

APPENDIX A

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 team called the Housing Investment Team. Capital related works are now managed within Housing Investment whilst the management and maintenance of properties and tenants, forms the Housing Operations Team. 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
Total Income	(28.924)	(14.473)	(14.378)	0.095	(28.815)	0.109
Housing Operations	6.851	3.439	3.305	(0.134)	6.658	(0.193)
Financial Inclusion	0.596	0.298	0.193	(0.105)	0.480	(0.116)
Housing Investment	0.107	0.054	0.027	(0.027)	0.147	0.040
Corporate Resources	2.047	1.021	1.021	0	2.043	(0.004)
Maintenance	5.506	2.606	2.280	(0.326)	5.050	(0.456)
Debt related costs	0.119	0.059	0.059	0	0.119	0
Direct Revenue Financing	5.121	2.561	2.561	0	5.121	0
Efficiency Programme	(0.853)	(0.427)	(0.427)	0	(0.853)	0
Interest repayment	4.067	2.033	1.987	(0.046)	3.975	(0.092)
Principal repayment	0	0	0	0	0	0
TOTAL Expenditure	23.561	11.644	11.006	(0.638)	22.740	(0.821)
Surplus	(5.363)	(2.829)	^(3.372)	(0.543)	(6.075)	(0.712)
Contribution to / (from) reserve (at year end)	5.363	2.829	^3.372	0.543	6.075	0.712
Net Expenditure	0	0	0	0	0	0
^ Included for balancing and illustrative purposes only						

3. Income received in the year to date is £0.095M behind profile, with a full year forecast adverse variance of £0.109M. 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 Housing service provided by HRA staff. Savings are not likely to fully materialise in this financial year resulting in a forecast reduction in income, and under achievement of this efficiency of £0.116M.
4. The Housing Operations Team is under spent in the year to date by £0.134M, with a full year forecast under spend of £0.193M. The project to transfer information on to an electronic file management system completed earlier than expected, saving £0.084M. There have also been efficiency savings achieved in relation to tenancy sustainment work, resulting in an under spend of £0.034M. Reduced spend on stock analysis work is also predicted, leading to a forecast under spend of £0.070M.
5. The Financial Inclusion service is forecast to deliver an under spend of £0.116M. The roll out of Universal Credit has been slower than anticipated, so additional provision made in the budget build has not been required. In addition the Council has not spent as much enabling people to Rightsize to new homes, or incentivising tenants to move, as it did in the early years of the welfare reform, when more tenants were subject to the Spare Room Subsidy.
6. Maintenance expenditure is forecast to outturn at £5.050M compared to a budget of £5.506M, delivering a saving of £0.456M. The reprocurement of the Central Heating Maintenance Contract including domestic and commercial appliances has led to an expected outturn of £0.6M, providing a positive variance of £0.125M. Fire Safety works are forecast to outturn at £0.185M yielding a saving of £0.082M from controls introduced in previous years.
7. Placing more specialist maintenance work through the electrical and day to day contractors has resulted in a full year forecast positive variance of £0.029M. Working closely with the routine maintenance contractor to reduce the number of maintenance visits to each property will provide a further saving of £0.217M against the full years forecast. Overall, good progress is being made and the efficiency savings being achieved will feature within the HRA Efficiency programme for 2017/20, with a view to creating a new Repairs Delivery model by bringing together several contracts and considering a range of delivery options.
8. The starting point is to implement a 'self serve' customer interface using First Touch apps aligned to 'end to end' system integration between contractor and Council systems, all of which is in progress. By 2018, the aim is to create a Repairs Delivery model that is better able to respond to the problems within the labour market, so as to retain a sustainable, skilled workforce, in terms of repair and maintenance type operations. The project is therefore 'two stage'; to create a lean, fit for purpose, mainly self service, customer interface across all repairs type operations; aligned to the creation of a sustainable model to

deliver high quality repairs and servicing in tenants and leaseholders homes.

HRA CAPITAL PROGRAMME

9. 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 positive variance of £0.521M.
10. The full year forecast within the Stock Protection projects is for an outturn of £6.871M, a positive variance of £0.272M. Projects relating to Future Investment are forecast to outturn at £4.749M, an under spend of £3.697M.
11. An analysis of forecast spend, and variance to year to date profile, for each HRA scheme is presented at Table 2. The proposed funding of the programme is shown at Table 3.

