

**HRA REVENUE ACCOUNT (HRA)**

1. The HRA annual expenditure budget is £23.561M and income budget is £28.924M, which allows a contribution of £5.363M to reserves to present a net budget of zero.
2. As a result of a restructure within the Housing Service, the Asset Management service has being split to create a new service called Housing Investment. Capital related works are now managed within Housing Investment whilst the management and maintenance of properties and tenants, forms Housing Operations. A subjective breakdown of budget, year to date position and forecast outturn is shown in Table 1 below.

**Table 1**

	2016/17 Budget	Budget YTD	Actual YTD	Variance YTD	Full Year Forecast	Variance Full Year Forecast to Budget
	£m	£m	£m	£m	£m	£m
<b>Total Income</b>	(28.924)	(7.236)	(7.171)	0.065	(28.861)	0.063
Housing Operations	6.851	1.733	1.627	(0.106)	7.160	0.309
Financial Inclusion	0.596	0.149	0.125	(0.024)	0.501	(0.095)
Housing Investment	0.107	0.027	0.003	(0.024)	0.133	0.026
Corporate Resources	2.047	0.497	0.511	0.014	1.988	(0.059)
Maintenance	5.506	1.277	1.196	(0.081)	5.299	(0.207)
Debt related costs	0.119	0.030	0.030	0	0.119	0
Direct Revenue Financing	5.121	1.280	1.280	0	5.121	0
Efficiency Programme	(0.853)	(0.213)	(0.213)	0	(0.853)	0
Interest repayment	4.067	1.017	0.968	(0.049)	4.047	(0.020)
Principal repayment	0	0	0	0	0	0
<b>TOTAL Expenditure</b>	23.561	5.797	5.527	(0.270)	23.515	(0.046)
Surplus	(5.363)	(1.439)	(1.644)	(0.205)	(5.346)	0.017
Contribution to / (from) reserve (at year end)	5.363	1.439	1.644	0.205	5.346	(0.017)
<b>Net Expenditure</b>	0	0	0	0	0	0
^ Included for balancing and illustrative purposes only						

3. There are a number of minor year to date variances across the HRA. Housing Operations is behind profile by £0.106M due to project related costs yet to be incurred (£0.110M) offset by other minor variances. The full year forecast suggests an increase in expenditure within Housing Operations (£0.309M) due to under achievement of the Managed Vacancy Savings (£0.200M) and additional staff costs (£0.030M) and other minor variances.
4. Forecast income suggests a reduction of £0.063M. As part of the General Fund's efficiencies for 2016-17 it was agreed that a reduced Supported Housing contribution to the HRA would be made, saving the General Fund £0.150M. The Housing Service set itself the target of balancing this pressure within the HRA by achieving an efficiency of the same value. Work is underway to explore new charging methods for the Supported services provided by HRA staff, but savings are not likely to materialise in this financial year resulting in a forecast reduction in income of £0.150M. The reduced income is partially offset by an increase in rental income due to the governments decision, at the end of the last financial year, to allow local authorities to exclude Supported Housing from the 1% reduction applied to all general needs properties (£0.065M).
5. As a result of controls introduced in previous years and the renegotiation of the Central Heating Maintenance contract, Maintenance expenditure is forecast to outturn at £5.229M compared to a budget of £5.506M representing a saving of £0.207M.

#### **HRA CAPITAL PROGRAMME**

6. The HRA Capital budget is £15.589M which includes slippage from 2015/16 of £4.280M. Across the HRA Capital Programme there is a year to date spend below budget of £0.354M.
7. The full year forecast within the Stock Protection projects suggest an outturn on budget. Projects relating to Future Investment are forecast to underspend by £3.339M.

