate Assets, has been identified at Havelock Road, Biggleswade. The housing service is to acquire the land subject to gaining successful planning permission. The pre-application has been submitted for this scheme.
10. A feasibility study carried out for the redevelopment of Broomhills Road is being considered and its evaluation not expected until December. As a result it is forecast that the Major Renewals budget is unlikely to be spent on this project delivering an under spend in the current year of £0.125M.
11. Additional spend of £0.300M within Stock Remodelling is forecast for the purchase of two properties earmarked for use as temporary accommodation, generating additional income for the HRA and also enabling the use of Right to Buy receipts (see section on HRA Capital Receipts).

12. Forecast reduced spend of £0.130M within energy conservation is offset by additional spend on roof replacement due to higher than planned tender prices (£0.130M).

HRA EFFICIENCY PROGRAMME

13. 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.
14. The HRA revenue budget for 2015/16 was reduced by £0.160M, as part of the Council's efficiency programme.
15. This year's HRA efficiency target comprises a combination of increased income (improved tenancy sustainment and additional recouping of service charges), improvements in lead time for gas servicing, reduced security costs on voids, and use of NEPRO. Forecasts suggest that the efficiencies for 2015/16 will be fully achieved.

HRA ARREARS.

16. Table 3 shows a breakdown of the HRA Debt position at the end of September. Total tenant debt amounted to £0.955M compared to £0.919M at the end of August 2015. Current tenant arrears are £0.491M or 1.61% (£0.462M or 1.53% at August) of the annual rent debit of £30.437M, whilst former tenant arrears are at 1.52% with a balance of £0.464M against a target of 1% (1.50% with a balance of £0.457M at August). Housing Benefit payments account for 56% of the rental income received. A total of £7,111 of rent arrears has been written off in the financial year to the end of September 2015.

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	0.165	0.137	0.102	0.087	0	0.491	
Former Tenant						0.464	
						<u>0.955</u>	
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	0.000	0.000	0.005	0.001	0.006	0.018
Leaseholders	(0.006)	0.000	(0.003)	0.014	0.006	0.033	0.044
Void recoveries	0.002	0.002	0.001	0.001	0.011	0.036	0.053
Misc recoveries	0.007	0.000	0.003	0.005	0.001	0.003	0.019
	<u>0.009</u>	<u>0.002</u>	<u>0.001</u>	<u>0.025</u>	<u>0.019</u>	<u>0.078</u>	<u>0.134</u>

17. 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.
18. There are currently £0.134M of non tenant arrears (£0.127M 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. Leaseholder debt can be recovered by placing a charge on the property so that the debt is recouped when the property is sold.

PROMPT PAYMENT INDICATOR

19. 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 66% of 238 invoices paid on time.
20. Actions are being implemented to improve this aspect of the service but have not yet taken full effect. It is apparent that some delays are caused by the way invoices are sent to CBC and how they eventually get to the Housing team. Managers and team leaders are reviewing the late payment list each month to investigate whether the service is at fault and what remedial action is necessary to improve performance. 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

21. New Right to Buy (RtB) discounts and proposals for re-investing the capital receipts came into effect from April 2012, which increased the maximum discount available to tenants from £0.034M to £0.075M.
22. Up to the end of September 2015, 46 RtB applications were received with 15 properties being sold, compared to 32 Applications and 10 sales over the same period in 2014/15. 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.
23. As a result of the changes to housing pooling the Council has a balance at the end of September of useable capital receipts of £4.291M (balance bought forward from 2014/15 £3.451M), of which £2.361M 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.

24. 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 £7.869M on new build by 30 September 2018.
25. 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.
26. The HRA's Budget proposals for the period of the Medium Term Financial Plan (MTFP) propose significant investment in new build (in excess of £12.0M by 30 September 2018, excluding spend on Priory View).
27. 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.
28. 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

29. The total reserves available as at year end 2014/15 were £20.556M, comprising £2.0M in HRA Balances, £11.962M in the Independent Living Development Reserve, £6.394M in the Strategic Reserve and £0.2M in the Major Repairs Reserve.
30. It is proposed to use part of the balance in the Strategic Reserve to finance a proportion of the transfer of the former Co-op site in Houghton Regis, from the Council's General Fund (GF). The value of the site is £2.25M.
31. Whilst the Council is not permitted under statute to generate a capital receipt for the GF when transferring assets from the GF to the HRA, an adjustment to the Capital Financing Requirement (CFR) of both the GF and HRA is required to reflect the value of the asset transferred. As part of this process and to facilitate the transfer the HRA's CFR will increase by £0.732M and therefore reach its maximum permitted ceiling of £164.995M. It is proposed to fund the additional £1.518M from the Strategic Reserve.
32. The current position indicates a year end balance in reserves of £15.805M. HRA Balances are projected to remain at a contingency level of £2.0M, with the Independent Living Development Reserve decreasing to £9.972M, the Strategic reserve decreasing to £3.633M, and the Major Repairs Reserve (MRR) remaining at £0.2M.
33. In total this equates to a forecast contribution to reserves for the year of £6.194M, offset by spend from reserves of £10.945M to result in a net decrease of £4.751M.

34. 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

Month: September 2015

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	11,962	(8,184)	-	6,194	9,972
Strategic Reserve	6,394	(2,761)	-	-	3,633
Major Repairs (HRA)	200	-	-	-	200
	20,556	(10,945)	-	6,194	15,805

Table 5

Net Revenue Position Full Analysis

Month: September 2015	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	9,555	9,382	-	(173)	18,698	18,695	(3)	-	(3)
Housing Management (HRA)	(12,629)	(12,474)	-	155	(25,266)	(24,768)	498	-	498
Asset Management (HRA)	3,030	2,642	-	(388)	6,480	5,920	(560)	-	(560)
Financial Inclusion	44	87	-	43	88	153	65	-	65
Total	0	(363)	0	(363)	0	0	0	0	0