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 the provisional outturn position is shown in **Table 1** below.

	2017/18 Budget	**Full Year Forecast**	**Variance Full Year Forecast to Budget**
	£m	**£m**	**£m**
Total Income	(28.639)	(28.945)	(0.306)
Housing Operations	7.696	7.386	(0.310)
Financial Inclusion	0.461	0.299	(0.162)
Housing Investment	0.123	0.124	0.001
Corporate Resources	2.063	2.105	0.042
Maintenance	5.084	5.039	(0.045)
Debt related costs	0.119	0.148	0.029
Direct Revenue Financing	2.327	2.327	-
Efficiency Programme	(0.750)	(0.750)	-
Interest repayment	3.941	3.937	(0.004)
Principal repayment	1.460	0.100	(1.360)
TOTAL Expenditure	22.524	20.715	(1.809)
Surplus	(6.115)	(8.230)	(2.115)
Contribution to / (from) reserve (at year end)	6.115	8.230	2.115
Net Expenditure	-	-	-

3. There is a favourable provisional outturn variance for income of £0.306M (1%) against a full year budget of £28.639M. The positive variance is a combination of reduced void loss on rents (£0.083M) and additional rental and service charge income from properties used for flexible supported accommodation (£0.216M).

4. The provision outturn for Housing Operations shows a favourable variance of £0.310M (4%) against a full year budget of £7.696M. This is a result of salary related savings due to vacancies (£0.226M) and saving on landscaping costs (£0.073M).

5. The provisional outturn position for the Financial Inclusion service shows a favourable variance of £0.162M against a full year budget of £0.461M. 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. This could occur where a disabled tenant requires an extra room for a carer (who may for example be their partner).

6. Spend on DHP was kept to a minimum by assisting tenants to downsize, and thereby free up under occupied Council homes. As a result, the £0.070M budgeted in the HRA for DHP was not required. A further £0.106M of savings within Financial Inclusion were achieved as a result of lower tenant incentive and removal costs.

7. Executive agreed at its February 2018 meeting to reduce principal debt repayment to £0.1M for the financial year 2017/18. This will enable the HRA to purchase properties in the short term to mitigate the demand for Transitional Accommodation (TA). The original budget envisaged a £1.46M repayment of debt in 2017/18, so this decision has resulted in an under spend of £1.36M, and is the largest factor in the overall positive variance of £2.115M.

HRA CAPITAL PROGRAMME

8. Across the HRA Capital Programme there is a provisional year end outturn of £7.519M against a budget of £14.342M. It is proposed that committed works within Stock Protection projects to the value of £0.147M and £4.797M of Future Investment projects are deferred to 2018/19. The net provisional outturn after proposed slippage is £1.879M below budget.

9. Analyses of the outturn position and variance, for each HRA scheme, is presented at **Table 2** below. The proposed funding of the programme is shown at Table **Table 2**

	Budget 2017/18	Provisional Outturn	Variance	Slippage to 2018/19	Variance net of slippage
Stock Protection	£'000	£'000	£'000	£'000	
General Enhancements	105	110	5	0	5
Fire Safety & Alarm Systems	104	9	(95)	0	(95)
Garage Refurbishment	115	110	(5)	0	(5)
Paths & Fences Siteworks	110	259	149	0	149
Estate & Green Space Improvements	326	179	(147)	(147)	0
Energy Conservation	538	359	(179)	0	(179)
Roof Replacement	555	485	(70)	0	(70)
Assisted Living Technology	13	13	0	0	0
Central Heating Installation	738	352	(386)	0	(386)
Rewiring	233	248	15	0	15
Kitchens and Bathrooms	777	693	(84)	0	(84)
Central Heating communal	26	29	3	0	3
Door Replacement	290	192	(98)	0	(98)
Structural Repairs	221	147	(74)	0	(74)
Aids and Adaptations	425	450	25	0	25
Drainage and Water Supply	36	65	29	0	29
Capitalised Salaries	510	421	(89)	0	(89)
Asbestos Management	258	255	(3)	0	(3)
Parking Schemes	236	6	(230)	0	(230)
Investment Panel Programme	50	0	(50)	0	(50)
Communal/PIR Lighting	73	34	(39)	0	(39)
Targeted Door Replacement	6	4	(2)	0	(2)
Sheltered Housing Refurbishment	150	148	(2)	0	(2)
New Windows	150	148	(2)	0	(2)
Sub Total	**6,045**	**4,716**	**(1,329)**	**(147)**	**(1,182)**
Future Investment					
Stock Remodelling	130	537	407	0	407
Houghton Regis Central	2,000	194	(1,806)	(1,806)	0
Site Development	315	5	(310)	(310)	0
Garage Site Development	269	9	(260)	(260)	0
Croft Green	170	32	(138)	(138)	0
New Build & Acquisitions	4,742	1,744	(2,998)	(1,848)	(1,150)
Crescent Court	313	16	(297)	(297)	0
Havelock Road	200	246	46	0	46
Windsor Drive	158	20	(138)	(138)	0
Sub Total	**8,297**	**2,803**	**(5,494)**	**(4,797)**	**(697)**
TOTAL HRA	**14,342**	**7,519**	**(6,823)**	**(4,944)**	**(1,879)**

