

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 been 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)	(21.709)	(21.688)	0.021	(28.972)	(0.048)
Housing Operations	6.851	5.159	4.807	(0.352)	6.674	(0.177)
Financial Inclusion	0.596	0.447	0.364	(0.083)	0.488	(0.108)
Housing Investment	0.107	0.080	0.062	(0.018)	0.102	(0.005)
Corporate Resources	2.047	1.532	1.532	0	2.043	(0.004)
Maintenance	5.506	3.945	3.524	(0.421)	4.725	(0.781)
Debt related costs	0.119	0.089	0.102	0.013	0.119	0
Direct Revenue Financing	5.121	3.841	3.841	0	5.121	0
Efficiency Programme	(0.853)	(0.640)	(0.640)	0	(0.853)	0
Interest repayment	4.067	3.050	2.981	(0.069)	3.975	(0.092)
Principal repayment	0	0	0	0	0	0
TOTAL Expenditure	23.561	17.503	16.573	(0.930)	22.394	(1.167)
Surplus	(5.363)	(4.206)	^(5.115)	(0.909)	(6.578)	(1.215)
Contribution to / (from) reserve (at year end)	5.363	4.206	^5.115	0.909	6.578	1.215
Net Expenditure	0	0	0	0	0	0
^ Included for balancing and illustrative purposes only						

3. Income received in the year to date has an adverse variance of £0.021M, with a full year favourable variance of £0.048M. 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 £0.128M. This is offset by additional rental income achieved through the purchasing of new properties and increased income from leasehold recharges.
4. The Housing Operations Team is underspent in the year to date by £0.352M, with a full year favourable variance of £0.177M. 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 of £0.064M achieved by bringing project work in house and utilising existing resources; further savings have been achieved in relation to tenancy sustainment work, resulting in an underspend of £0.034M. Part of the in year favourable variance relates to underspends on insurance related repairs works (£0.056M). This provision is earmarked for situations where insurance related costs are below the policy excess and the Council has to self fund. Other favourable variances in the year to date are accounted for by utility costs, which will increase over the winter period.
5. The Financial Inclusion service is under spent in the year to date by £0.083M, with a full year favourable variance of £0.108M. 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 welfare reform, when more tenants were subject to the Spare Room Subsidy.
6. Maintenance expenditure is underspent in the year to date by £0.421M with a full year favourable variance of £0.781M. The procurement of the Central Heating Maintenance Contract including domestic and commercial appliances has led to an expected outturn of £0.5M, providing a favourable variance of £0.125M. Fire Safety works are forecast to outturn at £0.125M yielding a saving of £0.142M 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 favourable variance of £0.060M. 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 - 2021, 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 favourable variance of £2.948M.
10. The full year forecast within Stock Protection is for an outturn of £6.215M, a favourable variance of £0.928M. Projects relating to Future Investment are forecast to outturn at £5.622M, an under spend of £2.824M.
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 December 2016		
				Profiled YTD	Actual YTD	Variance
Stock Protection	£'000	£'000	£'000	£'000	£'000	£'000
General Enhancements	100	100	0	75	88	13
Lift Replacement	100	108	8	0	4	4
Fire Safety & Alarm Systems	194	194	0	146	109	(37)
Garage Refurbishment	109	60	(49)	68	3	(66)
Paths & Fences siteworks	110	110	0	83	22	(61)
Estate Improvements	200	180	(20)	94	27	(67)
Green Space Improvement	60	0	(60)	0	0	0
Energy Conservation	750	550	(200)	300	225	(75)
Roof Replacement	550	600	50	550	543	(7)
Assisted Living Technology	65	0	(65)	0	0	0
Central Heating Installation	710	710	0	533	478	(55)
Rewiring	565	410	(155)	424	292	(132)
Kitchens and Bathrooms	900	700	(200)	490	348	(142)
Central Heating communal	25	25	0	19	1	(18)
Door Replacement	292	292	0	219	189	(30)
Structural repairs	250	120	(130)	187	26	(161)
Aids and adaptations	450	450	0	338	316	(22)
Drainage and Water Supply	35	50	15	26	45	19

Capitalised salaries	500	500	0	375	375	(0)
Asbestos management	360	310	(50)	270	175	(95)
Communal/PIR Lighting	660	660	0	465	384	(81)
Targeted door Replacement	20	20	0	20	47	27
Window Replacement	138	66	0	46	0	(46)
Sub Total	7,143	6,215	(928)	4,728	3,697	(1,031)

