

APPENDIX A

HRA REVENUE ACCOUNT (HRA)

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 £0.790M with a full year forecast adverse variance of £1.105M. The income variance is due to reduced rental income as a result of the delays in completing Priory View (approximately £0.350M), a higher void loss than budgeted (£0.144M), reduced recharges for HRA services to the General Fund (£0.3M) and reduced income received for cash balances (£0.050M), together with other minor variances

Table 1

	205/16 Budget	Budget YTD	Actual YTD	Variance YTD	Full Year Forecast	Variance Full Year Forecast to Budget
	£m	£m	£m	£m	£m	£m
Total Income	(29.579)	(22.184)	(21.394)	0.790	(28.474)	1.105
Housing Management	5.127	3.857	3.767	(0.090)	5.067	(0.060)
Financial Inclusion	0.280	0.210	0.304	0.094	0.405	0.125
Asset Management	1.134	0.850	0.787	(0.063)	1.099	(0.035)
Corporate Resources	1.710	1.283	1.535	0.252	2.047	0.337
Maintenance	5.392	3.936	3.161	(0.775)	4.494	(0.898)
Debt related costs	0.119	0.089	0.089	0	0.119	0
Direct Revenue Financing	5.302	3.977	3.977	0	5.302	0
Efficiency Programme	(0.160)	(0.120)	(0.120)	0	(0.160)	0
Interest repayment	4.166	3.124	3.025	(0.099)	4.034	(0.132)
Principal repayment	0	0	0	0	0	0
TOTAL Expenditure	23.070	17.206	16.525	(0.681)	22.407	(0.663)
Surplus	(6.509)	(4.978)	^ (4.869)	0.109	(6.067)	0.442
Contribution to / (from) reserve (at year end)	6.509	4.978	^ 4.869	(0.109)	6.067	(0.442)
Net Expenditure	0	0	0	0	0	0

^ Included for balancing and illustrative purposes only

3. Housing Management is reporting a positive year to date variance of £0.090M, with a full year forecast positive variance of £0.060M. 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 Council has recently received approval from Government to fund Discretionary Housing Payments (DHP) for Council tenants from the HRA. These payments occur where tenants are under occupying, referred to as the Spare Room Subsidy, resulting in a reduction in the amount of Housing Benefit they receive towards their rent, but where the Council assesses that it would not be appropriate for the tenant to be disadvantaged in this way.
5. This could occur where a disabled tenant requires an extra room for a carer. This cost was not built into the budget, but is forecast to outturn at approximately £0.075M. This accounts for the majority of the variance within the Financial Inclusion service, with the other amount resulting from increase staff resource to assist tenants to downsize, and thereby free up under occupied Council homes.
6. The Maintenance budget has a year to date under spend of £0.775M, accounted for by reduced expenditure within Voids (£0.220M) and Day to Day maintenance (£0.476M). Controls initiated during the previous financial year within Day to Day and Voids maintenance are expected to deliver savings for the year of £0.898M.
7. There has been a significant increase in activity undertaken by Corporate Resources, linked to the increasing development aspirations of the HRA. There has been an increase in Legal support in relation to leases for shared owners at Priory View, communications and engagement activity relating to Priory View and Houghton Regis Central, and additional Policy and Performance support has been required. This accounts for the anticipated full year adverse forecast variance of £0.337M.
8. The variable rate of interest on Self Financing debt has now been fixed for the rest of 2015-16, at a lower rate than anticipated in the budget. This has delivered a saving on interest costs of £0.132M. This offsets the reduction in interest received from the General Fund (GF), also due to the current low level of interest rates, which is forecast to be £0.050M lower than budgeted with an outturn at £0.050M.