**Table 2**

	Budget 2016/17	Full Year Forecast	Variance	Monthly Budget Monitoring June 2016		
				Profiled YTD	Actual YTD	Variance
	Net Expenditure £'000	Net Expenditure £'000	Net Expenditure £'000	Net Expenditure £'000	Net Expenditure £'000	Net Expenditure £'000
<b>Stock Protection</b>						
General Enhancements (Minor Works)	100	100	0	25	25	0
Lift Replacement	100	100	0	0	0	0
Fire Safety & Alarm Systems	194	194	0	5	4	(1)
Garage Refurbishment	109	109	0	0	1	1
Paths & Fences siteworks	110	110	0	28	21	(7)
Estate Improvements	200	200	0	24	26	2
Green Space Improvement	60	60	0	9	0	(9)
Energy Conservation	750	750	0	80	72	(8)
Roof Replacement	550	550	0	157	112	(45)
Assisted Living Technology	65	65	0	0	0	0
Central Heating Installation	710	710	0	177	152	(25)
Rewiring	565	565	0	141	74	(67)
Kitchens and Bathrooms	900	900	0	63	51	(12)
Central Heating communal	25	25	0	6	1	(5)
Door Replacement	292	292	0	45	45	0
Structural repairs	250	250	0	63	17	(46)
Aids and adaptations	450	450	0	50	52	2
Drainage and Water Supply	35	35	0	9	9	0
Capitalised salaries	500	500	0	126	125	(1)
Asbestos management	360	360	0	90	79	(11)
Communal/PIR Lighting	660	660	0	165	155	(10)
Targeted door Replacement	20	20	0	45	30	(15)
Window Replacement	138	138	0	0	0	0
<b>Sub Total</b>	<b>7,143</b>	<b>7,143</b>	<b>0</b>	<b>1,308</b>	<b>1,051</b>	<b>(257)</b>
<b>Future Investment</b>						
Stock remodelling	130	130	0	33	24	(9)
Parking Schemes	125	125	0	0	0	0
Investment Panel Programme	69	69	0	0	0	0
Houghton Regis Central	295	295	0	0	29	29
Garage Site Assembly	229	229	0	0	0	0
Garage Site Development	318	318	0	0	8	8
Croft Green	3,639	400	(3,239)	0	2	2
Sheltered Housing Refurbishment	400	400	0	0	0	0
New Homes, North Central Bedfordshire	2,110	2,110	0	501	542	41
Major Renewal Schemes	125	25	(100)	0	0	0
Priory View	1,006	1,006	0	168	0	(168)
<b>Sub Total</b>	<b>8,446</b>	<b>5,107</b>	<b>(3,339)</b>	<b>702</b>	<b>605</b>	<b>(97)</b>
<b>HRA</b>	<b>15,589</b>	<b>12,250</b>	<b>(3,339)</b>	<b>2,010</b>	<b>1,656</b>	<b>(354)</b>

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

Source	Amount £'000
Revenue Contributions	5,121
Useable Capital Receipts	4,000
Independent Living Development Reserve	1,301
Strategic Reserve	1,828
<b>Total</b>	<b>12,250</b>

**FUTURE INVESTMENT**

8. Major construction work at the Croft Green Development is forecast to commence in late 2016/17 with completion forecast for the winter of 2017/18. A preferred bidder has been identified and the decision to award the contract was taken at the June 2016 Executive to award part A. When complete, the development will provide 24 self-contained flats and communal facilities. Current forecasts suggest from a budget of £3.639M, an outturn of £0.400M with the balance of £3.239M being deferred to 2017/18.

9. The combined Garage Site Development/Assembly programmes have 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. Current forecasts suggest an outturn on budget at £0.547M.
10. 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.
11. The Priory View development achieved practical completion on 22 April 2016. The Council's employers agent (Arcadis) recommended withholding monies from the contractor relating to outstanding snagging works, resulting in a year to date underspend of £0.168M. Works to the value of £1.006M were deferred from 2015/16 and despite snagging works it is forecast to outturn on budget.

## **STOCK PROTECTION**

12. Within Stock Protection there is a year to date underspend of £0.257M, this is primarily due to out of profile expenditure of £0.158M relating to Roof Replacement, Rewiring and Structural Repairs. Work is expected to pick up during the year resulting in an outturn on budget at £7.143M.

## **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 2016/17 was reduced by £0.853M, as part of the Council's efficiency programme.
15. This year's HRA efficiency target comprises mainly of reduced Day to Day and Void maintenance costs (£0.680M). Forecasts suggest that the efficiencies for 2016/17 will be fully achieved.

## **HRA ARREARS.**

16. Table 4 shows a breakdown of the HRA Debt position at the end of June. Total tenant debt amounted to £0.961M compared to £0.877M at the end of May 2016. Current Tenant Arrears (CTA) are £0.487M or 1.57% (£0.407M or 1.3% at May) of the annual rent debit of £31.064M against a target of 1.8%, whilst Former Tenant Arrears (FTA) are at 1.52% with a balance of

£0.473M against a target of 1% (1.58% with a balance of £0.470M at May). Housing Benefit payments account for 55% of the rental income received. A total of £0.029M of rent arrears has been written off in the financial year to the end of June 2016.

