

APPENDIX A

HRA REVENUE ACCOUNT (HRA)

1. The HRA annual expenditure budget is £22.168M and income budget is £28.669M, which allows a contribution of £6.501M to reserves to present a net budget of zero.
2. A subjective breakdown of the provisional outturn position is shown in **Table 1** below.

	2018/19 Budget	Budget YTD	Actual YTD	Variance YTD	Full Year Forecast	Variance Full Year Forecast to Budget
	£m	£m	£m	£m	£m	£m
Total Income	(28.669)	(7.185)	(7.046)	0.139	(28.564)	0.104
Housing Operations	8.647	2.180	1.993	(0.187)	8.608	(0.039)
Financial Inclusion	0.543	0.136	0.101	(0.035)	0.508	(0.035)
Housing Investment	0.094	0.024	0.035	0.007	0.072	(0.022)
Corporate Resources	2.008	0.502	0.502	0.000	2.008	-
Maintenance	5.047	1.262	1.268	0.006	5.047	-
Debt related costs	0.103	0.026	0.026	-	0.103	-
Direct Revenue Financing	3.154	0.788	0.788	-	3.154	-
Efficiency Programme	(1.681)	(0.420)	(0.420)	-	(1.681)	-
Interest repayment	4.053	1.013	1.013	-	4.053	-
Principal repayment	0.200	0.050	-	(0.050)	0.200	-
TOTAL Expenditure	22.168	5.560	5.301	(0.259)	22.072	(0.096)
Surplus	(6.501)	(1.625)	^(1.746)	(0.121)	(6.493)	0.008
Contribution to / (from) reserve (at year end)	6.501	1.625	^1.746	0.121	6.493	(0.008)
Net Expenditure	-	-	-	-	-	-
^ Included for balancing and illustrative purposes only						

3. The year to date variances across the HRA show an favourable variance of £0.121M, whilst the full year forecast shows a slight adverse variance of £0.008M, resulting in a full year surplus of £6.493M.

4. The full year forecast variance is showing a favourable variance of £0.096M on expenditure which is a result of vacant posts identified in the Medium Term Financial Plan (MTFP) that have not been filled.
5. The full year forecast variance is showing an adverse variance of £0.104M on income which is a result of reduced rental income due to delays in occupying Franklin House and other properties recently acquired for use as Transitional Accommodation (TA).

HRA CAPITAL PROGRAMME

6. The HRA Capital budget is £25.13M which includes slippage from 2017/18 of £5.499M. Across the HRA Capital Programme there is a year to date adverse variance of £0.655M due to expenditure being ahead of profile for New Build & Acquisitions with 9 purchases to date.
7. The full year forecast within Stock Protection is on budget at £5.938M. Projects relating to Future Investment are also forecast to outturn in line with budget at £19.192M.
8. 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 3.

Table 2

	Budget 2018/19	Full Year Forecast	Variance	Monthly Budget Monitoring June 2018		
				Profiled YTD	Actual YTD	Variance
Stock Protection	£'000	£'000	£'000	£'000	£'000	£'000
General Enhancements	107	107	0	5	5	0
Fire Safety & Alarm Systems	108	108	0	5	4	(1)
Garage Refurbishment	115	115	0	6	5	(1)
Paths & Fences Siteworks	112	112	0	32	32	0
Estate & Green Space Improvements	361	361	0	18	16	(2)
Energy Conservation	459	459	0	0	0	0
Roof Replacement	566	566	0	15	13	(2)
Assisted Living Technology	51	51	0	12	11	(1)
Central Heating Installation	724	724	0	39	47	8
Rewiring	240	240	0	48	47	(1)
Kitchens and Bathrooms	882	800	(82)	36	35	(1)
Central Heating communal	28	250	222	3	3	0
Door Replacement	296	296	0	49	54	5
Structural Repairs	204	204	0	59	67	8
Aids and Adaptations	434	434	0	32	14	(18)
Drainage and Water Supply	39	39	0	4	4	0
Capitalised Salaries	420	380	(40)	105	79	(26)
Asbestos Management	245	245	0	70	86	16
Parking Schemes	50	25	(25)	0	0	0
Investment Panel Programme	50	50	0	0	0	0
Communal/PIR Lighting	0	0	0	0	0	0
Targeted Door Replacement	6	2	(4)	2	1	(1)
Sheltered Housing Refurbishment	300	270	(30)	13	12	(1)
New Windows	141	100	(41)	5	5	0
Sub Total	5,938	5,938	0	558	540	(18)
Future Investment						
Stock Remodelling	985	985	0	0	0	0
Houghton Regis Central	2,588	2,588	0	50	51	1
Site Development	422	422	0	0	1	1
Garage Site Development	260	260	0	0	12	12
Croft Green	638	638	0	0	1	1
New Build & Acquisitions	11,813	11,813	0	2,952	3,608	656
Crescent Court	297	297	0	0	0	0
The Brook Houghton Regis	1,547	1,547	0	0	2	2
Potton Road Wrestlingworth	642	642	0	0	0	0
Sub Total	19,192	19,192	0	3,002	3,675	673
TOTAL HRA	25,130	25,130	0	3,560	4,215	655

