

APPENDIX A

HRA REVENUE ACCOUNT (HRA)

1. The HRA annual expenditure budget is £22.524M and income budget is £28.639M, which allows a contribution of £6.115M to reserves to present a net budget of zero.
2. A subjective breakdown of budget, year to date position and forecast outturn is shown in **Table 1** below.

	2017/18 Budget	Budget YTD	Actual YTD	Variance YTD	Full Year Forecast	Variance Full Year Forecast to
	£m	£m	£m	£m	£m	£m
Total Income	(28.639)	(7.160)	(7.048)	0.112	(28.727)	(0.088)
Housing Operations	7.696	1.924	1.852	(0.072)	7.768	0.072
Financial Inclusion	0.461	0.115	0.116	0.001	0.461	-
Housing Investment	0.123	0.031	0.017	(0.014)	0.118	(0.005)
Corporate Resources	2.063	0.516	0.535	0.019	2.139	0.076
Maintenance	5.084	1.271	1.279	0.008	5.124	0.040
Debt related costs	0.119	0.030	0.030	-	0.119	-
Direct Revenue Financing	2.327	0.582	0.582	-	2.327	-
Efficiency Programme	(0.750)	(0.188)	(0.188)	-	(0.750)	-
Interest repayment	3.941	0.985	0.985	-	3.941	-
Principal repayment	1.460	0.365	0.365	-	1.460	-
TOTAL Expenditure	22.524	5.631	5.573	(0.058)	22.707	0.183
Surplus	(6.115)	(1.529)	^(1.474)	0.055	(6.020)	0.095
Contribution to / (from) reserve (at year end)	6.115	1.529	^(1.474)	(0.055)	6.020	(0.095)
Net Expenditure	-	-	-	-	-	-

^ Included for balancing and illustrative purposes only

3. The year to date variances across the HRA show an adverse variance of £0.055M, whilst the full year forecast shows an adverse variance of £0.095M resulting in a full year surplus of £6.020M.
4. The forecast full year adverse variance of £0.183M on expenditure is a result

of under achievement of the Vacancy Management Saving and additional fire safety assessment and audit work following the Grenfell Tower tragedy. Fire safety at all properties requiring fire risk assessment will be reviewed during the rest of this financial year. The Corporate recharge forecast adverse variance of £0.076M reflects the outturn for 2016/17, but at this stage is currently an estimate as the final calculation does not take place until year end.

HRA CAPITAL PROGRAMME

5. The HRA Capital budget is £14.342M which includes slippage from 2016/17 of £4.009M. Across the HRA Capital Programme there is a year to date positive variance of £0.015M due to delays in tendering for the Houghton Regis Central project.
6. The full year forecast within Stock Protection is on budget at £6.045M. Projects relating to Future Investment are forecast to outturn at £6.609M, with proposed slippage into 2018/19 of £1.688M.
7. Analyses of forecast spend, and variance to year to date profile, for each HRA scheme is presented at **Table 2** below. The proposed funding of the programme is shown at Table 3.

	Budget 2017/18	Full Year Forecast	Variance	Monthly Budget Monitoring		
				Profiled YTD	Actual YTD	June 17
Stock Protection	£'000	£'000	£'000	£'000	£'000	£'000
General Enhancements	105	105	0	25	2	(23)
Fire Safety & Alarm Systems	104	104	0	10	2	(8)
Garage Refurbishment	115	115	0	16	7	(9)
Paths & Fences Siteworks	110	110	0	27	0	(27)
Estate & Green Space Improvements	326	326	0	0	3	3
Energy Conservation	538	538	0	0	69	69
Roof Replacement	555	555	0	0	0	0
Assisted Living Technology	13	13	0	0	8	8
Central Heating Installation	738	738	0	79	31	(48)
Rewiring	233	233	0	23	56	33
Kitchens and Bathrooms	777	777	0	105	195	90
Central Heating communal	26	26	0	0	0	0
Door Replacement	290	290	0	73	55	(18)
Structural Repairs	221	221	0	69	36	(33)
Aids and Adaptations	425	425	0	112	29	(83)
Drainage and Water Supply	36	36	0	9	1	(8)
Capitalised Salaries	510	510	0	125	125	0
Asbestos Management	258	258	0	63	60	(3)
Parking Schemes	236	236	0	0	0	0
Investment Panel Programme	50	50	0	0	0	0
Communal/PIR Lighting	73	73	0	35	23	(12)
Targeted Door Replacement	6	6	0	1	1	0
Sheltered Housing Refurbishment	150	150	0	127	107	(20)
New Windows	150	150	0	25	93	68
Sub Total	6,045	6,045	0	924	903	(21)

