

Appendix A

HRA REVENUE ACCOUNT

1. 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, year to date position and forecast outturn is shown in Table 1 below.
2. The year to date position indicates a reduction in Direct Revenue Financing of £518K offset by a number of minor variances to present a net year to date surplus of £428K.
3. Housing Management is reporting a positive year to date variance of £76K. The variance is mostly due to reduced expenditure of £88K within Supported Housing and Telecare. This is forecast to present savings within Housing Management of £32K.
4. Due to the restructure of Asset Management, there has been additional redundancy related spend of £108K. This has resulted in a year to date increased spend of £84K. In addition it is unlikely that the Managed Vacancy Factor of £63K will be achieved resulting in an outturn of £129K above budget.
5. Early pressures of increased demand and higher tender rates resulted in maintenance spend being ahead of profile during the early part of the year. Spend is currently £57K above budget; this remains a sensitive area however seasonal trends are forecast to result in maintenance works exceeding annual budget by only £2K.

Table 1

| | 2014/15 Budget | Budget YTD | Actual YTD | Variance YTD | Full Year Forecast | Variance Full Year Forecast to Budget |
|---|-------------------|---------------|---------------|-----------------|-----------------------|--|
| | £m | £m | £m | £m | £m | £m |
| Total Income | (28.580) | (21.435) | (21.459) | (0.024) | (28.619) | (0.039) |
| Housing Management | 4.642 | 3.482 | 3.406 | (0.076) | 4.610 | (0.032) |
| Financial Inclusion | 0.220 | 0.165 | 0.146 | (0.019) | 0.220 | 0 |
| Asset Management | 1.045 | 0.784 | 0.868 | 0.084 | 1.174 | 0.129 |
| Corporate Resources | 1.610 | 1.208 | 1.271 | 0.063 | 1.694 | 0.084 |
| Maintenance | 4.473 | 3.355 | 3.412 | 0.057 | 4.471 | (0.002) |
| Debt related costs | 0.119 | 0.089 | 0.089 | 0 | 0.119 | 0 |
| Direct Revenue Financing | 6.667 | 5.000 | 4.482 | (0.518) | 5.976 | (0.691) |
| Efficiency Programme | (0.395) | (0.296) | (0.296) | 0.000 | (0.395) | 0 |
| Interest repayment | 4.008 | 3.006 | 3.011 | 0.005 | 4.015 | 0.007 |
| Principal repayment | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Expenditure | 22.389 | 16.793 | 16.389 | (0.404) | 21.884 | (0.505) |
| Surplus | (6.191) | (4.642) | ^ (5.070) | ^ (0.428) | (6.735) | (0.544) |
| Contribution to / (from) reserve (actioned at year end) | 6.191 | 4.642 | ^5.070 | ^0.428 | 6.735 | 0.544 |
| Net Expenditure | 0 | 0 | 0 | 0 | 0 | 0 |

^ Included for balancing and illustrative purposes only

HRA CAPITAL PROGRAMME

- The HRA Capital Programme reports a year to date reduced spend against profile of £2.666M, with a forecast year end outturn of £14.157M against a budget of £18.120M. The budget includes deferred works of £2.503M from 2013/14 relating to the Priory View development.
- The Priory View development accounts for £2.982M of reduced spend to date. Construction of Priory View is progressing well, but the original cash flow forecast has been revised recently to reflect the actual work undertaken to date and the latest timetable for the remaining works. This has resulted in a forecast outturn of £7.481M, with £3.272M being slipped into 2015/16. The contractors are confident that the project will be completed by September 2015.

8. The Kitchen and Bathroom programme is currently £101K less than profile, however the contract is progressing well and is forecast to outturn on budget.
9. There is increased spend to date on Paths and Fences (£194K), Roof Replacement (£251K) and Asbestos Management (£105K) as a result of additional demand identified during the year. The higher spend will result in an outturn in these areas being above budget, however these are offset by savings in other areas resulting in a net saving on the HRA capital programme of £691K.
10. A more robust approach to Occupational Therapy assessments combined with a proactive approach to effectively managing adapted properties by successfully matching people to suitable accommodation, has resulted in a reduction in demand for Aids and Adaptations. The forecast outturn for Aids and Adaptations is an under spend of £355K.
11. A draft garage strategy has been prepared and circulated to the Housing Management Team for comment and is being revised following these comments. This will be followed by internal and external consultation. The strategy categorises sites into development, to be retained and uneconomic sites. A planning application was submitted in November 2014 for the first build of 4 new homes at Creasey Park Drive, Dunstable. This will deliver a mix of shared ownership and social rent, with completion planned for the autumn of 2015. Contractor procurement to build the scheme is currently underway. Mid term interviews have been held with those contractors invited to tender and the deadline for receiving responses from the contractors is 16 January 2015.
12. Other sites, primarily garage (and some recently identified infill) sites are being evaluated in detail, following the initial options appraisal. Following the consultation on the strategy the next steps will be the buy back of privately owned garages and demolition of some of the Council's empty garages, in preparation for future development.