Table 3

Proposed Funding of HRA Capital Programme	
Source	£'000
Revenue Contributions	3,154
Useable Capital Receipts	10,000
Independent Living Development Reserve	2,588
Strategic Reserve	9,388
Total	25,130

STOCK PROTECTION

9. At this early stage in the year it is anticipated that Stock Protection will outturn on budget at £5.938M.
10. 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 £0.018M.

FUTURE INVESTMENT

11. It is also anticipated that Future Investment will outturn on budget at £19.192M. Future Investment has an overall adverse year to date variance of £0.673M which is predominantly a result of expenditure being ahead of profile for the New Build and Acquisitions programme with 9 purchases to date. Of the 9 purchases in the current year, 1 is a former hotel which will quickly be converted into a 17 unit homeless hostel. Another is a site comprising 8 one bed flats, which requires only limited refurbishment. Both these schemes will be used to supply TA and therefore reduce cost to the Council's General Fund (GF).
12. 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.

13. The scheme received planning consent in November 2016. Subsequent evaluation of the scheme cost suggested that in its original design it would exceed the approved budget envelope, therefore a limited value engineering exercise has been undertaken with the target of delivering the project within the overall expenditure budget of £34.848M over the MTFP period. Tenders for the capital construction project are due to be received in early August, with a potential start on site (subject to contract approval by Executive in September) in February 2019.
14. Croft Green is intended to be refurbished to provide seven units (four 1 beds and three 2 beds). The tender documents are being prepared to award the contract for the works in August 2018, and it is expected that the cost will be in line with the budget of £0.638M.
15. The Stock Remodelling 2018/19 programme will fund redevelopment of The Red House, The Birches in Shefford, and Puddlehill (formerly known as the Vicarge) in Houghton Regis. Puddlehill will be extended to provide an additional 8 self contained bedrooms to provide support to 16 to 25 year olds who require supported transitional accommodation. Work on site is forecast to commence in September 2018. The continuing works to The Red House are to ensure this important Grade II listed building is protected.
16. The budget of £11.813M for New Build & Acquisitions will be used to continue the approach of reducing GF expenditure by purchasing properties for use as TA. Principal debt repayment was reprofiled in the HRA Budget approved by Council in February 2018 to allow a budget of £9.965M, which was increased by slippage of £1.848M from the 2017/18 capital programme. In the first quarter a total of £3.608M has been spent, adding 32 units of urgently required new stock (1,2,3 and 4 bed) to the HRA. There are seven further purchases going through legal process with LGSS Law and work is continuing to identify, appraise, survey and offer on suitable properties at pace.
17. 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.

18. 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.
19. As part of this approach Franklin House (the former care home previously known as Greenacre), was transferred from the GF into the HRA in March 2017, and is now fully occupied. 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.
20. As part of the MTFP process it was agreed that a further care home, The Birches in Shefford, will be transferred to the HRA at a value of £1.15M. The Birches is to provide 17 units (comprising of a variety of flats, micro flats and mobility standard units all with shared lounge and kitchen). As this will be an internal transfer it will be funded by Reserves rather than the HRA Capital programme.

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 for HRA efficiencies going forward.
22. The HRA revenue budget for 2018/19 was reduced by £1.681M, as part of the Council's efficiency programme.
23. This year's HRA efficiency target comprised mainly increased growth of rental and service charge income within Homeless Hostel (£1.245M) and increased Supported Housing service charge income (£0.150M). The remaining £0.286M was made up of: savings related to Business Process Review and Management rationalisation, changes to the repairs delivery model and contract management and reduced communications costs resulting from use of new media. The overall efficiency target for 2018/19 is forecast to be fully achieved.