HRA CAPITAL PROGRAMME

9. Across the HRA Capital Programme there is a year to date positive variance of £2.286M, with a forecast year end outturn of £17.842M against a budget of £20.954M. It is proposed that Future Investment projects to the value of £1.587M are deferred to 2016/17. The net forecast is £1.525M below budget. 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	Proposed Slippage to 2016/17	Variance	Monthly Budget Monitoring December 2015		
	Net Expenditure	Net Expenditure	Net Slippage	Net Expenditure	Profiled YTD	Actual YTD	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Enhancements (Minor Works)	105	105	0	0	75	73	(2)
Lift Replacement	50	52	0	2	50	50	(0)
Fire Safety & Alarm Systems	100	100	0	0	40	40	0
Garage Refurbishment	31	31	0	0	23	23	(0)
Paths & Fences siteworks	150	135	0	(15)	101	108	6
Estate Improvements	265	265	0	0	199	199	0
Energy Conservation	812	750	0	(62)	405	405	(0)
Roof Replacement	550	700	0	150	345	674	329
Assisted Living Technology	65	0	0	(65)	20	0	(20)
Central Heating Installation	1,040	1,040	0	0	770	862	92
Rewiring	375	375	0	0	240	164	(76)
Kitchens and Bathrooms	1,202	1,202	0	0	811	733	(78)
Central Heating communal	78	10	0	(68)	50	2	(48)
Door Replacement	286	400	0	114	203	241	38
Structural repairs	259	259	0	0	189	190	1
Aids and adaptations	550	550	0	0	414	427	13
Drainage and Water Supply	50	15	0	(35)	37	0	(37)
Capitalised salaries	500	500	0	0	375	375	0
Asbestos management	360	360	0	0	270	247	(23)
Stock remodelling	200	500	0	300	80	341	261
Green Space Improvement	100	60	0	(40)	55	10	(45)
Parking Schemes	125	125	0	0	65	1	(64)
Priory View	8,134	8,134	0	0	8,240	6,240	(2,000)
Investment Panel Programme	100	70	0	(30)	55	0	(55)
Houghton Regis Central	50	259	0	209	50	141	91
Communal/PIR Lighting	700	700	0	0	525	525	0
Targeted door replacement	75	105	0	30	50	75	25
Garage Site Assembly	174	50	124	0	70	14	(56)
Creasey Park New Homes	600	600	0	0	600	396	(204)
Garage Site Development	318	75	243	0	120	0	(120)
Croft Green	3,000	100	985	(1,915)	118	43	(75)
Sheltered Housing Refurbishment	300	200	0	(100)	150	0	(150)
New Homes, North Central Beds	125	15	110	0	21	1	(20)
Major Renewal Schemes	125	0	125	0	68	0	(68)
HRA	20,954	17,842	1,587	(1,525)	14,885	12,599	(2,286)

Table 3**Proposed Funding of HRA Capital Programme**

Source	Amount £'000
Revenue Contributions	5,302
Useable Capital Receipts	3,600
Independent Living Development Reserve	8,393
Strategic Reserve	547
Total	17,842

10. Major construction work at the Croft Green Development is forecast to commence in 2016/17 with completion forecast for the winter of 2017/18. 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. It is forecast that £0.985M will be deferred to 2016/17 leaving net spend below budget by £1.915M.

11. 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 early 2016.
12. 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 those sites. A financial business case for alternative uses will be prepared for consideration as part of the scheme development. Development costs of £0.243M is to be deferred to 2016/17.
13. 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 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 planning pre-application has been submitted for this scheme.
14. A feasibility study carried out for the redevelopment of Broomhills Road is being considered and its evaluation is not expected until January. As a result it is forecast that the Major Renewals budget (£0.125M) is to be deferred to 2016/17.
15. 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 utilising some of the Right to Buy receipts (see section on HRA Capital Receipts).
16. Spend on the Houghton Regis Central project is higher than originally budgeted as at the time of the budget build it was difficult to gauge the level of progress that would occur during 2015/16. The project is forecast to overspend by £0.209M. The design and planning phases are progressing well, with the architect appointed in September, hoarding to protect the site erected, and a public engagement exercise procured.
17. Forecast reduced spend within energy conservation (£0.062M), Communal Central Heating (£0.068M) and Assisted Living Technology (£0.065M) are offset by additional spend on roof replacement due to higher than planned tender prices (£0.15M) and Door Replacement (£0.114M).
18. Options for refurbishments following the Sheltered Housing Review are being considered, so it is unlikely that the full allocation of £0.3M will be spent this year; an under spend of £0.1M is therefore forecast for the Sheltered Housing Refurbishment programme.

