Housing Revenue Account

Medium Term Financial Plan - Appendix 1

Introduction

1.1 This business plan is produced in order to set out the Council's overall aims and objectives for the housing service, as a landlord for over 10,400 homes. Since April 2012 when "self-financing" was introduced, the Council's HRA (Housing Revenue Account) took on a significant amount of debt which needs to be financed from within the rent income generated itself.

1.2 Externally, the Council faces substantial changes in national housing policy , as well as financial issues more widely as a result of the National budget deficit, and therefore it is important that the Council has an up to date business plan that sets out its plans over the short, medium and longer term.

1.3 This plan has been updated to reflect the approved 2016/17 budget and rent reductions over the next 4 years. It has also been updated with the most recent survey information from Pennington Choices which informs the investment required.

Background

1.4 The HRA provides the income and expenditure associated with maintenance of the Council's housing stock .The Council is required to set an annual HRA budget and set the level of tenants' rents and other charges.

1.5 Under the Government's new system of housing finance from April 2012, the Council is required to plan over the longer term and develop a 30 year HRA Business Plan to manage and maintain its housing assets. The 30 year HRA Business Plan and five-year MTFP are considered in this report.

1.6 The HRA is a 'ring fenced' landlord account , the main features of the HRA are:

1.6.1 It is primarily a landlord account, recording expenditure and income arising from the provision of housing accommodation by local housing authorities;

1.6.2 the main items of income are from tenants in the form of rents from Council dwellings, garage rents, shop rentals and where applicable service charges

1.6.3 the main items of expenditure included in the account are management and maintenance costs, loan charges and depreciation costs.

1.7 The ensuing paragraphs provide details of the latest projections of the HRA and include:

- A 30 Year HRA Business Plan
- A 5 Year MTFP; (essentially a "snapshot" of the 30 year plan)

Further information on the subject of this report can be obtained from Paul Smith, Direct Dial Telephone Number 01793 463976, psmith2@swindon.gov.uk.

- Capital Investment requirements
- details of the Governments policy guidance on rent levels from 2016/17
- details of future policy changes expected from 2017/18
- the HRA position on loans and investments;
- HRA levels of reserves.
- Links to the Housing Strategy

Detail

30 Year HRA Business Plan

1.8 Since "self-financing" was introduced in 2012, the HRA has had more financial freedom in that under the previous subsidy system, where any surplus from rents and other income over and above the costs of services was repaid to the Government as "subsidy".

1.9 However under self-financing, a payment of £138.6m was made to the Government in order to "buy out" of the system. This resulted in total HRA debt of £150.5m due to already having £11.8m of existing debt.

1.10 The self-financing payment figure was calculated by the Government based on a financial business plan over 30 years using a number of important assumptions, most notably around the level of future rent increases, the rate of Right to Buy sales and the level of "Right to Buy" receipts.

1.11 Government rent policy guidance, introduced nationally for local authorities in April 2002, has in previous years established the local authority average guideline rent increase by applying Retail Price Index (RPI) inflation at the previous September plus 0.5%, and a convergence factor of up to £2 per week. The £2 per week convergence factor cap reflected the policy objective of increasing Local Authority rents to similar levels to those charged by Registered Providers (Housing Associations). The allocation of debt to Swindon was therefore calculated as being affordable based on rent increases in line with the policy in place at the time which has now changed and is detailed later on in this paper.

1.12 In 2015/16, the Government rent policy guidance changed from that outlined above, to linking rent increases to a maximum of CPI + 1% for a period of 10 years. CPI is historically lower than RPI, so this change was expected to reduce

the overall income generated from rents and therefore available for capital investment.

1.13 From 2016/17, Government rent guidance has once again changed with a requirement to reduce rents by 1% per annum for the 4 year period 2016/17 to 2019/20 (other than for sheltered and supported accommodation which is exempt in year 1). This will materially impact the level of resources available for investment. There is no clarity around rent policy beyond the 4 years and therefore the plan is highly dependent on future Government rent policy.

1.14 Officers produce and regularly update a 30 year HRA business plan which is used to identify the impact of income and expenditure decisions, as well as to ensure that the capital programme is affordable, not just in the short term, but over the medium and long term. This business plan has been used to inform the 5 year HRA MTFP.

