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)	(21.501)	(21.808)	**(0.307)**	(29.101)	**(0.433)**
Housing Operations	8.647	6.583	6.683	**0.100**	8.834	**0.186**
Financial Inclusion	0.543	0.407	0.175	**(0.232)**	0.280	**(0.263)**
Housing Investment	0.094	0.071	0.088	**0.017**	0.111	**0.017**
Corporate Resources	2.008	1.506	1.506	**-**	2.008	**-**
Maintenance	5.047	3.785	3.756	**(0.029)**	5.001	**(0.046)**
Debt related costs	0.103	0.077	0.077	**-**	0.103	**-**
Direct Revenue Financing	3.154	2.365	2.365	**-**	3.154	**-**
Efficiency Programme	(1.681)	(1.261)	(0.737)	**0.524**	(0.982)	**0.699**
Interest repayment	4.053	3.040	3.076	**0.036**	4.101	**0.049**
Principal repayment	0.200	0.150	-	**(0.150)**	-	**(0.200)**
TOTAL Expenditure	22.168	16.724	16.989	**0.266**	22.610	**0.442**
Surplus	(6.501)	(4.778)	(4.819)	**(0.041)**	(6.491)	**0.009**
Contribution to / (from) reserve (at year end)	6.501	4.778	4.819	**0.041**	6.491	**(0.009)**
Net Expenditure	-	-	-	**-**	-	**-**
^ Included for balancing and illustrative purposes only						

3. There is a year to date favourable variance of £0.041M, whilst the full year forecast shows a minor adverse variance of £0.009M, resulting in a full year forecast surplus of £6.491M.

4. The full year forecast variance is a result of additional income generation and increased General Fund (GF) Housing recharge for HRA staff time on Lettings Service, support for Transitional Accommodation (TA), and Traveller sites (£0.433M). Savings have also been achieved within maintenance budgets of (£0.046M) and reduced forecast outturn on the Financial Inclusion budget of (£0.263M) for reduced Discretionary Housing Payment (DHP) and Housing staff restructure.

5. Further it is proposed that no principal debt repayment occurs in this financial year, delivering a saving of (£0.2M). This is offset by the underachievement of the 2018/19 Medium Term Financial Plan (MTFP) efficiency programme (£0.699M), pressures within Housing Operations and Housing Investment as a result of an adverse variance in the Managed Vacancy Factor, and Interest repayments amounting to (£0.252M).

6. In the Budget of Autumn 2017, it was announced that Local Authorities would be given the opportunity to bid for an additional £1Bn of borrowing headroom, £0.5Bn of which was ringfenced to areas outside of London. The Council was eligible to bid for this funding and submitted bids in September 2018 for an additional £37.4M of HRA borrowing. On 3 October 2018 the Prime Minister announced that the debt cap would be scrapped altogether. In light of these significant developments, the Council's approach to repaying principal HRA debt has been reconsidered and it is proposed that no principal debt repayments are made in 2018/19.

7. Within the efficiency programme there was an ambitious income generation target (£1.2M) relating to rent and service charge income at acquired properties, which has not been fully achieved and accounts for the shortfall of £0.699M. There have been delays in purchasing some of the properties identified for acquisition at the time of the budget build and redevelopment of acquired properties has taken longer than envisaged.

HRA CAPITAL PROGRAMME

8. The HRA Capital budget is £25.13M which includes slippage from 2017/18 of £4.944M. Across the HRA Capital Programme there is a full year forecast of £18.42M, which is predominantly due to the underspend in Future Investment projects (£6.573M). However, slippage will be requested for this amount. The full year forecast within Stock Protection is showing a reduced expenditure of £0.137M, again slippage will be requested for this amount.

9. Analysis 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 3

Proposed Funding of HRA Capital Programme

Source	**£'000**
Revenue Contributions	3,154
Useable Capital Receipts	10,000
Independent Living Development Reserve	(1,340)
Strategic Reserve	6,606
Total	**18,420**

STOCK PROTECTION

10. It is anticipated that Stock Protection will outturn with a reduced expenditure of £0.137M, with this amount to be requested as slippage into 2019/20.

11. The Ministry of Housing, Communities and Local Government is investigating flat entrance 30 minute fire doors. As a result the door manufacturing industry is currently reviewing test procedures and has halted all future installations of fire doors. This has delayed the door replacement programme resulting in a proposed slippage of £0.05M from the 2018/19 capital programme.

