

**DECENT & AFFORDABLE HOMES PDG
1 DECEMBER 2015**

HRA MEDIUM TERM FINANCIAL PLAN

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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 2016/17-2019/20.

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 2016/17 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 have dictated how this will change, stating that, having converged with a steadily increasing Formula Rent (FR) over the last fifteen years, Mid Devon's FR will now decrease by 1% each year for the next four years. 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 repairs & maintenance and housing management functions are expected to rise by 2.0%, 2.5%, 3.0% and 3.0% respectively over the next four years. Appendix 1 shows an increase of £800k from 2016/17 onwards. This is not an actual increase, but rather recognition in the budget that this money will be required to cover spending on major works. Prior to this, the money was budgeted to be taken from the earmarked reserves.
- 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 1.0%, 1.5%, 1.5% and 2.0% respectively.

HRA Reserve

- 2.6 It is anticipated that the HRA reserve balance will stand at approximately £2m at the beginning of 2016/17. 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 2019/20.
- 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). 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 2016/17, also presented at this meeting, describes the following issues.
 - Formula Rent (FR) reducing by 1% each year for four years
 - Right to buy (RTB) enhanced discounts, resulting in higher sales volumes
 - Universal Credit
 - Pay to Stay initiative – potential to increase cost of administration
- 3.2 Clearly, the above list indicates a number of 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 26/01/16.

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