

HRA MEDIUM TERM FINANCIAL PLAN 2015-2019

Cabinet Member Cllr Peter Hare-Scott Davey, Cllr Ray Stanley
Responsible Officer Head of Finance, Head of Housing

Reason for Report: This report provides an estimate of the budget required for the operation of the Housing Revenue Account (HRA) from 2015/16-2018/19.

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.

1.0 Introduction

- 1.1 The Finance and Housing officers have now collated a draft budget for 2015/16 which proposes a balanced budget position, shown as part of a separate report at this meeting.
- 1.2 Further to this, the Heads of Housing and Finance 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 play a significant role in determining what this will be. They have stated that social housing rents across the country should have reached a higher level than they have (known as Formula Rent).
- 2.2 They have set a target of the forthcoming year, 2015/16, for convergence with this rent, meaning above-inflation increases are necessary until then. This will bring councils into line with housing associations and deliver greater rent level consistency across the social housing sector.

- 2.3 The Government are proposing changes to the basis of calculation for social rent. In order to meet this, the forthcoming rent increase should be in line with the Retail Price Index (RPI) plus 0.5%, as well as an additional amount to close the existing rent gap. It is assumed that increases will be in line with the Consumer Price Index (CPI) plus 1.0% from 2016/17 onwards. An assumption has been made that RPI will average 3% per annum and CPI 2.5% over the course of the period.
- 2.4 The Warden service will cease to operate from April 2015 onwards, leaving only the small Learning Disabilities Warden contract in operation. Income for this service is set to be approximately £31k per annum according to current levels.
- 2.5 Other areas of income, such as garage rents, shop rents, service charges and community alarms, are expected to remain at current levels. This is because these areas have seen customer numbers fall when fees are increased, so price rises tend to be small incremental changes or not at all.
- 2.6 The operational costs of the repairs & maintenance and housing management functions are expected to rise in line with RPI.
- 2.7 Special Services (warden and alarm services) will shrink from April when the Warden service ceases to operate. From then on, levels of income and expenditure are expected to remain steady.
- 2.8 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 increase here will be if further debt is taken on to fund large scale projects.
- 2.9 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 in line with estimated salary growth.

HRA Reserve

- 2.10 It is anticipated that the HRA reserve balance will stand at approximately £2m at the beginning of 2015/16. 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 2018/19.
- 2.11 The work identified in the most recent stock condition survey means that there will be increased pressure on the HRA reserve over the coming years. Managers will need to invest time in business planning and strategy in order to meet the funding demands of the work identified.
- 2.12 In an effort to address this need, an amount is to be invested in an earmarked reserve for the long term maintenance of the properties (the

Housing Maintenance Fund). 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 2015/16, also presented at this meeting, describes the following issues.

- Welfare Reform
- Supported Housing
- Building New Social Housing (subject to the cap on debt)

3.2 Clearly, the above list indicates a number of significant uncertainties 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 20/01/15.

Contact for more information: Andrew Jarrett
01884 234242
ajarrett@middevon.gov.uk

Roderick Hewson
01884 234230
rhewson@middevon.gov.uk

Background Papers:	None
File Reference:	None
Circulation of Report:	Management Team

HRA Medium Term Financial Plan 2015-2019

Code	Service area	2014/15	2015/16	2016/17	2017/18	2018/19
BHO01	Dwelling Rents	(12,466,560)	(12,803,270)	(13,251,384)	(13,715,183)	(14,195,214)
BHO02	Non Dwelling Rents	(525,060)	(528,910)	(528,910)	(528,910)	(528,910)
BHO03	Warden Income	(329,080)	(30,980)	(30,980)	(30,980)	(30,980)
BHO04	Leaseholders' Service Charges	(13,500)	(13,090)	(13,090)	(13,090)	(13,090)
BHO05	Contributions Towards Expenditure	(35,300)	(34,970)	(34,970)	(34,970)	(34,970)
BHO06	Community Alarms Income	(133,930)	(138,170)	(138,170)	(138,170)	(138,170)
BHO06B	Miscellaneous & Solar Panel Income	(19,000)	(169,000)	(169,000)	(169,000)	(169,000)
BHO07	H.R.A. Investment Income	(41,000)	(40,000)	(42,000)	(44,100)	(46,305)
BHO09	Repairs And Maintenance	2,647,920	2,869,820	2,955,915	3,044,592	3,135,930
BHO10	Supervision & Management	1,800,000	1,960,580	2,019,397	2,079,979	2,142,379
BHO11	Special Services	382,970	178,700	184,061	189,583	195,270
BHO17	Bad Debt Provision Movement	25,000	25,000	26,000	50,000	75,000
BHO18	Share Of Corporate And Democratic	181,600	202,890	206,948	211,087	215,308
BHO20	Interest Payable	2,812,000	1,467,790	1,467,790	1,467,790	1,467,790
BHO22	H.R.A. Transfers between earmarked reserves	0	125,000	125,000	125,000	125,000
BHO23	Revenue Contribution to Capital	145,580	128,400	50,000	74,000	50,000
	Contribution to Housing Maintenance Fund		2,113,170	2,364,011	2,491,074	2,673,034
	TOTAL	(5,568,360)	(4,687,040)	(4,809,383)	(4,941,298)	(5,076,928)

5000	Recharges	1,205,890	1,217,950	1,236,220	1,260,940	1,286,160
6000	Capital Charges	4,362,470	3,469,090	3,573,163	3,680,358	3,790,768
	TOTAL	5,568,360	4,687,040	4,809,383	4,941,298	5,076,928

	TOTAL	0	0	0	0	0
--	--------------	----------	----------	----------	----------	----------

Assumptions

Dwelling rent increase in line with Social Rent Policy expectations

Non-dwelling rents to remain at current levels

Learning Disability service to remain constant

Leaseholder service charges to remain at current levels

Contributions Towards Expenditure to remain at current levels

Community Alarms Income to remain at current levels

Miscellaneous & Solar Panel Income to remain at current levels

Investment income to grow as balances grow

Repairs And Maintenance costs to increase in line with RPI

Supervision & Management costs to increase in line with RPI

Special Services costs to increase in line with RPI

Bad debt provision to grow if Universal Credit implemented

Pension related costs to increase by 2%

Debt repayments to remain at current levels

Solar Panel income transferred to Renewable Energy Fund

Revenue contribution to capital based on known projects

Used to meet the funding gap in the long term

RPI to average 3.0% per annum, CPI 2.5%