12. The Sheltered Housing Refurbishment project refers to several schemes including Tudor Court of which is unikely to be delieved this financial year, therefore £0.087M is propsed to be slipped into 2019/20 for flooring. The other schemes, including Gale Court, Manor Court, Finch Crescent, Baker Street and Bedford Street, are currently onsite and will deliver in 2019/20.

13. 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 additional expenditure of £0.033M.

FUTURE INVESTMENT

14. It is also anticipated that Future Investment will outturn below budget of £6.573M, with this amount to be requested as slippage into 2019/20. Future Investment is over budget year to date by £2.313M, which is predominantly a result of activity being ahead of profile for the New Build and Acquisitions programme with 36 purchases to date. Of the 36 purchases in the current year, 1 is a former hotel which will be converted into a 18 unit homeless hostel. Another is a site comprising 8 one bed flats, which requires only limited refurbishment. These purchases will in total deliver 90 units, which will be used for transitional accommodation, reducing cost to the Council's General Fund (GF).

15. Houghton Regis Central (HRC) 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.

16. The scheme received planning consent in November 2016. Galliford Try have been awarded preferred contractor status following Executive approval in September. The aim was to have the contract signed in November 2018, however the contract signing has been delayed due to clarifications on the tender submission and agreeing the final contract terms. The forecast cost and income has therefore been reduced to reflect the impact of the delayed start on site date. Start on site is still planned for February 2019. Once the contractor begins work on site the Council will be able to draw down Homes England funding of £2.34M. Expenditure for the year is forecast at £1M, therefore income will exceed expenditure by £1.34M, with this sum being transferred to the Independent Living Development Reserve (ILDR). Workstream planning workshops have taken place with colleagues involved in the Operations and the Commercial Workstreams.

17. The Brook, Houghton Regis is a greenfield site that was identified as a suitable location to deliver a TA scheme. There has been a delay in the project plan due to the re-design required to the scheme to obtain planning approval. The decision was taken (considering staff resource, design risk to the Council, planning implications and required re-design), that the most suitable way to progress the project was to procure a full multi-disciplinary design team to produce the re-design and take the scheme through all of the RIBA plan stages. This changed the procurement strategy to a traditional "fully designed" route as opposed to a "design and build" model. Obtaining approvals for this and the required procurement processes and timescales resulted in a delay to the project programme during this financial year, but the ultimate completion date for the project is broadly in line with the previously issued programme of works.

18. A new Project Board structure and project governance was set up to enable clear sign off and approval requirements. The multi-disciplinary design team has now been appointed and are attending regular design team meetings to progress the scheme, with the view to obtaining planning approval in the fourth quarter of 2018/19. The forecast for this year is predominately made up of design and consultancy fees; no construction costs are envisaged to be paid within this financial year. It is therefore anticipated that only £0.212M will be spent in 2018/19, with the rest of the budget (£1.335M) to be proposed as slippage.

19. The development at Potton Road in Wrestlingworth will be a Rural Exception Site, which would not obtain planning permission for housing without meeting an identified affordable housing need. The proposal is to deliver a mix of shared ownership and

affordable rented units. Procurement for a designer has been completed. It is forecast that £0.12M will be spent in 2018/19, with proposed slippage of £0.522M.

20. Croft Green is to be refurbished to provide 6 units (four 1 beds and two 2 beds instead of the seven originally planned). The tender has been awarded, with a contract for the works to start on site on January 2019. It is expected that the cost will be in line with the budget of £0.638M. Project practical completion is expected in August 2019, accounting for the proposed slippage of £0.488M from the 2018/19 capital programme. There is an additional unit spread over two floors that has been reconfigued to provide 2 guest suites, and a ground floor office for CBC staff.

21. The Stock Remodelling 2018/19 programme will fund redevelopment of The Red House, The Birches in Shefford, and Puddlehill (formerly known as the Vicarage) in Houghton Regis. Puddlehill will be extended to deliver an additional 8 self contained bedrooms to provide homes for 16 to 25 year olds who require supported TA and will include remodelling of the seperate existing 5 bedroom house. Work on site commenced in December 2018. The contract was awarded in November 2018. The continuing works to The Red House are to ensure this important Grade II listed building is protected. It is predicted that £0.235M will be spent this financial year with proposed slippage of £0.3M. Part of the contract works have been slipped to allow for redesign following consultation with the Conservation Officer; overall value should remain the same.

22. There is a forecast adverse variance of £1.429M relating to New Build & Acquisitions, delivering a projected outurn of £13.242M. This offsets other identified underspends within various site development and remodelling project codes. The budget will be used to continue the approach of reducing GF expenditure by purchasing properties for use as TA. Up to the third quarter a total of £11.542M has been spent, adding 90 units of urgently required new stock (1,2,3 and 4 bed) to the HRA. There are small number of purchases going through legal process with LGSS Law and work is continuing to identify, appraise, survey and offer on suitable properties at pace for the proposed MTFP budget provision for 2019/20.