	Budget 2017/18	Full Year Forecast	Variance	Monthly Budget Monitoring		
				Profiled YTD	Actual YTD	June 17
Future Investment	£'000	£'000	£'000	£'000	£'000	£'000
Stock Remodelling	130	130	0	33	3	(30)
Houghton Regis Central	2,000	312	(1,688)	10	21	11
Site Development	315	315	0	0	0	0
Garage Site Development	269	269	0	0	0	0
Croft Green	3,895	3,895	0	0	0	0
New Build & Acquisitions	1,017	1,017	0	515	540	25
Crescent Court	313	313	0	0	0	0
Havelock Road	200	200	0	0	1	1
Windsor Drive	158	158	0	1	0	(1)
Sub Total	8,297	6,609	(1,688)	559	565	6
TOTAL HRA	14,342	12,654	(1,688)	1,483	1,468	(15)

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

Source	£'000
Revenue Contributions	2,327
Useable Capital Receipts	4,000
Independent Living Development Reserve	312
Strategic Reserve	6,015
Total	12,654

STOCK PROTECTION

8. At this early stage in the year it is anticipated that Stock Protection will outturn on budget at £6.045M.
9. There are a number of minor year to date variances across Stock Protection due to expenditure being either marginally behind or ahead of profile on various projects, resulting in an overall favourable variance of £0.021M.
10. There is a potential risk of an over spend on the fire safety capital budget, whilst the Council responds to changing fire safety guidance and best practice following the Grenfell tower incident. For example the installation of sprinkler systems in blocks of flats of four floors or higher is being investigated.

FUTURE INVESTMENT

11. Houghton Regis Central is a site comprising the vacant former Co Op site, the Grade II listed Red House and Red House Court in Houghton Regis town centre. The development will involve re-development in two stages, with construction initially taking place on the Co Op site to allow the current Red House Court residents to move to new apartments. This would enable the existing building (Red House Court) to be demolished, to then provide homes and new facilities on the existing site. The scheme will comprise 168 independent living apartments on a mixed tenure basis.
12. The scheme received planning consent in November 2016 and it is proposed that construction will start on site in the summer of 2018. The reason for the revised start date is due to re-programming following the establishment of new governance structures. This will enable a comprehensive tender pack to be prepared and a robust procurement process to be followed. As a result it is predicted that only £0.312M of the original budget of £2M will be spent in this financial year.
13. Major construction work at the Croft Green Development was forecast to commence in June 2017 with completion forecast for the winter 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 was appointed to progress the Part A works. When complete, the development will provide 24 self-contained apartments and communal facilities. The contract sum that has been received and negotiated with the contractor would mean that the project is not currently in a financial viable position. Options for delivery are currently being considered.

14. There are increasing homelessness pressures, which are impacting upon General Fund (GF) transitional 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 has created 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.
15. 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.
16. As part of this approach it was proposed and agreed to transfer Greenacre, the former care home in Dunstable, from the GF into the HRA. In the short to medium term this can provide flexible bedsit accommodation for up to 42 households, 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. Work has commenced on refurbishing the site on a phased basis so it can start to provide accommodation from the latter part of 2017. The first phase will inform the refurbishment of the rest of the block. Various planning and building regulation permissions are being sought currently.

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 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.

18. The HRA revenue budget for 2017/18 was reduced by £0.750M, as part of the Council's efficiency programme.
19. This year's HRA efficiency target comprises mainly increased service charge income within Supported Housing (£0.150M), reduced Day to Day and Void maintenance costs (£0.130M), and savings resulting from the tenancy sustainment approach (£0.110). The remaining £0.360M is made up of: savings related to Business Process Review and Management rationalisation, reduction in cost relating to Sheltered Housing and reduced communications costs resulting from use of new media. The overall efficiency target for 2017/18 is forecast to be fully achieved.

