

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 and provisional outturn is shown in Table 1 below.

Table 1

	2015/16 Budget	2015/16 Provisional Outturn	Variance Provisional Outturn to Original Budget
	£m	£m	£m
Total Income	(29.579)	(28.695)	0.884
Housing Management	5.127	4.848	(0.279)
Financial Inclusion	0.280	0.321	0.041
Asset Management	1.134	1.078	(0.056)
Corporate Resources	1.710	1.918	0.208
Maintenance	5.392	4.082	(1.310)
Debt related costs	0.119	0.042	(0.077)
Direct Revenue Financing	5.302	5.044	(0.258)
Efficiency Programme	(0.160)	(0.160)	0
Interest repayment	4.166	4.034	(0.132)
Principal repayment	0	0	0
TOTAL Expenditure	23.070	21.207	(1.863)
Surplus	(6.509)	(7.488)	(0.979)
Contribution to / (from) reserves	6.509	7.488	0.979
Net Expenditure	0	0	0

2. The key variances between Budget and provisional outturn are Total income (£0.884M), primarily 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 interest income received for cash balances (£0.050M), together with other minor variances.
3. The provisional outturn position within Housing Management shows savings of £0.279M; this is due to a reduction in insurance related claims (£0.160M)

and savings within Supported Housing and Telecare (£0.081M) where spend on utilities was less than anticipated due to the removal of communal boilers and fitment of individual boilers in tenant properties. In this scenario tenants now pay their own bills rather than being recharged via service charges.

4. The Council has 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 resulting in a provisional outturn adverse variance of £0.041M. The additional spend on DHP was kept to a minimum by investing in staff resource to assist tenants to downsize, and thereby free up under occupied Council homes.
6. The Maintenance budget has a provisional outturn underspend of £1.310M. Controls initiated in the previous financial year continued delivering savings within Voids (£0.342M) and Day to Day maintenance (£0.677M). The remaining underspend is within Cyclical Maintenance where competitive tender values for External Decorations together with savings on Central Heating and Lift maintenance, due to capital investment, have delivered savings of £0.143M. Delays in completing the fire risk assessment program, the need for additional intrusive surveys, and delays procuring contractors for some of the specialist work resulted in a further underspend of £0.148M.
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 provisional outturn adverse variance of £0.208M.
8. The Council's decision to finance part of the Self Financing debt on a variable basis resulted in an interest rate for the year that was lower 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 £0.037M lower than budgeted with an outturn at £0.063M.

HRA CAPITAL PROGRAMME

9. Across the HRA Capital Programme there is a provisional year end outturn of £15.218M against a budget of £20.954M. It is proposed that committed works within Stock Protection projects to the value of £0.392M and £3.888M of Future Investment projects are deferred to 2016/17. The net provisional outturn after proposed slippage is £1.456M below budget.. The budget includes deferred works of £4.009M from 2014/15 relating to the Priory View development.

Table 2

	Approved Budget 2015/16	Provisional Outturn	Variance	Slippage to 2016/17	Variance net of slippage
	Net Expenditure	Net Expenditure	Net Variance	Net Expenditure	Net variance
	£'000	£'000	£'000	£'000	£'000
Stock Protection					
General Enhancements (Minor Works)	105	114	9	0	9
Lift Replacement	50	52	2	0	2
Fire Safety & Alarm Systems	100	8	(92)	(92)	0
Garage Refurbishment	31	35	4	0	4
Paths & Fences siteworks	150	94	(56)	0	(56)
Estate Improvements	265	215	(50)	0	(50)
Energy Conservation	812	368	(444)	(300)	(144)
Roof Replacement	550	731	181	0	181
Assisted Living Technology	65	0	(65)	0	(65)
Central Heating Installation	1,040	973	(67)	0	(67)
Rewiring	375	271	(104)	0	(104)
Kitchens and Bathrooms	1,202	1,303	101	0	101
Central Heating communal	78	2	(76)	0	(76)
Door Replacement	286	284	(2)	0	(2)
Structural repairs	259	210	(49)	0	(49)
Aids and adaptations	550	529	(21)	0	(21)
Drainage and Water Supply	50	0	(50)	0	(50)
Capitalised salaries	500	484	(16)	0	(16)
Asbestos management	360	306	(54)	0	(54)
Sub Total	6,828	5,979	(849)	(392)	(457)
Future Investment					
Stock remodelling	200	593	393	0	393
Green Space Improvement	100	5	(95)	(60)	(35)
Parking Schemes	125	50	(75)	(75)	0
Priory View	8,134	6,778	(1,356)	(1,006)	(350)
Investment Panel Programme	100	81	(19)	(19)	0
Houghton Regis Central	50	296	246	0	246
Communal/PIR Lighting	700	586	(114)	0	(114)
Targeted door replacement	75	75	0	0	0
Garage Site Assembly	174	14	(160)	(160)	0
Creasey Park New Homes	600	618	18	0	18
Garage Site Development	318	0	(318)	(318)	0
Croft Green	3,000	62	(2,938)	(1,815)	(1,123)
Sheltered Housing Refurbishment	300	80	(220)	(200)	(20)
New Homes, North Central Beds	125	1	(124)	(110)	(14)
Major Renewal Schemes	125	0	(125)	(125)	0
Sub Total	14,126	9,239	(4,887)	(3,888)	(999)
HRA	20,954	15,218	(5,736)	(4,280)	(1,456)