23. There are increasing homelessness pressures, which are impacting upon GF 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 or other 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.

24. 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.

25. 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.

26. 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 will 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

27. 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 2018/19 was reduced by £1.681M, as part of the Council's efficiency programme. This year's HRA efficiency target comprised mainly of increased growth of rental and service charge income from acquired properties (£1.2M) and increased Supported Housing service charge income (£0.150M). The remaining £0.331M 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 the use of new media.

29. The overall efficiency target for 2018/19 is forecast to be achieved with the exception of the £1.2M income efficiency where there is a £0.699M forecast adverse variance due to delays in purchasing properties and the time required for refurbishment and conversion.

HRA ARREARS

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

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	0.166	0.115	0.084	0.096	0.000	0.461
Former Tenant	0.006	0.001	0.007	0.026	0.642	0.682
						1.143

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	0.008	0.000	0.000	0.009	0.014	0.031
Void recoveries	0.000	0.000	0.000	0.003	0.031	0.034
	0.008	**0.000**	**0.000**	**0.012**	**0.045**	**0.065**

31. Total tenant debt amounted to £1.143M compared to £1.093M at the end of quarter 2 2018. Current Tenant Arrears (CTA) are £0.461M or 1.52% (£0.491M or 1.6% at the end of quarter 2) of the annual rent debit of £30.413M, against a target of 1.8%, whilst Former Tenant Arrears (FTA) are at 2.4% with a balance of £0.682M against a target of 1.75% (2% with a balance of £0.602M at the end of quarter 2). £0.019M tenant debt was written off in quarter 3 of 2018/19. Housing Benefit payments account for 51.19% of the rent and service charge income received.

32. There are currently £0.065M of non tenant arrears (£0.063M at the end of quarter 2), which comprise the following: rents at shops owned by the HRA, service charges and property damage relating to existing and former tenants.

PROMPT PAYMENT INDICATOR

33. 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 84% of 369 invoices (94.86% of 292 invoices in at the end of quarter 2). 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.

HRA CAPITAL RECEIPTS

34. 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.

35. Up until the end of December 2018, 36 RtB applications were received with 22 properties being sold, compared to 46 Applications and 27 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 £3.25M.

36. The Council has a balance as at quarter 3 of useable capital receipts of £10.807M of which £4.101M 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.

37. 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, £15.524M has been spent on replacement properties up to 31 December 2018. The Council is committed to spend a further £13.671M on replacement properties by 31 December 2021.

38. The HRA's Budget proposals for the period of the Medium Term Financial Plan (MTFP) propose significant investment in New Build & Acquisitions (in excess of £22M by 31 December 2021).

39. 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 2021, then this would pose a threat to the surpluses predicted both in the medium and longer term.

40. 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.

41. As at 1 April 2018 the balance of HRA Usable Capital receipts was £8.145M. It is anticipated that £3.25M of RtB receipts will be retained in the current year, to deliver a subtotal of £11.395M. It is proposed to use £10M of usable receipts to part fund the Capital programme, so the balance carried forward is forecast to be £1.395M.

RESERVES

42. The total reserves available as at year end 2017/18 were £28.970M, comprising £2M in HRA Balances, £20.5M in the ILDR, £6.141M in the Strategic Reserve, £0.129M in the Life Cycle Reserve and £0.200M in the Major Repairs Reserve.

43. 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.

44. 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 £7.756M. This is made up of a £6.606M contribution to the Capital programme and £1.15M to finance the transfer of The Birches from the GF.

45. In October 2018 the Government announced the scrapping of the HRA Debt Cap, allowing Council’s to borrow above their Self Financing Debt settlement figure for the purpose of building new affordable housing. As part of the 2019/20 MTFP process, and to demonstrate the Council’s commitment to increase the supply of affordable housing, it has been proposed that the Council continues its approach of purchasing properties on the open market, with £12M identified for this purpose in the HRA Capital programme for 2019/20. To facilitate this expenditure it is proposed that £5M of borrowing is taken out to part fund expenditure at HRC in 2019/20, reducing the required balance in the Independent Living Reserve (ILDR). The profile of spend at HRC has been adjusted over the MTFP to reflect the revised timescale agreed with the contractor, further reducing the balance required in the ILDR for 2019/20. It is proposed that a transfer of £11.912M occurs from the ILDR to the Strategic Reserve, so that the balance carried forward in that Reserve is sufficient to fund the £12M of purchases, along with the funding of other HRA Capital programmes.