Table 3

Proposed Funding of HRA Capital Programme

Source	£'000
Revenue Contributions	2,327
Useable Capital Receipts	2,257
Independent Living Development Reserve	194
Strategic Reserve	2,741
Total	**7,519**

STOCK PROTECTION

10. There is a favourable provision outturn variance of £1.182M after proposed slippage of £0.147M. The majority of the variances are favourable, with the most significant variances as follows: Central Heating Installation (£0.386M), Parking Schemes (£0.230M), Energy Conservation (£0.179M), Door Replacements (£0.098M), Fire Safety & Alarm Systems (£0.095M), Capitalised Salaries (£0.089M), Kitchen and Bathrooms (£0.084M), Structural Repairs (£0.074M) and Roof Replacements (£0.070M). There is one significant adverse variance, with Paths & Fences Siteworks delivering a £0.149M over spend.

11. Central Heating Installation has delivered a favourable outturn variance of £0.386M, due to saving made through procurement of a new contractor in 2017; the cost of installation has reduced and radiators are now only replaced when required. Parking Schemes show a favourable outturn position of £0.230M. This is a result of delays through the consultation, design and planning process. Seven projects have been planned for completion in 2018/19.

12. Energy Conservation has delivered a favourable outturn variance of £0.179M; this is a result of delaying the Air Source heat pump installation programme towards the end of 2017 due to a concern about product and installation specification, which has now been resolved. Door Replacements has delivered a favourable outturn position of £0.098M; this is due to delays in the design and procurement of the replacement of the communal entrance doors programme.

13. Fire Safety & Alarm works have resulted in a positive outturn variance of £0.095M. The upgrade works to the fire alarms systems in sheltered accommodation are planned to happen during 2018/19; the approach to these works has changed as seven alarm systems have been identified as obsolete in the last year and now require full replacement.

14. A reduced spend of £0.089M on Capitalised Salaries has occurred due to lower salary costs resulting from vacancies in the Housing Development team. There is a favourable outturn variance on Kitchen and Bathroom projects of £0.084M, due

to a higher level of refusal of works from customers than expected. Also, in the latter part of the year there were delays in kitchen design and achieving asbestos surveys before commencement of works.

15. The Structural Repairs budget is responsive to situations as they occur at Council properties, rather than being planned in advance, and is therefore difficult to predict. It has delivered a favourable outturn variance of £0.074M as a result of low demand for structural repairs within the last 12 months. Roof Replacement shows a favourable outturn variance of £0.070M due to a move towards demand led replacement. Roofs are replaced when they become substandard or beyond economical repair instead of replacement on a predicted life expectancy without considering of condition, quality or exposure. Paths & Fences Sitework has resulted in an adverse outturn variance of £0.149M due to higher than expected demand against this budget, which is also largely responsive in nature, in 2017/18.

16. It is proposed that's £0.147M of works are to be slipped into 2018/19 within the Estate and Green Space Improvements programme which has been delayed by the resident consultation process. 15 of the 27 proposed works have been completed and the completion of the remainder will be slipped into 2018/19.

17. Savings have been made by changing the approach to stock protection works. Building components are no longer identified for replacement based on age; stock condition surveys are completed identifying component replacement based upon condition and future maintenance costs.

FUTURE INVESTMENT

18. 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 project 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 together with 8 re-ablement suites and a number of commercial Units.

19. The scheme received planning consent in November 2016 and it is anticipated that construction will start on site in February 2019. 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, the provisional outturn shows that, from a budget of £2M, an outturn of £0.194M spend occurred in 2017/18; it is proposed that the remainder is slipped into 2018/19.