**Table 4**

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	0.192	0.116	0.090	0.090	0	0.487
Former Tenant	0.004	0.006	0.012	0.063	0.390	0.473
						<b>0.961</b>
<b>Debt Analysis - Other Arrears</b>						
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
Leaseholders	0	0	0	0	0.001	0.001
Shops	0.033	0	0	0.004	0.011	0.048
Void recoveries	0	0	0	0.009	0.017	0.026
Misc recoveries	0.001	0	0	0.004	0.001	0.006
	<b>0.034</b>	<b>0.000</b>	<b>0.000</b>	<b>0.017</b>	<b>0.030</b>	<b>0.081</b>

17. 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.
18. 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 Former Tenants Arrears (FTA) officer is concentrating their time on cases with the highest probability of recovery. Since 2015 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.
19. 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.
20. The current approach to FTA debt has resulted in recovery in the previous 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.
21. There are currently £0.081M of non tenant arrears (£0.109M May), 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**

22. 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 June was 78% of 237 invoices paid on time.
23. 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**

24. 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.
25. Up to the end of June 2016, 28 RtB applications were received with 9 properties being sold, compared to 24 Applications and 8 sales over the same period in 2015/16. It is currently projected that the number of RtB sales will be between 30 and 35 for the year, resulting in a residual receipt for the year of approximately £2M.
26. As a result of the changes to housing pooling the Council has a balance at Quarter 1 2016/17 of useable capital receipts of £7.138M, of which £2.872M 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.
27. 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 £9.572M on new build by 30 June 2019. £1.811M has been spent on replacement properties up to 30 June 2016.
28. The HRA's Budget proposals for the period of the Medium Term Financial Plan (MFTP) propose significant investment in new build (in excess of £11.0M by 30 June 2019, excluding spend on Priory View).
29. 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 30 June 2019, then this would pose a threat to the surpluses predicted both in the medium and longer term.

30. 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.
31. The sale of apartments at Priory View have started. In total it is anticipated that these will generate £3.9M during 2016/17, with these funds being available to fund further new build projects in the years to follow.
32. As at 1 April 2016 the balance of HRA Usable Capital receipts was £2.996M. It is anticipated that £2.0M of RtB receipts will be retained in the current year and an additional £3.9M from sales at Priory View making a subtotal of £8.896M. It is proposed to use £4.0M of usable receipts to part fund the Capital programme, so the balance carried forward is forecast to be £4.896M.

## **RESERVES**

33. The total reserves available as at year end 2015/16 were £19.452M, comprising £2.0M in HRA Balances, £9.004M in the Independent Living Development Reserve, £8.248M in the Strategic Reserve and £0.2M in the Major Repairs Reserve.
34. The current position indicates a year end balance in reserves of £21.669M. HRA Balances are projected to remain at a contingency level of £2.0M, with the Independent Living Development Reserve increasing to £13.049M, the Strategic reserve reducing to £6.420M, and the Major Repairs Reserve (MRR) remaining at £0.2M.
35. In total this equates to a forecast contribution to reserves for the year of £5.346M, offset by spend from reserves of £3.129M to result in a net increase of £2.217M.
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 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

Month: June 2016

Description	Opening Balance 2016/17	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	9,004	(1,301)	-	5,346	13,049
Strategic Reserve	8,248	(1,828)	-	-	6,420
Major Repairs (HRA)	200	-	-	-	200
	<b>19,452</b>	<b>(3,129)</b>	<b>-</b>	<b>5,346</b>	<b>21,669</b>

**Table 6**

## Net Revenue Position Full Analysis

Month: June 2016	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	£000
Assistant Director Housing Service	4,553	4,319	-	(234)	17,815	17,492	(323)	-	(323)	
Housing Operations	(6,094)	(6,014)	-	80	(24,374)	(23,854)	520	-	520	
Repairs and Business Management	1,392	1,298	-	(94)	5,965	5,807	(158)	-	(158)	
Financial Inclusion	122	129	-	7	487	422	(65)	-	(65)	
Housing Investment	27	3	-	(24)	107	133	26	-	26	
<b>Total</b>	<b>0</b>	<b>(265)</b>	<b>0</b>	<b>(265)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	