46. The current position indicates a year end balance in Reserves of £29.045M. HRA Balances are to remain at a contingency level of £2M, with the ILDR reducing to £9.928M, the Strategic Reserve increasing to £16.718M, the LifeCycle Reserve increasing to £0.199M, and the Major Repairs Reserve (MRR) remaining at £0.2M. This equates to a forecast contribution to Reserves of £7.831M, offset by spend from Reserves of £7.756M to result in a net increase of £0.075M.

47. 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

	Budget 2018/19	Full Year Forecast	Variance	Monthly Budget Monitoring December 2018		
				Profiled YTD	Actual YTD	Variance
Stock Protection	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
General Enhancements	107	420	313	107	243	136
Fire Safety & Alarm Systems	108	108	0	40	35	(5)
Garage Refurbishment	115	35	(80)	30	26	(4)
Paths & Fences Siteworks	112	165	53	120	121	1
Estate & Green Space Improvements	361	200	(161)	50	54	4
Energy Conservation	459	381	(78)	100	95	(5)
Roof Replacement	566	585	19	150	144	(6)
Assisted Living Technology	51	30	(21)	30	20	(10)
Central Heating Installation	724	724	0	300	303	3
Rewiring	240	240	0	180	170	(10)
Kitchens and Bathrooms	882	900	18	150	141	(9)
Central Heating communal	28	250	222	10	3	(7)
Door Replacement	296	246	(50)	180	174	(6)
Structural Repairs	204	234	30	200	184	(16)
Aids and Adaptations	434	434	0	200	173	(27)
Drainage and Water Supply	39	39	0	30	26	(4)
Capitalised Salaries	420	380	(40)	200	205	5
Asbestos Management	245	245	0	180	183	3
Parking Schemes	50	75	25	0	0	0
Investment Panel Programme	50	35	(15)	0	1	1
Communal/PIR Lighting	0	0	0	0	0	0
Targeted Door Replacement	6	5	(1)	5	5	0
Sheltered Housing Refurbishment	300	20	(280)	20	20	0
New Windows	141	50	(91)	50	39	(11)
Stock Protection Total	**5,938**	**5,801**	**(137)**	**2,332**	**2,365**	**33**
Future Investment						
Stock Remodelling	985	235	(750)	100	107	7
Houghton Regis Central	2,588	(1,340)	(3,928)	500	125	(375)
Site Development	422	0	(422)	0	0	0
Garage Site Development	260	0	(260)	0	0	0
Croft Green	638	150	(488)	0	1	1
New Build & Acquisitions	11,813	13,242	1,429	8,856	11,542	2,686
Crescent Court	297	0	(297)	0	0	0
The Brook Houghton Regis	1,547	212	(1,335)	20	14	(6)
Potton Road Wrestlingworth	642	120	(522)	20	18	(2)
Future Investment Total	**19,192**	**12,619**	**(6,573)**	**9,496**	**11,807**	**2,313**
TOTAL HRA	**25,130**	**18,420**	**(6,710)**	**11,828**	**14,172**	**2,346**

Description	Opening Balance 2018/19	Spend against reserves	Transfer of reserves	Proposed transfer to Reserves	Proposed Closing Balance 2018/19
	£000	£000	£000	£000	£000
HRA Balances	2,000	-	-	-	2,000
Independent Living Development Reserve	20,500	0	(11,912)	1,340	9,928
Strategic Reserve	6,141	(7,756)	11,912	6,421	16,718
Life Cycle Reserve	129	-	-	70	199
Major Repairs (HRA)	200	-	-	-	200
Total	**28,970**	**(7,756)**	**-**	**7,831**	**29,045**

Table 6 – Summary by Service Area

Month: December 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**
Assistant Director	13,025	12,531	-	(494)	17,367	16,306	(1,061)	-	(1,061)
Housing Operations	(17,009)	(17,334)	-	(325)	(22,679)	(23,039)	(360)	-	(360)
Repairs HRA	3,710	3,635	-	(75)	4,946	4,888	(58)	-	(58)
Housing Initiatives	991	425		(566)	1,321	584	(737)	-	(737)
Financial Inclusion	(787)	445	-	1,232	(1,049)	638	1,687	-	1,687
Housing Investment	71	477	-	407	94	623	529	-	529
Total	**0**	**179**	**0**	**179**	**0**	**0**	**0**	**0**	**0**