	Budget 2016/17	Full Year Forecast	Variance	Monthly Budget Monitoring December 2016		
				Profiled YTD	Actual YTD	Variance
Future Investment						
Stock remodelling	130	130	0	97	146	49
Parking Schemes	125	125	0	50	0	(50)
Investment Panel Programme	69	69	0	0	0	0
Houghton Regis Central	295	295	0	207	243	36
Garage Site Assembly	229	0	(229)	162	0	(162)
Garage Site Development	318	100	(218)	243	57	(186)
Croft Green	2,439	300	(2,139)	185	99	(86)
Sheltered Refurbishment	400	300	(100)	100	(2)	(102)
New Homes	3,310	3,310	0	2,484	2,015	(469)
Major Renewal Schemes	125	0	(125)	90	0	(90)
Priory View	1,006	1,006	0	756	(72)	(828)
Creasey Park New Homes	0	(13)	(13)	0	(30)	(30)
Sub Total	8,446	5,622	(2,824)	4,373	2,457	(1,917)
TOTAL HRA	15,589	11,837	(3,752)	9,101	6,154	(2,948)

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	1,415
Total	11,837

STOCK PROTECTION

12. Within Stock Protection there is a year to date favourable variance of £1.031M; this is primarily due to out of profile expenditure relating to Structural Repairs (£0.161M), Estate Improvements (£0.067M), Rewiring (£0.132M), Asbestos Management (£0.095M), Energy conservation (£0.075M), Kitchen and Bathrooms (£0.142M), Garage Refurbishment (£0.066M), Paths & Fences siteworks (£0.061M), Communal/PIR Lighting

(£0.081M) and other minor variances.

13. Full year under spends are forecast for the Rewiring programme (£0.155M), Structural Repairs (£0.130M), Energy Conservation (£0.200M), Kitchens and Bathrooms (£0.200M), Assisted Living Technology (£0.065M), Asbestos Management (£0.050M) and Garage Refurbishment (£0.049M).
14. 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).
15. While Asbestos and Structural works are both capital expenditure, 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. The underspend in the Garage Refurbishment programme is a result of an ongoing review of our Garage Strategy.
16. The underspend in Assisted Living Technology is due to a review being undertaken on the service offer and ensuring that any such technology is future proofed rather than take on the traditional approach.

FUTURE INVESTMENT

17. Major construction work at the Croft Green Development is forecast to commence in April 2017 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 £2.439M, an outturn of £0.300M spend will occur in 2016/17 with the balance proposed to be deferred to 2017/18.
18. 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 £0.100M with proposed slippage of £0.447M to 2017/18.
19. 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. It is proposed that the land is transferred from the GF to the HRA, for the agreed land value of

£0.075M. A planning application for two new semi detached properties has recently been approved.

20. The purchase of dwellings within the New Homes project is progressing ahead of profile with the completion in the current year of 7 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's General Fund (GF) 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.
21. To date £2.015M has been spent against an original total budget of £3.310M. Having considered the savings delivered to the Council's GF by purchasing these properties, at December 2016 meeting Executive approved a proposal to vire £1.2M of the budget allocated to the Croft Green project in 2016/17 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.
22. There are increasing homelessness pressures, which are impacting upon GF temporary accommodation (TA) budgets. The approach being taken is to create "system resilience" for the future, establishing flexible provision across Central Bedfordshire, to be managed intensively as either TA and/or supported housing. The Housing Service is creating an Intensive Property Management Team (within the HRA) that will manage all of the properties and rooms that are used for TA on a 'hotel-style' basis, in part to maximise income; but more importantly, to avoid cost at the level seen in neighbouring local authorities.
23. Over time, it is envisaged that this provision will increase to circa 250 units (homes, single rooms, shared accommodation). The use of this 'circa 250 units' will function flexibly, as both TA and accommodation based supported housing, the main aim being to avoid cost to the system. Whilst management and maintenance costs are significantly higher for this type of accommodation, the greater concentration of tenancies will also generate additional income for the HRA. More importantly, this approach directly facilitates the Housing GF efficiencies, to reduce TA Budget provision over a three year period.
24. As part of this approach it is proposed to transfer Greenacres, the former care home in Dunstable, from the GF into the HRA. The site has recently been independently valued at £1.5M, which would be funded from existing HRA Reserves and provide the equivalent of an immediate capital receipt for the GF. In the short to medium term this could provide flexible bedsit accommodation for up to 50 people, addressing demands for TA or Supported accommodation. In the longer term the site could be regenerated to provide new housing supply and would certainly enhance the HRA's portfolio of assets.

25. There is no anticipated expenditure within the Major Renewal Schemes project code, as the regeneration project works originally considered are not likely to emerge in the short to medium term.
26. The Priory View development achieved practical completion on 22 April 2016. The Council's employer's agent recommended withholding monies from the contractor relating to outstanding snagging works, resulting in a year to date underspend of (£0.828M). 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.