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 2015/16 was reduced by £0.160M, as part of the Council's efficiency programme.
21. 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.

22. Table 3 shows a breakdown of the HRA Debt position at the end of December. Total tenant debt amounted to £1.004M compared to £1.018M at the end of November 2015. Current tenant arrears are £0.534M or 1.80% (£0.551M or 1.81% at November) of the annual rent debit of £29.688M, whilst former tenant arrears are at 1.58% with a balance of £0.470M against a target of 1% (1.53% with a balance of £0.467M at November).

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	0.182	0.153	0.114	0.085	0	0.534	
Former Tenant	0.004	0.005	0.013	0.086	0.363	0.470	
						1.004	
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	0.005	0	0	0.005	0.003	0.006	0.019
Leaseholders	0.005	(0.013)	0	0.015	0.007	0.032	0.046
Void recoveries	0	0.002	0.002	0.005	0	0.019	0.028
Misc recoveries	0	0.001	0	0.009	0.001	0.003	0.014
	0.010	(0.010)	0.002	0.034	0.011	0.060	0.107

23. 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.
24. There are currently £0.107M of non tenant arrears (£0.136M November), 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

25. 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 December was 78% of 249 invoices paid on time.
26. 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 the Council and how they eventually get to housing. 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

27. 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 their current level of £0.078M.
28. Up to the end of December 2015, 55 RtB applications were received with 31 properties being sold, compared to 43 Applications and 18 sales over the same period in 2014/15. It is currently projected that the number of RtB sales will be between 35 and 40 for the year, resulting in a residual receipt for the year of approximately £2.0M.
29. As a result of the changes to housing pooling the Council has a balance at the end of Quarter 3 of useable capital receipts of £6.037M (balance bought forward from 2014/15 £3.451M), of which £3.057M 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.
30. 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 £10.3M on new build by 31 December 2018.
31. 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.
32. 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 31 December 2018, excluding spend on Priory View).

33. 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.
34. 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.
35. As at 1 April 2015 the balance of HRA Usable Capital receipts was £3.451M. Sales of shared ownership units at Priory View are anticipated to generate a further £2M of capital receipts in the current financial year. When combined with the RtB receipts this would total £4.0M of retained receipts for the year. It is proposed to use £3.6M of usable receipts to part fund the Capital programme, so the balance carried forward is forecast to be £3.851M.

RESERVES

36. 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.
37. 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.
38. 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.
39. The current position indicates a year end balance in reserves of £16.165M. HRA Balances are projected to remain at a contingency level of £2.0M, with the Independent Living Development Reserve decreasing to £6.136M, the Strategic reserve increasing to £7.829M, and the Major Repairs Reserve (MRR) remaining at £0.2M.
40. In total this equates to a forecast contribution to reserves for the year of £6.067M, offset by spend from reserves of £10.458M to result in a net decrease of £4.391M.

41. 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, and continues to be refined as part of the Council's Medium Term Financial Plan.

Table 4

Reserves

Month: December 2015

Description	Opening Balance 2015/16	Spend against reserves	Release of reserves	Proposed transfer to Reserves	Proposed Closing Balance 2015/16
	£000	£000	£000	£000	£000
HRA Balances	2,000	-	-	-	2,000
Independent Living Development Reserve	11,962	(8,393)	-	2,567	6,136
Strategic Reserve	6,394	(2,065)	-	3,500	7,829
Major Repairs (HRA)	200	-	-	-	200
	20,556	(10,458)	-	6,067	16,165

Table 5

Net Revenue Position Full Analysis

Month: December 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	14,120	13,985	-	(135)	18,698	18,633	(65)	-	(65)
Housing Management (HRA)	(18,943)	(18,402)	-	541	(25,266)	(24,443)	823	-	823
Asset Management (HRA)	4,757	3,914	-	(843)	6,480	5,547	(933)	-	(933)
Financial Inclusion	66	183	-	117	88	263	175	-	175
Total	0	(320)	0	(320)	0	0	0	0	0