

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 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 Budget
	£m	£m	£m	£m	£m	£m
Total Income	(28.639)	(21.479)	(21.452)	0.027	(28.645)	(0.006)
Housing Operations	7.696	5.772	5.542	(0.230)	8.005	0.309
Financial Inclusion	0.461	0.346	0.248	(0.098)	0.343	(0.118)
Housing Investment	0.123	0.092	0.046	(0.046)	0.102	(0.021)
Corporate Resources	2.063	1.547	1.604	0.057	2.139	0.076
Maintenance	5.084	3.813	3.766	(0.047)	5.117	0.033
Debt related costs	0.119	0.089	0.089	-	0.119	-
Direct Revenue Financing	2.327	1.745	1.745	-	2.327	-
Efficiency Programme	(0.750)	(0.563)	(0.563)	-	(0.750)	-
Interest repayment	3.941	2.956	2.941	(0.015)	3.922	(0.019)
Principal repayment	1.460	1.095	1.095	-	1.460	-
TOTAL Expenditure	22.524	16.893	16.514	(0.379)	22.784	0.260
Surplus	(6.115)	(4.586)	^(4.938)	(0.352)	(5.861)	0.254
Contribution to / (from) reserve (at year end)	6.115	4.586	^4.938	0.352	5.861	(0.254)
Net Expenditure	-	-	-	-	-	-

^ Included for balancing and illustrative purposes only

3. The year to date variances across the HRA show an favourable variance of £0.352M, whilst the full year forecast shows an adverse variance of £0.254M, resulting in a full year surplus of £5.861M.
4. The full year expenditure forecast is showing an adverse variance of £0.260M which is a result of under achievement of the Vacancy Management Saving, additional expenditure on IT development works 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.
5. The full year income forecast is showing a minor adverse variance of £0.006M, which is a combination of additional rental income from properties that have recently been purchased for use as transitional accommodation offset by reduced recharges to General Fund Housing. This is due to less HRA staff time being required to support management of the Traveller sites.

HRA CAPITAL PROGRAMME

6. The HRA Capital budget is £14.342M which includes slippage from 2016/17 of £4.009M.
7. The full year forecast within Stock Protection is £5.208M, a favourable variance of £0.837M. Projects relating to Future Investment are forecast to outturn at £5.673M, a favourable variance of £2.624M. Total proposed slippage into 2018/19 is £3.344M, with an underspend of £0.117M.
8. Analyses of forecast and variance, 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 December 17		
				Profiled YTD	Actual YTD	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Stock Protection						
General Enhancements	105	105	0	75	75	0
Fire Safety & Alarm Systems	104	52	(52)	70	70	0
Garage Refurbishment	115	40	(75)	58	43	(15)
Paths & Fences Siteworks	110	190	80	81	81	0
Estate & Green Space Improvements	326	85	(241)	104	83	(21)
Energy Conservation	538	300	(238)	388	388	0
Roof Replacement	555	600	45	210	210	0
Assisted Living Technology	13	13	0	0	10	10
Central Heating Installation	738	550	(188)	466	385	(81)
Rewiring	233	233	0	180	180	0
Kitchens and Bathrooms	777	677	(100)	645	645	0
Central Heating communal	26	276	250	0	(11)	(11)
Door Replacement	290	220	(70)	219	219	0
Structural Repairs	221	221	0	165	129	(36)
Aids and Adaptations	425	350	(75)	337	337	0
Drainage and Water Supply	36	135	99	27	16	(11)
Capitalised Salaries	510	440	(70)	375	360	(15)
Asbestos Management	258	300	42	189	185	(4)
Parking Schemes	236	38	(198)	50	50	0
Investment Panel Programme	50	50	0	0	0	0
Communal/PIR Lighting	73	37	(36)	73	73	0
Targeted Door Replacement	6	6	0	4	3	(1)
Sheltered Housing Refurbishment	150	150	0	140	148	8
New Windows	150	140	(10)	150	150	0
Sub Total	6,045	5,208	(837)	4,006	3,829	(177)
Future Investment						
Stock Remodelling	130	346	216	99	110	11
Houghton Regis Central	2,000	200	(1,800)	150	103	(47)
Site Development	315	12	(303)	2	2	0
Garage Site Development	269	57	(212)	11	124	113
Croft Green	170	53	(117)	29	29	0
New Build & Acquisitions	4,742	4,742	0	1,017	1,043	26
Crescent Court	313	15	(298)	9	14	5
Havelock Road	200	200	0	85	(3)	(88)
Windsor Drive	158	48	(110)	9	7	(2)
Sub Total	8,297	5,673	(2,624)	1,411	1,429	18
TOTAL HRA	14,342	10,881	(3,461)	5,417	5,258	(159)

Table 3

Source	£'000
Revenue Contributions	2,327
Useable Capital Receipts	4,000
Independent Living Development Reserve	200
Strategic Reserve	4,354
Total	10,881

STOCK PROTECTION

9. It is anticipated that Stock Protection will outturn at £5.208M, a favourable variance of £0.837M with proposed slippage into 2018/19 of £0.621M.
10. There is a year to date underspend of £0.177M. This is primarily due to spend being marginally behind profile at various projects including: Central Heating Installation (£0.081M), Structural Repairs (£0.036M), Estate & Green Space Improvements (£0.021M) and various other minor variances in other Stock Protection projects.
11. 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

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 and it is proposed that construction will start on site in the autumn 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 £0.2M of the original budget of £2M will be spent in this financial year. It is proposed that the remainder is slipped into 2018/19.

