

HRA MEDIUM TERM FINANCIAL PLAN

Cabinet Member Cllr Simon Clist
Responsible Officer Andrew Jarrett, Deputy Chief Executive (S151) and
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 2020/21-2023/24.

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 directly arising from this report, although there is a legal obligation to balance the budget. There are legal implications arising from any future consequential decisions to change service provision, but these would be assessed at the time.

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.

Climate Change Assessment: The allocation of resources will impact upon the Council's ability to implement/fund new activities linked to climate change, as the MTFP sets the broad budgetary framework for the Council over the coming years.

1.0 Introduction

- 1.1 The Finance and Housing officers have now collated a draft budget for 2020/21 which proposes a balanced budget position, shown as part of a separate report at this meeting.
- 1.2 Further to this, the Group Managers for Housing Services and Building Services, together with the HRA Accountant, have agreed assumptions for the forthcoming years, in order to determine a reasonable forecast of the financial position of the Housing Revenue Account (HRA) in the coming years.

2.0 Medium Term Assumptions

- 2.1 The largest number in the HRA is the dwelling rent figure. Central Government has previously dictated that Mid Devon's Formula Rent (FR) would decrease by 1% for 4 years, until 2019/2020. This has effectively cost the HRA circa £2min rental uplift during this period. This restriction has now expired and the Formula now allows an increase (in keeping with previous years) of **CPI + 1% which will result in a maximum increase of 2.7%**. Please note that according to Central Government, FR is the maximum amount of rent that properties on social rent are to be charged.
- 2.2 Other areas of income such as garage rents, shop rents and service charges, tend to see price changes that are small incremental changes or not at all. For this reason, the plan assumes that these budgets will not change from 2020/21, with tenancy rents being the only projected change.
- 2.3 The operational costs of the premises and transport are broadly expected to rise by between 2% and 3% per year. The transport budget has been adjusted to implement the new fleet contract.
- 2.4 Since the annual debt repayments are 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 3% per annum.

HRA Reserve

- 2.6 It is anticipated that the HRA reserve balance will stand at £2m at the beginning of 2020/21. 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 2023/24.
- 2.7 In an effort to address the needs identified in the Housing 30 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 any shortfall in future years, when the demand is greater than tenant rents can meet.

3.0 Future Issues

- 3.1 The HRA Budget report 2020/21, also presented at this meeting, describes the following issues.
 - Universal Credit – the ongoing impact
 - Rent Policy – following the decreases until 2019/20, a return to incremental increases

- RTB impact and servicing the 25yr HRA mortgage
- Maintaining our stock levels
- Forecasting the break-even timeline in terms of managing our known costs against a declining housing stock

3.2 Clearly, there are significant challenges facing the HRA. As soon as more detailed information becomes available individual reports will be produced for Members' consideration and the subsequent Medium Term Financial Plan will take account of them.

4.0 Conclusion

4.1 This meeting is being provided with the first draft of the MTFP, the first opportunity for the group to consider the MTFP and our assumptions prior to approval of the HRA Budget by Full Council on 26 February 2020.

Contact for more information: Andrew Jarrett, Deputy Chief Executive (S151) – 01884 234242 / ajarrett@middevon.gov.uk and JP McLachlan, Principal Accountant – 01884 234944 / jpmclachlan@middevon.gov.uk

Circulation of the report: Cabinet Member for Housing, Leadership Team, relevant Group/Service Managers