20. Major construction work at the Croft Green Development was forecast to commence in summer 2017 with completion forecast for the winter of 2018. The contract sum that has been received from the contractor was significantly higher than anticipated and means that the project in its current form is not financially viable. In the circumstances it is proposed instead to undertake a remodelling of the accommodation at Croft Green, which would take place during 2018/19. The cost of these works is estimated at £0.5M, and this expenditure has been approved in the new HRA Medium Term Financial Plan (MTFP). It is proposed that £0.138M of works be deferred to 2018/19.

21. It is proposed that £1M of works be slipped into 2018/19 for Site Development, Garage Site Development, Crescent Court and Windsor drive. This is due to a combination of delays in planning process and awaiting decisions to progress with development.

22. 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 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 Greenacre, the former care home in Dunstable, was transferred from the GF into the HRA in March 2017. In the short to medium term this can provide flexible bedsit accommodation for up to 42 households, 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. During 2017/18 the site was refurbished on a phased basis, and has been renamed Franklin House, with the first phase of 8 bedsits completed at the end of November. The other 34 units are now complete and will be occupied early in the new financial year. The total cost was £0.381M,

which was allocated to the Stock Remodelling project code, and was the main factor in the overspend of £0.407M for that project code.

25. Further to this approach, of reducing GF expenditure, the proposal to vire the underspend at Croft Green (£3.725M) to the new build and acquisitions budget line, to enable further purchases of properties that will address the increasing transitional accommodation pressure, was approved by Executive in December 2017. This increased the budget for acquisitions to a total of £4.742M. Principal debt repayment has also been reduced to free up further funding of property acquisitions in 2018/19.

26. As part of the MTFP process it has been agreed that a further care home, The Birches in Shefford, will be transferred to the HRA at a value of £1.15M, to provide circa 20 units of flexible bedsit accommodation to further mitigate pressure for transitional accommodation. As this will be an internal transfer it will be funded by Reserves rather than the HRA Capital programme. This reduced the amount available for acquisitions in year to £3.592M. It has not been possible to complete on sufficient purchases to spend the full amount, so it is proposed that £1.848M will be slipped into 2018/19.

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 2017/18 was reduced by £0.750M, as part of the Council's efficiency programme.

29. This year's HRA efficiency target comprised 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 (£0.110M). The remaining £0.360M was 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 has been fully achieved.

HRA ARREARS

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

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	0.150	0.123	0.077	0.087	0.000	0.437
Former Tenant	0.003	0.002	0.001	0.021	0.598	0.625
						1.062

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
Misc recoveries	0.000	0.000	0.000	0.000	0.000	0.000
Shops	0.010	0.000	0.005	0.010	0.008	0.033
Void recoveries	0.000	0.000	0.000	0.010	0.022	0.032
	0.010	0.000	0.005	0.020	0.030	0.065

31. Total tenant debt amounted to £1.062M compared to £1.218M at the end of February 2018. Current Tenant Arrears (CTA) are £0.437M or 1.4% (£0.601M or 1.8% at February) of the annual rent debit of £32.095M, against a target of 1.8%, whilst Former Tenant Arrears (FTA) are at 1.9% with a balance of £0.625M against a target of 1.75% (1.9% with a balance of £0.617M at February). £0.022M of tenant debt was written off in 2017/18. Housing Benefit payments account for 53.01% of the rent and service charge income received.

32. In light of welfare reform Housing Operations have implemented a pro-active approach to managing the impact on rent arrears, and promoting a payment culture. This includes early intervention, rightsizing 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 has now been launched so that 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, and will assist the Service in driving channel shift wherever possible, thereby freeing up resources for other needs. This will be the first tangible step that the Housing Service has taken for its tenants to positively drive forward access to more services electronically. This is a significant milestone, and one that is now an enabler for more channel shift activities, and inproving productivity levels ane efficiencies.

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. This is a true invest to save measure as by reducing arrears the provision for bad debts is also reduced, as is the likelihood of having to write off bad debts. It is also a powerful message linked to our payment culture.

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 years has elapsed and no contact or trace has been possible the debt will be put forward for write off.

35. There is currently £0.065M of non tenant arrears (£0.059M at February), which comprises the following: rents at shops owned by the HRA, service charges and property damage relating to existing and former tenants.