Table 2

	Budget 2016/17	Full Year Forecast	Variance	Monthly Budget Monitoring September 2016		
				Profiled YTD	Actual YTD	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Stock Protection						
General Enhancements	100	100	0	50	87	37
Lift Replacement	100	108	8	0	2	2
Fire Safety & Alarm Systems	194	194	0	97	54	(43)
Garage Refurbishment	109	109	0	27	3	(25)
Paths & Fences siteworks	110	110	0	55	21	(34)
Estate Improvements	200	260	60	24	28	4
Green Space Improvement	60	0	(60)	0	0	0
Energy Conservation	750	750	0	150	224	74
Roof Replacement	550	550	0	437	412	(25)
Assisted Living Technology	65	0	(65)	0	0	0
Central Heating Installation	710	710	0	355	351	(4)
Rewiring	565	465	(100)	282	218	(65)
Kitchens and Bathrooms	900	900	0	126	90	(36)
Central Heating communal	25	25	0	12	1	(12)
Door Replacement	292	292	0	146	109	(37)
Structural repairs	250	175	(75)	125	23	(102)
Aids and adaptations	450	450	0	225	190	(35)
Drainage and Water Supply	35	45	10	18	45	28
Capitalised salaries	500	500	0	250	250	(0)
Asbestos management	360	310	(50)	180	129	(51)
Communal/PIR Lighting	660	660	0	285	278	(7)
Targeted door Replacement	20	20	0	20	45	25
Window Replacement	138	138	0	0	0	0
Sub Total	7,143	6,871	(272)	2,865	2,559	(306)

	Budget 2016/17	Full Year Forecast	Variance	Monthly Budget Monitoring September 2016		
				Profiled YTD	Actual YTD	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Future Investment						
Stock remodelling	130	130	0	65	105	40
Parking Schemes	125	125	0	0	(1)	(1)
Investment Panel Programme	69	69	0	0	0	0
Houghton Regis Central	295	295	0	118	210	92
Garage Site Assembly	229	100	(129)	93	9	(84)
Garage Site Development	318	130	(188)	162	31	(131)
Croft Green	3,639	384	(3,255)	46	2	(44)
Sheltered Refurbishment	400	400	0	0	(2)	(2)
New Homes	2,110	2,110	0	1,056	1,796	740
Major Renewal Schemes	125	0	(125)	60	0	(60)
Priory View	1,006	1,006	0	504	(260)	(764)
Sub Total	8,446	4,749	(3,697)	2,104	1,889	(215)
TOTAL HRA	15,589	11,620	(3,969)	4,969	4,448	(521)

Table 3

Proposed Funding of HRA Capital Programme

Source	£'000
Revenue Contributions	5,121
Useable Capital Receipts	4,000
Independent Living Development Reserve	1,301
Strategic Reserve	1,198
Total	11,620

STOCK PROTECTION

12. Within Stock Protection there is a year to date underspend of £0.306M; this is primarily due to out of profile expenditure relating to Structural Repairs (£0.102M), Rewiring (£0.065M), Asbestos Management (£0.051M) and other minor under spends. Full year under spends are forecast for the Rewiring programme (£0.100M), Structural Repairs (£0.075M), Assisted Living Technology (£0.065M), and Asbestos Management (£0.050M).
13. Savings have been made during the year by undertaking partial rewires and repairs to installations in order to bring the installation up to standard and increase the life of the installation rather than undertaking full rewires. A decision was made to replace existing technology and door entry systems only on failure, while we review the "offer" from the Council in relation to Assisted Living Technology (Telecare).
14. While Asbestos and Structural works are both capital expenditures, they

are not based upon a planned programme and therefore expenditure is called off when works of this nature are required. To date, this year has seen a significant reduction in the need for these type of works compared to previous years.

FUTURE INVESTMENT

15. Major construction work at the Croft Green Development is forecast to commence in late 2016/17 with completion forecast for the spring of 2018. A preferred bidder has been identified and the decision to award Part A of the contract was taken at the June 2016 Executive. The contractor has now been appointed to progress the Part A works. When complete, the development will provide 24 self-contained apartments and communal facilities. Current forecasts suggest that, from a budget of £3.639M, an outturn of £0.384M will occur with the balance being deferred to 2017/18.
16. 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 of £0.230M with proposed slippage of £0.129M to 2017/18.
17. The Housing Service 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, previously owned by Corporate Assets, has been identified at Havelock Road, Biggleswade. Corporate Assets have claimed the Capital Receipt for the agreed land value of £75,000 that has been paid by the Housing Service. A planning application has been submitted in September 2016 for two new semi detached properties
18. The purchase of dwellings within the New Homes North Central Beds project is progressing ahead of profile with the completion in the current year of 6 properties. These properties will be used to help address the demand for Temporary Accommodation and supported accommodation. By creating additional tenancies in the HRA, the cost to the Council of supplying emergency accommodation is significantly reduced as the rent falls within Housing Benefit levels, compared to expensive Bed and Breakfast or 'Nightly Lets' accommodation where the Council has to bridge the gap between the rent and the amount that Housing Benefit will fund.
19. To date £1.796M has been spent against a total budget of £2.110M. Given the savings delivered to the Council's General Fund (GF) by purchasing these properties, it is proposed that £1.2M of the budget allocated to the Croft Green project in 2016/17 is vired to enable the purchase of further properties throughout the Council area. This will

enhance the asset base of the HRA, offset the increase in Right to Buy sales (please see the section on HRA Capital Receipts), and reduce revenue expenditure in the GF.

20. The Priory View development achieved practical completion on 22 April 2016. The Council's employer's agent (Arcadis) recommended withholding monies from the contractor relating to outstanding snagging works, resulting in a year to date underspend of £0.764M. Some of the snagging and non compliant works are still outstanding, and a final account is pending from the main contractor. Works to the value of £1.006M were deferred from 2015/16 and are forecast to outturn on budget. The contractor has not yet submitted a final account.

