

HRA MEDIUM TERM FINANCIAL PLAN

Cabinet Member Cllr Alex White, Cllr Simon Clist
Responsible Officer Andrew Jarrett, Deputy Chief Executive (S151)

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 recommend that Cabinet approve the HRA MTFP as set out in 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.

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 Manager for Housing Services and 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 dictated how this would change, stating that Mid Devon's Formula Rent (FR) would decrease by 1% each year until 2019/2020. We are now informed that we will be reverting to the previous policy after this time which would allow us to increase rents by CPI + 1% from 2020/21.

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 and service charges, tend to see price rises that are small incremental changes or not at all. Proposed changes (detailed in the HRA budget report) for 2020/21 have been included but no assumptions beyond 20/21.
- 2.3 The operational costs of supplies & services and transport are expected to rise by 2-3% per year. The transport budget has been adjusted to implement the new fleet contract.
- 2.4 Since the annual debt repayments are now a known quantity, we are able to predict these in 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 have been finalised and the forecast inflation of 3% remains consistent with the General Fund future projections.

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 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 2020/21, also presented at this meeting, outlines various items of note including:
 - 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, 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 This meeting is the final 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.

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Circulation of the Report:

Leadership Team, Members and relevant Group Managers