HRA ARREARS

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

<u>Debt Analysis - Tenant Arrears</u>						
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	0.197	0.147	0.077	0.100	0.000	0.521
Former Tenant	0.010	0.002	0.007	0.005	0.617	0.641
						1.162
<u>Debt Analysis - Other Arrears</u>						
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	0.006	0.000	0.000	0.018	0.008	0.032
Void recoveries	0.000	0.000	0.000	0.000	0.031	0.031
	0.006	0.000	0.000	0.018	0.039	0.063

25. Total tenant debt amounted to £1.162M compared to £1.025M at the end of May 2018. Current Tenant Arrears (CTA) are £0.521M or 1.7% (£0.406M or 1.4% at May) of the annual rent debit of £30.408M, against a target of 1.8%, whilst Former Tenant Arrears (FTA) are at 2.1% with a balance of £0.641M against a target of 1.75% (2% with a balance of £0.619M at May). No tenant debt was written off in Q1 of 2018/19. Housing Benefit payments account for 51.57% of the rent and service charge income received.

26. There is currently £0.063M of non tenant arrears (£0.058M at May), 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

27. 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 80.8% of 323 invoices (92.2% of 385 invoices in May 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.

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 £0.081M.
29. Up until the end of June 2018, 15 RtB applications were received with 4 properties being sold, compared to 18 Applications and 6 sales over the same period in 2017/18. It is currently projected that the number of RtB sales will be approximately 25 to 30 for the year, resulting in a residual receipt for the year of circa £3M.
30. The Council has a balance as at quarter 1 of useable capital receipts of £8.507M of which £4.111M 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.
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, £9.604M has been spent on replacement properties up to 30 June 2018. The Council is committed to spend a further £14.651M on replacement properties by 30 June 2021.
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 £18.7M by 30 June 2021).
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 2021, 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 2018 the balance of HRA Usable Capital receipts was £8.145M. It is anticipated that £3M of RtB receipts will be retained in the current year, to deliver a subtotal of £11.145M. It is proposed to use £10M of usable receipts to part fund the Capital programme, so the balance carried forward is forecast to be £1.145M.

RESERVES

36. The total reserves available as at year end 2017/18 were £28.970M, comprising £2M in HRA Balances, £20.5M in the Independent Living Development Reserve, £6.141M in the Strategic Reserve, £0.129M in the Life Cycle Reserve and £0.200M in the Major Repairs Reserve.
37. A new earmarked Reserve has been created at the end of 2017/18, 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.
38. As part of the MTFP, approval has been granted for the transfer of The Birches in Shefford into the HRA. The building was owned by Assets but has been transferred to the HRA at a cost of £1.15M. This cost will be financed from the Strategic Reserve, so the total contribution from that Reserve will be £10.538M, comprised of £9.388M contribution to the Capital programme and £1.15M to finance the transfer of The Birches from the GF.
39. The current position indicates a year end balance in Reserves of £22.337M. HRA Balances are to remain at a contingency level of £2M, with the Independent Living Development Reserve reducing to £19.068M, the Strategic reserve reducing to £0.870M, the LifeCycle Reserve increasing to £0.199M, and the Major Repairs Reserve (MRR) remaining at £0.200M.
40. In total this equates to a forecast contribution to reserves for the year of £6.493M, offset by spend from reserves of £13.126M to result in a net decrease of £6.633M.
41. 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: June 2018

Description	Opening Balance 2018/19	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	20,500	(2,588)	-	1,156	19,068
Strategic Reserve	6,141	(10,538)	-	5,267	870
Life Cycle Reserve	129	-	-	70	199
Major Repairs (HRA)	200	-	-	-	200
	28,970	(13,126)	-	6,493	22,337

Table 6 – Directorate Summary

Month: June 2018	Year to date				Year					
	Director	Budget	Actual	Use of Reserves	Variance	Approved Budget	Provisional Outturn	Variance	Transfers to/(from) reserves	Variance after use of earmarked reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Assistant Director	4,342	4,216	-	(126)	17,367	17,056	(311)	-	(311)	
Housing Operations	(5,670)	(5,815)	-	(145)	(22,679)	(23,281)	(602)	-	(602)	
Repairs and Business Management	1,567	1,545	-	(22)	6,267	6,223	(44)	-	(44)	
Financial Inclusion	(262)	(29)	-	233	(1,049)	(70)	979	-	979	
Housing Investment	24	(19)	-	(43)	94	72	(22)	-	(22)	
Total	0	(102)	0	(102)	0	0	0	0	0	