PROMPT PAYMENT INDICATOR

36. 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 93% of 257 invoices (94% of 252 invoices in February paid on time). Work is ongoing to create ‘end to end’ system integration between the SAP financial system and the QL Housing system, so as to improve performance overall. This project is progressing well and has significantly improved timescales for making payment. Internal audit are currently reviewing new processes so they can sign off our new approach.

37. 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%. This new process will be built on to ensure that all contractors use the same process for invoicing. Avoiding variance in approach ensures that a consistent performance level can be maintained. In addition, all invoicing for all repairs has moved to the Rents Team so that a consistent and tightly managed process ensures that performance is maintained.

HRA CAPITAL RECEIPTS

38. 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.

39. During 2017/18, 58 RtB applications were received with 33 properties being sold, compared to 79 Applications and 29 sales in 2016/17, resulting in a retained capital receipts of £3.928M.

40. At the end of 2017/18, the Council has a balance of £10.402M of useable capital receipts, before funding of the HRA Capital Programme (balance bought forward from 2016/17 £6.474M), of which £5.268M 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 England (formerly the Homes and Communities Agency - HCA) funding.

41. 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, £5.996M has been spent on replacement properties up to 31 March 2018. The Council is committed to spend a further £17.559M on replacement properties by 31 March 2021.

42. The HRA's Budget proposals for the period of the Medium Term Financial Plan (MTFP) propose significant investment in new build (in excess of £21M by 31 March 2021).

43. 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 2021, then this would pose a threat to the surpluses predicted both in the medium and longer term.

44. 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.

45. As at 1 April 2017 the balance of HRA Usable Capital receipts was £6.474M. £3.928M of RtB receipts have been retained in the current year, which delivers a

subtotal of £10.402M. It is proposed to use £2.257M of usable receipts to part fund the Capital programme, so the total Useable Capital receipts to be carried forward into 2018/19 is £8.145M.

RESERVES

46. The total reserves available as at year end 2016/17 were £23.771M, comprising £2M 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.

47. A new earmarked Reserve has been created, for Life Cycle costs at Priory View. Leaseholders at Priory View make a monthly contribution to capital replacement works, but as the building was only completed in 2016 these costs are unlikely to materialise for a number of years so a Reserve is required. This is often referred to as a “Sinking Fund”, and enables leaseholder contributions to be set aside so they can be matched against the cost of works as they are required in future years.

48. As part of the MTFP, approval has been granted for a development at Potton Road, Wrestlingworth, of 8 units (a mixture of shared ownership and affordable rent). The land was owned by Assets but has been transferred to the HRA at a cost of £0.096M. This cost will be financed from the Strategic Reserve, so the total contribution from that Reserve will be £2.837M, comprised of £2.741M contribution to the Capital programme and £0.096M to finance the transfer of the Potton Road site from the GF.

49. The provisional outturn position indicates a total balance on Reserves of £28.970M. HRA Balances are to remain at a contingency level of £2M, with the Independent Living Development Reserve increasing to £20.5M, the Strategic reserve reducing to £6.141M, the LifeCycle Reserve being created with a balance of £0.129M, and the Major Repairs Reserve (MRR) remaining at £0.200M.

50. In total this equates to an outturn contribution to reserves for the year of £8.230M, offset by spend from reserves of £3.031M to result in a net increase of £5.199M.

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 has been approved by Council in February 2018, and continues to be refined as part of the Council’s Medium Term Financial Plan.

Table 5 – Reserves

Reserves **Month: March 2018**

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	(194)	-	5,796	20,500
Strategic Reserve	6,673	(2,837)	-	2,305	6,141
Life Cycle Reserve		-	-	129	129
Major Repairs (HRA)	200	-	-	-	200
	23,771	**(3,031)**	**-**	**8,230**	**28,970**

Table 6 – Directorate Summary

Month: March 2018	**Year**				
Director	**Approved Budget**	**Outturn**	**Variance**	**Transfers to/(from) reserves**	**Variance after use of earmarked reserves**
	£000	**£000**	**£000**	**£000**	**£000**
Assistant Director	16,945	17,660	715	-	715
Housing Operations	(23,677)	(23,744)	(67)	-	(67)
Repairs and Business Management	6,123	5,873	(250)	-	(250)
Financial Inclusion	531	106	(425)	-	(425)
Housing Investment	78	105	27	-	27
Total	**0**	**0**	**0**	**0**	**0**