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

Source	Amount £'000
Revenue Contributions	5,044
Useable Capital Receipts	3,100
Independent Living Development Reserve	7,074
Strategic Reserve	0
Total	15,218

Future Investment

10. Major construction work at the Croft Green Development is forecast to commence in 2016/17 with completion forecast for the summer of 2018. Due to lessons learnt on the Priory View development the council sought procurement advice recommending a two stage tender process that aims to maximise the chance of getting an appropriate contractor and value engineering of the scheme. A preferred bidder has been identified and it is proposed that the decision to award the contract will be taken during the summer of 2016. When complete, the development will provide 24 self-contained flats and communal facilities. It is proposed that £1.815M be deferred to 2016/17 leaving a net provisional outturn £1.123M below budget.
11. Meadsway Construction commenced work in May 2015 to build four units of accommodation at Creasey Park Drive, including one designed for wheelchair access. The Minister of State for Housing and Planning visited the site in July. Completion of the development occurred in February 2016 and the properties are now occupied. The project was 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).
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. It is proposed that development costs totalling £0.478M across Garage site Development and Assembly are 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 authority area, 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 and agreeing an appropriate land value. The planning pre-application has been submitted for this scheme.
14. A feasibility study carried out for the redevelopment and refurbishment of Broomhills Road, Leighton Buzzard, has been evaluated. This work has identified potential development opportunities and as a result it is proposed that the Major Renewals budget (£0.125M) be deferred to 2016/17. Further work is being undertaken to provide more detail on the refurbishment and redevelopment options.
15. The provisional outturn position for Stock Remodelling shows spend of £0.393M over budget. This is primarily due to additional spend relating to the purchase of two properties (£0.334M), one of which is 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 ahead of forecast, as at the time of the budget build it was difficult to gauge the level of progress that would occur during 2015/16. As a result, the provisional outturn is £0.246M over budget. 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. Options for refurbishments following the Sheltered Housing Review are being considered. Significant spend in 2015/16 did not occur within the Sheltered Housing Refurbishment project as a result of further design works and planning permission being required. This resulted in a provisional underspend of £0.220M. It is proposed that £0.200M of spend is deferred to 2016/17.
18. The Priory View development had not achieved practical completion by the end of the financial year (this occurred on 22 April 2016). As a result a proportion of the main contractor budget, along with some of the fitting out budgets, has been under spent in 2015-16. In total these costs are estimated to be £1.006M and it is requested to slip this amount into 2016-17. This will deliver a £0.350M overall under spend for the project.

Stock Protection

19. Provisional outturn reduced spend, net of slippage (£0.457M), is due to cost savings on procurement, altering the method of delivery or works no longer required as part of sweating the assets, within: Energy Conservation (£0.144M), Central Heating Installation (£0.067M), Rewiring (£0.104M), Communal Central Heating (£0.076M), Assisted Living Technology (£0.065M), Paths and Fences (£0.056M), Estate Improvements (£0.050M), Drainage and Water (£0.050M) and Asbestos Management (£0.054M). These are offset by additional spend on roof replacement due to higher than planned tender prices (£0.181M) and Kitchens and Bathrooms where we had a higher quantity of works required to void properties in the year than planned (£0.101M).
20. It is proposed to defer Stock Protection works to the value of £0.457M relating to: Fire Safety & Alarm Systems (£0.092M) due to delays in procuring specialist contractors to complete actions identified from the Fire Risk Assessments, and Energy Conservation (£0.3M) due to a decision to re-procure the contract in order to achieve savings and value for money.

HRA EFFICIENCY PROGRAMME

21. 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.
22. The HRA revenue budget for 2015/16 was reduced by £0.160M, as part of the Council's efficiency programme.
23. 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. Full year outturn suggest that the efficiencies for 2015/16 were fully achieved.

HRA ARREARS.

24. Table 4 shows a breakdown of the provisional HRA Debt outturn position. Total tenant debt amounted to £0.910M compared to £0.926M at March 2015. Current Tenant Arrears (CTA) are £0.428M or 1.4% (£0.5M or 1.7% at March 2015) of the annual rent debit of £30.575M against a target of 1.8%, whilst Former Tenant Arrears (FTA) are at 1.58% with a balance of £0.482M against a target of 1% (1.45% with a balance of £0.426M at March 2015).