| Scheme Title | Approved Budget 2014/15 | Full Year Forecast | Variance | Slippage to 2015/16 | (Under) /over spend | Monthly Budget Monitoring December 2014 | | |
|-------------------------------|-------------------------|--------------------|-----------------|---------------------|---------------------|---|--------------|----------------|
| | Net Expenditure | Net Expenditure | Net Expenditure | Net Slippage | Net Expenditure | Profiled YTD | Actual YTD | Variance |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| General Enhancements | 100 | 70 | (30) | 0 | (30) | 63 | 49 | (14) |
| Garage Redurbishment | 31 | 15 | (16) | 0 | (16) | 10 | 15 | 5 |
| Paths & Fences Siteworks | 80 | 250 | 170 | 0 | 170 | 37 | 231 | 194 |
| Estate Improvements | 250 | 275 | 25 | 0 | 25 | 183 | 274 | 91 |
| Energy Conservation | 800 | 800 | 0 | 0 | 0 | 458 | 327 | (131) |
| Roof Replacement | 250 | 600 | 350 | 0 | 350 | 250 | 501 | 251 |
| Central Heating Installation | 1,000 | 900 | (100) | 0 | (100) | 747 | 597 | (150) |
| Rewiring | 372 | 372 | 0 | 0 | 0 | 279 | 250 | (29) |
| Kitchens and Bathrooms | 1,099 | 1,099 | 0 | 0 | 0 | 745 | 644 | (101) |
| Central Heating communal | 77 | 77 | 0 | 0 | 0 | 25 | 2 | (23) |
| Secure Door Entry | 281 | 281 | 0 | 0 | 0 | 207 | 251 | 44 |
| Structural Repairs | 156 | 250 | 94 | 0 | 94 | 147 | 207 | 60 |
| Aids and Adaptations | 905 | 550 | (355) | 0 | (355) | 295 | 287 | (8) |
| Capitalised Salaries | 357 | 357 | 0 | 0 | 0 | 270 | 284 | 14 |
| Asbestos Management | 150 | 250 | 100 | 0 | 100 | 117 | 222 | 105 |
| Stock Remodelling | 1,000 | 400 | (600) | 0 | (600) | 139 | 221 | 82 |
| Drainage & Water Supply | 51 | 30 | (21) | 0 | (21) | 24 | 25 | 1 |
| Plasticisation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Stock Refurbishment | 408 | 100 | (308) | 0 | (308) | 75 | 0 | (75) |
| Sheltered Housing Reprovision | 10,753 | 7,481 | (3,272) | (3,272) | 0 | 6,942 | 3,960 | (2,982) |
| HRA | 18,120 | 14,157 | (3,963) | (3,272) | (691) | 11,013 | 8,347 | (2,666) |

13. Architects have been appointed to complete designs on refurbishing the Croft Green sheltered scheme. The planning application was considered by the Central Bedfordshire Planning Committee on the 17th December 2014 and approved. The proposed scheme was supported by existing residents at a consultation exercise. Project management support has been engaged from PRP Project Services to take the project to practical completion. Options appraisals are to be drawn up for 4 other schemes that offer potential development opportunities, but 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.
14. Savills have been appointed to undertake feasibility and options study review for three potential regeneration sites within Dunstable. The draft report was received in December 2014.
15. Amey Construction have been engaged to provide parking options in two areas where parking is particularly difficult.
16. The challenges in bringing forward some of the projects identified above are forecast to result in an under spend of £908K within the Stock Refurbishment and Stock Remodelling programmes.

HRA EFFICIENCY PROGRAMME

17. 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.
18. The HRA revenue budget for 2014/15 was reduced by £395K, as part of the Council's efficiency programme. The Housing Service has made savings in its external decorations contract costs and generated more income from the Lifeline service. Further revenue savings will be achieved from additional capitalisation of staff time within Asset Management.
19. The HRA is forecast to fully achieve its efficiency target for 2014/15.

HRA ARREARS.