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 expenditure is high relative to other stock retained authorities. Benchmarking has indicated, for example, that we should review the Repairs Delivery model, the result of which has been the achievement of 'in year' savings and further proposals within the HRA Efficiency programme going forward.
22. The HRA revenue budget for 2016/17 was reduced by £0.853M, as part of the Council's efficiency programme.
23. This year's HRA efficiency target comprises mainly of reduced Day to Day and Void maintenance costs (£0.680M). The overall efficiency target for 2016/17 is forecast to be fully achieved.

HRA ARREARS.

24. Table 4 shows a breakdown of the HRA debt position at September.

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	0.167	0.146	0.090	0.075	0	0.478
Former Tenant	0.011	0.012	0.013	0.109	0.537	0.682
						1.160
Debt Analysis - Other Arrears						
Description of debt	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 365 days	Over 1 yr	TOTAL
	£M	£M	£M	£M	£M	£M
Leaseholders	0.000	0.000	0.000	0.001	0.003	0.004
Shops	0.011	0.000	0.000	0.007	0.010	0.028
Void recoveries	0.000	0.000	0.000	0.007	0.019	0.026
Misc recoveries	0.000	0.000	0.000	0.002	0.002	0.004
	0.011	0.000	0.000	0.017	0.034	0.062

25. Total tenant debt amounted to £1.160M compared to £0.907M at the end of August 2016. Current Tenant Arrears (CTA) are £0.478M or 1.53% (£0.413M or 1.32% at August) of the annual rent debit of £31.328M, against a target of 1.8%, whilst Former Tenant Arrears (FTA) are at 2.18% with a balance of £0.682M against a target of 1% (1.59% with a balance of £0.494M at August). £0.029M of tenant debt was written off in the financial year to September. Housing Benefit payments account for 55% of the rent and service charge income received.
26. 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.
27. Contacts with other Registered Providers of social housing 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. 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.
28. 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.
29. 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.
30. There are currently £0.062M of non tenant arrears (£0.052M 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.

PROMPT PAYMENT INDICATOR

31. 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 70% of 281 invoices paid on time. Work is ongoing to create 'end to end' system integration between SAP and the QL system, so as to improve performance overall. There is known as the Self Billing project, the aim being to automate (or

minimise manual processes) to pay our invoices. This project is progressing well and will significantly improve timescales for making payment.

32. 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.

HRA CAPITAL RECEIPTS

33. 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.
34. Up to the end of September 2016, 41 RtB applications were received with 14 properties being sold, compared to 46 Applications and 15 sales over the same period in 2015/16. 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 £2M.
35. The Council has a balance at Quarter 2 2016/17 of useable capital receipts of £7.461M, of which £2.817M 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.
36. The retained receipt from RtB sales can represent no more than 30% of the cost of the replacement properties. Since the agreement was signed in 2012, £3.065M has been spent on replacement properties up to 30 September 2016. The Council is committed to spend a further £9.39M on replacement properties by 30 September 2019.
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 30 September 2019).
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 30 September 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 commenced in Quarter 1 and has

generated £3.261M of capital receipts up to September. In total it is anticipated that the sales will generate a total of circa £3.9M during 2016/17, with these funds being available to fund further new build projects in the years to follow.

41. 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

42. 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.
43. The current position indicates a year end balance in reserves of £23.028M. HRA Balances are projected to remain at a contingency level of £2.0M, with the Independent Living Development Reserve increasing to £13.778M, the Strategic reserve reducing to £7.050M, and the Major Repairs Reserve (MRR) remaining at £0.2M. (Should the proposed virement be accepted, the Strategic Reserve balance would drop to £5.850M and total reserves would equate to £21.828M.)
44. In total this equates to a forecast contribution to reserves for the year of £6.075M, offset by spend from reserves of £2.499M to result in a net increase of £3.576M.
45. 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: September 2016				
	Description	Opening Balance 2016/17	Spend against reserves	Release of reserves	Proposed transfer to Reserves
	£000	£000	£000	£000	£000
HRA Balances	2,000	-	-	-	2,000
Independent Living Development Reserve	9,004	(1,301)	-	6,075	13,778
Strategic Reserve	8,248	(1,198)	-	-	7,050
Major Repairs (HRA)	200	-	-	-	200
	19,452	(2,499)	-	6,075	23,028

Table 6**Net Revenue Position Full Analysis**

Month: September 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
Assistant Director Housing Service	9,053	9,019	-	(34)	17,815	18,062	247	-	247
Housing Operations	(12,187)	(11,991)	-	196	(24,374)	(24,178)	196	-	196
Repairs and Business Management	2,836	2,531	-	(305)	5,965	5,558	(407)	-	(407)
Financial Inclusion	244	192	-	(52)	487	411	(76)	-	(76)
Housing Investment	54	27	-	(27)	107	147	40	-	40
Total	0	(222)	0	(222)	0	0	0	0	0