

HOMES PDG
14 NOVEMBER 2017

HRA MEDIUM TERM FINANCIAL PLAN

Cabinet Member Cllr Peter Hare-Scott, Cllr Ray Stanley
Responsible Officer Andrew Jarrett, Director of Finance, Assets & Resources
Andrew Pritchard, Director of Operations

Reason for Report: This report provides an estimate of the budget required for the operation of the Housing Revenue Account (HRA) from 2018/19-2021/22.

RECOMMENDATION: That the PDG note the content of this report.

Relationship to Corporate Plan: The Medium Term Financial Plan (MTFP) sets out the financial resources available to deliver the Council's ongoing Corporate Plan pledges/objectives with regard to the landlord function.

Financial Implications: By undertaking an annual review of the MTFP the Council can ensure that its Corporate Plan pledges/objectives are affordable.

Legal Implications: None.

Risk Assessment: The MTFP makes a number of financial assumptions based on a sensible/prudent approach, taking account of the most up to date professional advice that is available.

Equality Impact Assessment: It is considered that the impact of this report on equality related issues will be nil.

1.0 Introduction

- 1.1 Finance and Housing officers have now collated a draft budget for 2018/19 which proposes a balanced budget position, shown as part of a separate report at this meeting.
- 1.2 Further to this, the Directors and relevant Housing Managers have agreed assumptions for the forthcoming years, in order to determine a reasonable idea of what the financial position of the Housing Revenue Account (HRA) will be.

2.0 Medium Term Assumptions

- 2.1 The largest number in the HRA is the dwelling rent figure. Central government have dictated how this will change, stating that Mid Devon's Formula Rent (FR) will decrease by 1% each year until 2020 and then increase each year by CPI+1% from 2020-2025. Please note that FR is the amount of rent that properties on social rent are to be charged, according to central government.
- 2.2 Other areas of income, such as garage rents, shop rents, service charges and community alarms, tend to see price rises that are small incremental changes or not at all. For this reason, the plan assumes that these budgets will move at the same rate as the dwelling rent.
- 2.3 The operational costs of the supplies and services and transport are expected to rise by 2.5% per year.
- 2.4 Since the annual debt repayments are now a known quantity, we are able to predict these into the medium term and beyond with some certainty. The only expected increases here are where further debt is taken on to fund large scale projects.
- 2.5 Recharges between the General Fund and HRA are yet to be finalised, but overall the position between the HRA and the General Fund has been assumed as increasing by 1.3%, 1.5% and 1.5% respectively.

	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k
Gross expenditure	6,405	6,549	6,663	6,702
Income	(13,358)	(13,376)	(13,955)	(14,624)
Net cost of services	(6,952)	(6,827)	(7,292)	(7,922)
Indirect costs	4,933	5,004	5,100	5,266
Surplus	(2,019)	(1,823)	(2,192)	(2,656)
Transfer to HMF	2,019	1,823	2,192	2,656
Balance	0	0	0	0

HRA Reserve

- 2.6 It is anticipated that the HRA reserve balance will stand at £2m at the beginning of 2018/19. There is no plan to utilise the reserve to fund revenue expenditure and so the balance should remain at this level throughout the period up to the end of 2021/22.
- 2.7 In an effort to address the needs identified in the Housing thirty year asset management plan, an amount is to be invested in an earmarked reserve for the long term maintenance of the properties (the Housing Maintenance Fund or HMF). This fund will be used to cover the shortfall in future years, when the demand is greater than tenant rents can meet.

3.0 Future Issues

3.1 The HRA Budget report 2018/19, also presented at this meeting, describes the following issues.

- Universal Credit
- Rent Policy – decreases until 2020 and then a return to incremental increases

3.2 Clearly, these are significant challenges facing the HRA. Once more detailed information becomes available, individual reports will be produced for members and the subsequent Medium Term Financial Plan will take account of them.

4.0 Conclusion

4.1 The feedback from this meeting will be noted when preparing the final budget proposals, to be brought before this group on 16/01/18.

Contact for more information:

Andrew Jarrett – Director of Finance, Assets & Resources
01884 234242 | ajarrett@middevon.gov.uk

Roderick Hewson – Principal Accountant
01884 234230 | rhewson@middevon.gov.uk

Circulation of the Report:

Leadership Team, Elected Members and Group Managers