20. Table 3 shows a breakdown of the HRA Debt position at the end of December. Total tenant debt amounted to £1.022M compared to £1.076M at the end of November 2014. Current tenant arrears are £605K or 2.12% (£701K or 2.44% in December 2013) of the annual rent debit of £28.538M, whilst former tenant arrears are at 1.46% with a balance of £417K against a target of 1% (1.36% with a balance of £389K at December 2013).
21. The recovery of former tenant arrears has recently transferred to the income management teams. A full review of current procedures is underway to seek improvements in performance.
22. Performance with regard to the recovery of outstanding arrears and increase in rental income has remained high, due to the focus and consistency of the approach taken to help and support our customers who are facing difficulties in paying their rent. Alongside this work from the income management team there has been a drive to increase the number of tenants paying by direct debit, which has had a positive impact on the collection of rental income. Overall this focused work is outlining an encouraging picture for another successful year.
23. There are currently £191K of non tenant arrears (£123K December), 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.

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 | 0.183 | 0.160 | 0.124 | 0.138 | 0 | 0.605 |
| Former Tenant | | | | | | 0.417 |
| | | | | | | 1.022 |

| 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 | 0.033 | (0.001) | 0 | 0.005 | 0 | 0.006 | 0.043 |
| Leaseholders | 0.016 | (0.001) | 0.004 | (0.002) | 0.011 | 0.032 | 0.060 |
| Void recoveries | 0 | 0 | 0.001 | 0.010 | 0.016 | 0.022 | 0.049 |
| Misc recoveries | 0.010 | (0.004) | 0.002 | 0.004 | 0.005 | 0.022 | 0.039 |
| | 0.059 | (0.006) | 0.007 | 0.017 | 0.032 | 0.082 | 0.191 |

PROMPT PAYMENT INDICATOR

24. 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 73% of 217 invoices paid on time (November 83% of 130). 37 out of 58 late invoices relate to low value utility bills averaging £390, In the remainder of cases the disputed invoice process should have been used more rigorously.
25. Actions are being implemented to improve this aspect of the service but have not yet taken effect. 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

26. 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.
27. Up to the end of November 2014, 43 RtB applications were received with 18 properties being sold, compared to 40 Applications and 19 sales over the same period in 2013/14. 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.
28. As a result of the changes to housing pooling the council has a balance at the end of December of useable capital receipts of £3.373M (balance bought forward from 2013/14 £2.346M), of which £1.406M 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.
29. 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 £4.685M on new build by 31 December 2017.

30. 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.
31. The HRA's Budget proposals for the period of the Medium Term Financial Plan (MTFP) propose significant investment in new build (in excess of £6.2M by 31 December 2017, excluding spend on Priory View).
32. 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 2018, then this would pose a threat to the surpluses predicted both in the medium and longer term

RESERVES

33. The total reserves available as at year end 2013/14 were £20.710M, comprising £2.0M in HRA Balances, £12.116M in the Independent Living Development Reserve, £6.394M in the Strategic Reserve and £200K in the Major Repairs Reserve.
34. The current position indicates a year end balance in reserves of £19.964M. HRA Balances are projected to remain at a contingency level of £2.0M, with the Independent Living Development Reserve decreasing to £11.370M, the Strategic reserve remaining at £6.394M, and the Major Repairs Reserve (MRR) remaining at £200K.
35. In total this equates to a forecast contribution to reserves for the year of £6.735M, offset by spend from reserves of £7.481M to result in a net decrease of £0.746M.
36. 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 will be referred to in the HRA Budget Report that will go before Council in February 2015.

Table 4

Reserves

Month: December 2014

| 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 | (7,481) | - | 6,735 | 11,370 |
| Strategic Reserve | 6,394 | - | - | - | 6,394 |
| Major Repairs (HRA) | 200 | - | - | - | 200 |
| | 20,710 | (7,481) | - | 6,735 | 19,964 |

Net Revenue Position Full Analysis

| Month: December 2014 | 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 | 14,652 | 14,728 | - | 76 | 19,535 | 19,571 | 36 | - | 36 |
| Housing Management (HRA) | (18,686) | (18,915) | - | (229) | (24,915) | (25,029) | (114) | - | (114) |
| Asset Management (HRA) | 3,932 | 4,060 | - | 128 | 5,243 | 5,331 | 88 | - | 88 |
| Financial Inclusion | 102 | 71 | - | (31) | 137 | 127 | (10) | - | (10) |
| Total | 0 | (56) | 0 | (56) | 0 | 0 | 0 | 0 | 0 |