14. 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 is 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 proposed as part of the HRA Medium Term Financial Plan (MTFP) that is currently under review.
15. 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.
16. 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.
17. 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. Work has commenced on refurbishing the site on a phased basis, with the first phase of 8 bedsits completed at the end of November. The first phase will inform the refurbishment of the rest of the block, which is being accelerated to help relieve the pressure from homelessness. The scheme has recently changed its name to Franklin House.
18. 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 has been approved by Executive in December 2017.

HRA EFFICIENCY PROGRAMME

19. 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.
20. The HRA revenue budget for 2017/18 was reduced by £0.750M, as part of the Council's efficiency programme.
21. 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 (£0.110M). 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

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	0.168	0.153	0.099	0.126	0.004	0.550
Former Tenant	0.010	0.010	0.014	0.084	0.455	0.573
						1.123
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	0.015	0.000	0.003	0.008	0.008	0.034
Void recoveries	0.000	0.000	0.000	0.010	0.027	0.037
	0.015	0.000	0.003	0.018	0.035	0.071

22. Table 4 shows a breakdown of the HRA debt position at December 2017. Total tenant debt amounted to £1.123M compared to £1.183M at the end of November 2017.

Current Tenant Arrears (CTA) are £0.550M or 1.7% (£0.621M or 1.9% at November) of the annual rent debit of £32.144M, against a target of 1.8%, whilst Former Tenant Arrears (FTA) are at 1.78% with a balance of £0.573M against a target of 1.75% (1.75% with a balance of £0.562M at November). £0.020M of tenant debt was written off in Quarter 3. Housing Benefit payments account for 53.34% of the rent and service charge income received.

23. In light of welfare reform Housing Operations have implemented a pro-active approach to managing the impact on rent arrears. 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 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, 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 is taking for its tenants to positively drive forward access to more services electronically. This is a significant milestone.
24. 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.
25. 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.
26. There is currently £0.071M of non tenant arrears (£0.057M at November), 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 December was 89% of 177 invoices (92% of 247 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. 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.
28. 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 are proposed to move to the Rents Team so that a consistent and tightly managed process will ensure that performance is maintained.

HRA CAPITAL RECEIPTS

29. 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.
30. Up to the end of December 2017, 46 RtB applications were received with 27 properties being sold, compared to 62 Applications and 19 sales over the same period in 2016/17. It is currently projected that the number of RtB sales will be approximately 30 to 35 for the year, resulting in a residual receipt for the year of circa £3.5M.
31. The Council has a balance as at quarter 3 of useable capital receipts of £9.845M, of which £5.230M 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.
32. 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, £5.035M has been spent on replacement properties up to 31 December 2017. The Council is committed to spend a further £17.432M on replacement properties by 31 December 2020.

33. The HRA's Budget proposals for the period of the Medium Term Financial Plan (MTFP) propose significant investment in new build (in excess of £19M by 31 December 2020).
34. 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 2020, then this would pose a threat to the surpluses predicted both in the medium and longer term.
35. 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.
36. As at 1 April 2017 the balance of HRA Usable Capital receipts was £6.474M. It is anticipated that £3.5M of RtB receipts will be retained in the current year, which delivers a subtotal of £9.974M. 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 £5.974M.

RESERVES

37. 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.
38. The current position indicates a year end balance in reserves of £25.078M. HRA Balances are projected to remain at a contingency level of £2M, with the Independent Living Development Reserve increasing to £20.494M, the Strategic reserve reducing to £2.384M, and the Major Repairs Reserve (MRR) remaining at £0.200M.
39. In total this equates to a forecast contribution to reserves for the year of £5.861M, offset by spend from reserves of £4.554M to result in a net increase of £1.307M.
40. 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: December 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	(200)	-	5,796	20,494
Strategic Reserve	6,673	(4,354)	-	65	2,384
Major Repairs (HRA)	200	-	-	-	200
	23,771	(4,554)	-	5,861	25,078

Table 6 – Directorate Summary

Month: December 2017	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	12,709	12,917	-	208	16,945	17,231	286	-	286	
Housing Operations	(17,758)	(17,782)	-	(24)	(23,677)	(23,500)	177	-	177	
Repairs and Business Management	4,592	4,415	-	(177)	6,123	6,068	(55)	-	(55)	
Financial Inclusion	398	87	-	(311)	531	144	(387)	-	(387)	
Housing Investment	59	12	-	(47)	78	57	(21)	-	(21)	
Total	0	(351)	0	(351)	0	0	0	0	0	