HRA EFFICIENCY PROGRAMME

27. 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 for HRA efficiencies going forward.
28. The HRA revenue budget for 2016/17 was reduced by £0.853M, as part of the Council's efficiency programme.
29. 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

30. Table 4 shows a breakdown of the HRA debt position at December.

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	0.184	0.155	0.107	0.083	0	0.529
Former Tenant	0.017	0.015	0.002	0.068	0.392	0.494
						1.023
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	0	0	0	0.001	0.001
Misc recoveries	0	0	0	0.001	0.005	0.006
Shops	0.009	0	0	0.008	0.009	0.026
Void recoveries	0.005	0	0	0.003	0.019	0.027
	0.014	0.000	0.000	0.012	0.034	0.060

31. Total tenant debt amounted to £1.023M compared to £1.077M at the end of November 2016. Current Tenant Arrears (CTA) are £0.529M or 1.67% (£0.585M or 1.85% at November) of the annual rent debit of £31.622M, against a target of 1.8%, whilst Former Tenant Arrears (FTA) are at 1.56% with a balance of £0.494M against a target of 1.56% (1.75% with a balance of £0.492M at November).
32. In light of welfare reform Housing Operations 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.
33. 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.
34. 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.
35. 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.
36. There are currently £0.060M of non tenant arrears (£0.049M 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.

PROMPT PAYMENT INDICATOR

37. 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 93% of 244 invoices (71% of 281 invoices in November) 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 migimise manual processes) to pay our invoices.

This project is progressing well and will significantly improve timescales for making payment.

38. 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

39. 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.
40. Up to the end of December 2016, 62 RtB applications were received with 19 properties being sold, compared to 55 Applications and 31 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 £2.8M.
41. The Council has a balance at Quarter 3 2016/17 of useable capital receipts of £8.902M, of which £2.977M 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.
42. 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, £3.347M has been spent on replacement properties up to 31 December 2016. The Council is committed to spend a further £9.924M on replacement properties by 31 December 2019.
43. The HRA's Budget proposals for the period of the Medium Term Financial Plan (MTFP) propose significant investment in new build (in excess of £10.3M by 31 December 2019).
44. 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 December 2019, then this would pose a threat to the surpluses predicted both in the medium and longer term.
45. 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.

46. The sale of apartments at Priory View has generated £4.253M of capital receipts. These funds being available to fund further new build projects in the years to follow. As at 1 April 2016 the balance of HRA Usable Capital receipts was £2.996M. It is anticipated that £2.8M of RtB receipts will be retained in the current year; when the Priory view sales income is taken into account this delivers a subtotal of £10.049M. 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 £6.049M.

RESERVES

47. 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 £0.200M in the Major Repairs Reserve.
48. The current position indicates a year end balance in reserves of £23.314M. HRA Balances are projected to remain at a contingency level of £2.000M, with the Independent Living Development Reserve increasing to £14.281M, the Strategic reserve reducing to £6.833M, and the Major Repairs Reserve (MRR) remaining at £0.200M.
49. In total this equates to a forecast contribution to reserves for the year of £6.578M, offset by spend from reserves of £2.716M to result in a net increase of £3.862M.
50. It is proposed to use part of the balance in the Strategic Reserve to finance the transfer of the Havelock Road and Greenacre sites from the GF. The value of these sites is £1.575M. Should the proposed transfer be approved, the Strategic Reserve balance would drop to £5.258M and total reserves would equate to £21.739M.
51. 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 is referred to in the HRA Budget Report that is going before Council in February 2017, and continues to be refined as part of the Council's Medium Term Financial Plan.

Table 5

HRA Reserves

Description	Opening Balance 2016/17	Spend against reserves	Release of reserves	Proposed transfer to Reserves	Proposed Closing Balance 2016/17
	£000	£000	£000	£000	£000
HRA Balances	2,000	-	-	-	2,000
Independent Living Development Reserve	9,004	(1,301)	-	6,578	14,281
Strategic Reserve	8,248	(1,415)	-	-	6,833
Major Repairs (HRA)	200	-	-	-	200
	19,452	(2,716)	-	6,578	23,314

Table 6

Net Revenue Position Full Analysis

Month: December 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	13,361	13,887	-	526	17,815	18,571	756	-	756
Housing Operations	(18,281)	(18,324)	-	(44)	(24,374)	(24,251)	123	-	123
Repairs and Business Management	4,474	3,874	-	(600)	5,965	5,192	(773)	-	(773)
Financial Inclusion	365	266	-	(99)	487	386	(101)	-	(101)
Housing Investment	80	62	-	(18)	107	102	(5)	-	(5)
Total	0	(235)	0	(235)	0	0	0	0	0