HRA ARREARS

20. Table 4 shows a breakdown of the HRA debt position at June.

Table 4 debt

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	0.186	0.142	0.083	0.103	0	0.514
Former Tenant	0.008	0.01	0.015	0.071	0.409	0.513
						1.027
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	0.000	0.000	0.000
Misc recoveries	0.000	0.000	0.001	0.001	0.004	0.006
Shops	0.011	0.000	0.006	0.004	0.008	0.029
Void recoveries	0.008	0.000	0.000	0.005	0.020	0.033
	0.019	0.000	0.007	0.010	0.032	0.068

21. Total tenant debt amounted to £1.027M compared to £1.044M at the end of May 2017. Current Tenant Arrears (CTA) are £0.514M or 1.58% (£0.546M or 1.72% at May) of the annual rent debit of £32.562M, against a target of 1.8%, whilst Former Tenant Arrears (FTA) are at 1.58% with a balance of £0.513M against a target of 1.75% (1.57% with a balance of £0.498M at May).

22. 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. A new Tenant App is shortly to be launched whereby tenants will find it even easier to engage with staff and access more information- for example the balance on their rent account. It is hoped that this new service will have a similarly positive impact on maximising income.

23. 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.
24. 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 years has elapsed and no contact or trace has been possible the debt will be put forward for write off.
25. There are currently £0.068M of non tenant arrears (£0.053M at 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.

PROMPT PAYMENT INDICATOR

26. 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 96.1% of 204 invoices (94.1% of 107 invoices in May) 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. This project is progressing well and will significantly improve timescales for making payment.
27. Since the beginning of the financial year, actions that have been implemented to improve this aspect of the service have resulted in a dramatic improvement

to the extent that performance has been consistently above 90%.

HRA CAPITAL RECEIPTS

28. 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 £0.079M.
29. Up to the end of June 2017, 18 RtB applications were received with 6 properties being sold, compared to 28 Applications and 9 sales over the same period in 2016/17. It is currently projected that the number of RtB sales will be approximately 20 to 25 for the year, resulting in a residual receipt for the year of circa £2M.
30. The Council has a balance as at quarter 1 of useable capital receipts of £7.083M, of which £3.540M 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.
31. 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, £4.523M has been spent on replacement properties up to 30 June 2017. The Council is committed to spend a further £11.802M on replacement properties by 30 June 2020.
32. The HRA's Budget proposals for the period of the Medium Term Financial Plan (MTFP) propose significant investment in new build (in excess of £12.6M by 30 June 2020).
33. 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 2020, then this would pose a threat to the surpluses predicted both in the medium and longer term.
34. If additional sales continue to represent a small percentage of the Council's stock, so there is no material impact on the Business Plan, there is a significant benefit as retained receipts will provide the Council with additional funds for reinvestment.

35. As at 1 April 2017 the balance of HRA Usable Capital receipts was £6.474M. It is anticipated that £2M of RtB receipts will be retained in the current year, this delivers a subtotal of £8.474M. 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 £4.474M.

RESERVES

36. The total reserves available as at year end 2016/17 were £23.771M, comprising £2.0M in HRA Balances, £14.898M in the Independent Living Development Reserve, £6.673M in the Strategic Reserve and £0.200M in the Major Repairs Reserve.

37. The current position indicates a year end balance in reserves of £23.464M. HRA Balances are projected to remain at a contingency level of £2.000M, with the Independent Living Development Reserve increasing to £20.382M, the Strategic reserve reducing to £0.882M, and the Major Repairs Reserve (MRR) remaining at £0.200M.

38. In total this equates to a forecast contribution to reserves for the year of £6.020M, offset by spend from reserves of £6.327M to result in a net reduction of £0.307M.

39. 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 was approved by Council in February 2017, and continues to be refined as part of the Council's Medium Term Financial Plan.

Table 5 – Reserves

Reserves **Month: June 2017**

Description	Opening Balance 2016/17	Spend against reserves	Release of reserves	Proposed transfer to Reserves	Proposed Closing Balance 2017/18
	£000	£000	£000	£000	£000
HRA Balances	2,000	-	-	-	2,000
Independent Living Development Reserve	14,898	(312)	-	5,796	20,382
Strategic Reserve	6,673	(6,015)	-	224	882
Major Repairs (HRA)	200	-	-	-	200
	23,771	(6,327)	-	6,020	23,464

Table 6 – Directorate Summary

Director	Year to date				Year				
	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	4,236	4,231	-	(5)	16,945	16,861	(84)	-	(84)
Housing Operations	(5,919)	(5,833)	-	86	(23,677)	(23,478)	199	-	199
Repairs and Business Management	1,531	1,500	-	(31)	6,123	6,163	40	-	40
Financial Inclusion	133	128	-	(5)	531	381	(150)	-	(150)
Housing Investment	20	5	-	(15)	78	73	(5)	-	(5)
Total	0	31	0	31	0	0	0	0	0