Table 4

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	0.154	0.109	0.100	0.065	0	0.428
Former Tenant	0.012	0.001	0.011	0.065	0.393	0.482
						0.910
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 year	TOTAL
	£M	£M	£M	£M	£M	£M
Shops	0.008	(0.001)	0	0.005	0.011	0.023
Leaseholders	0	0	0.011	0.001	0.036	0.048
Void recoveries	0.002	0.003	0	0.007	0.019	0.031
Misc recoveries	0	0	0	0.003	0.004	0.007
	0.010	0.002	0.011	0.016	0.070	0.109

25. In light of welfare reform, housing management have implemented a proactive 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.
26. Contacts with other Registered Social Landlords have enabled us to benchmark, research good practice, and ensure genuine unrecoverable debts are presented for write off quarterly. This ensures the FTA officer is concentrating their time on cases with the highest probability of recovery. Recovery of FTA debt has taken on a completely different approach from previous years as research has shown that the probability of recovery can actually increase with the age of the debt. For example, if a family is evicted from one of our properties it can take between 3 to 12 months for the family to resettle enabling a trace to be made and thus the debt can be pursued.
27. Debt recovery plans may be put in place and take several years to settle. An affordable payment plan reviewed on a regular basis increases the probability of full recovery. Where contact is maintained, debt can be recovered up to 6 years after becoming an FTA, however where a period of 2 to 3 years has elapsed and no contact or trace has been possible, the debt will be put forward for write off.

- 28. The current approach to FTA debt has resulted in recovery in the current year exceeding £0.130M, compared to the previous two years total recovery not exceeding £0.020M. The service is confident with the current approach and anticipates further improvements in recovery rates.
- 29. There are currently £0.109M of non tenant arrears (£0.124M March 2015), 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 is carefully monitored to ensure that where individual arrears become significant clients can be made aware of the option to place a voluntary charge on their properties, so that when they are sold the Council can reclaim the monies owed.

PROMPT PAYMENT INDICATOR

- 30. 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 March was 82% of 347 invoices paid on time.
- 31. Actions are continually being implemented and reviewed 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 the Housing Service. Managers and team leaders are reviewing the late payment list each month to investigate the service failure and what remedial action is necessary to improve performance. There is an automated billing project in progress, this project is continuing to progress well and will significantly improve timescales for making payment.

HRA CAPITAL RECEIPTS

- 32. 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.
- 33. For the year 2015/16, 66 RtB applications were received with 33 properties being sold, compared to 71 Applications and 28 sales in 2014/15, resulting in retained capital receipts of £2.645m.
- 34. As a result of the changes to housing pooling the Council has a balance at the end of 2015/16, before funding of the Capital programme, of useable capital receipts of £6.096M (balance bought forward from 2014/15 £3.451M), of which £2.723M 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.
- 35. 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

£9.075M on new build by 31 March 2019. £1.270M has been spent on replacement properties up to 31 March 2016.

36. 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.
37. The HRA's Budget proposals for the period of the Medium Term Financial Plan (MTFP) propose significant investment in new build (in excess of £11.0M by 31 March 2019, excluding spend on Priory View).
38. 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.
39. 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.
40. The sale of apartments at Priory View had not commenced before the end of March, as previously anticipated, but will start to occur early in the new financial year and in total it is anticipated that these will generate £3.9M during 16/17, with these funds being available to fund further new build projects in the years to follow.
41. As at 1 April 2015 the balance of HRA Usable Capital receipts was £3.451M. At the end of the financial year 2015/16, £2.645M of RtB receipts have been retained making a subtotal of £6.096M. It is proposed to use £3.1M of usable receipts to part fund the Capital programme, so the balance carried forward is forecast to be £2.996M.

RESERVES

42. 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.
43. 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.
44. 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.

45. The current position indicates a year end balance in reserves of £19.452M. HRA Balances are projected to remain at a contingency level of £2.0M, with the Independent Living Development Reserve decreasing to £9.004M, the Strategic reserve increasing to £8.248M, and the Major Repairs Reserve (MRR) remaining at £0.2M.
46. In total this equates to a provisional contribution to reserves for the year of £7.488M, offset by spend from reserves of £8.592M to result in a net decrease of £1.104M.
47. 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 2016, and continues to be refined as part of the Council's Medium Term Financial Plan.

Table 5

Reserves	Outturn 2015/16				
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	(7,074)	-	4,116	9,004
Strategic Reserve	6,394	(1,518)	-	3,372	8,248
Major Repairs (HRA)	200	-	-	-	200
	20,556	(8,592)	-	7,488	19,452

Table 6

Net Revenue Provisional Outturn Position Full Analysis

Service	Budget	Provisional Outturn	Variance	Transfers to/(from) reserves	Variance after use of earmarked reserves
	£000	£000	£000	£000	£000
Assistant Director Housing Service	18,697	19,443	746	-	746
Housing Management (HRA)	(25,265)	(24,736)	529	-	529
Asset Management (HRA)	6,480	5,115	(1,365)	-	(1,365)
Financial Inclusion	88	178	90	-	90
Total	0	0	0	0	0