1.15 The following paragraphs detail the key assumptions that have been used in the HRA 30 year business plan calculations. These are:

1.15.1 Rent increases to follow national guidance from 2016/17 reduce by 1% per annum for a period of 4 years. The rent assumption used for the business plan from 2020/21 and beyond is 2% per annum.

1.15.2 Rents related to sheltered and supported housing are exempt from the reduction for a period of 1 year and therefore increase by 0.9% for 2016/17 (September CPI of minus 0.1% + 1%). From 2020/21 and beyond an annual increase of 2% has been assumed.

1.15.3 Debt of c£130.5m as at 31/3/2016 continues to be repaid at a rate of £5m per annum.

1.15.4 Inflation increases for Housing Management and Repairs and Maintenance expenditure based on RPI of 2.0% for years 1 and 2, and 3.0% thereafter.

1.15.5 Void property at 1% pa throughout the business plan period, with all voids moving directly to target rent levels as is the current policy.

1.15.6 Bad debt provision at 0.7% of rent income in line with existing 2015/16 budget forecasts.

1.15.7 Annual Right to Buy sales assumed at 56 for year 1, increasing to 60 per annum for all following years. This affects the overall level of rent income as property numbers reduce.

1.15.8 A minimum working level of HRA revenue reserves of £4m

1.15.9 Capital Investment requirements based on the work carried out by Pennington Choices in 2016, with construction inflation assumed at 2.5% p.a for the whole term of the business case

1.16 The outputs of the modelling process over the full 30 year period are shown in Appendix 2 which shows the revenue account projected over the next 30 years. In summary, the results show:

- A revenue budget generating a surplus annually over the full 30 year period;
- Housing debt paid off in full by the end of 2041/42
- HRA reserves being maintained to at least £4m to cover contingencies
- Capital programme shortfalls against investment requirements in the first 5 years of the Plan of £47m

1.17 The business plan model **does not include** at this stage:

- Investment requirements over and above that identified by Pennington Choices such as:
  - a whole house retrofit approach when carrying out the exceptional extensive repairs to the non-traditional housing stock
  - remodelling of sheltered schemes to bring them up to modern day standards (other than £750k allowance for any works to re-categorise stock)
  - installation of new technology to make use of renewable energy such as solar Photo Voltaic (PV) or thermal energy and heat pumps etc.
  - regeneration of areas where it is not the most suitable option to repair non-traditional housing stock or improve the high-rise blocks of flats
- Any use of borrowing headroom, (the difference between actual debt and the allowed limit)

Housing Revenue Account

Medium Term Financial Plan - Appendix 1

5 Year Medium Term Financial Plan ("MTFP")

Capital Investment Need

1.18 The HRA Capital Programme contributes significantly to the Housing Strategy Priorities by improving the condition of the housing stock and providing better homes with modern facilities which are warmer and more energy efficient.

1.19 The Council's housing stock is maintained through its annual repairs and maintenance budget and improved and refurbished through its capital programme. The size of the capital programme depends on the balance between the need of the Council to improve its stock and the availability of funds to finance the improvements, mostly generated from tenant's rents.

1.20 Stock investment requirements form a central part of the HRA Business Plan and these have been derived from recent survey information.

1.21 Funding for capital investment can be provided by the following sources:

- Contributions from revenue budget surpluses (The "surplus for investment" in the table below)
- New Borrowing (up to the Government imposed "cap" of £172.6m)
- Capital Receipts (mainly from Right to Buy sales)
- Capital Grants, where available

1.22 Pennington Choices were commissioned to undertake a 10% sample stock condition survey to identify a summary of the total HRA stock investment requirements for the next 30 years, which is to be used to support our overall Asset Management Strategy for future housing options and business planning. The stock condition surveys were completed in January 2016with a finalised report produced in April 2016.

1.23 The stock condition survey and report by Pennington Choices provides an up to date cost for the different categories of work set out as follows:

- Catch-up Repairs – replacement work that is due now
- Future Major Works – replacement of components due to their age and condition
- Related Assets and Contingent Major Repairs – repairs to garages and contingency for asbestos surveys, fire safety and structural repairs etc.
- Exceptional Extensive – structural repairs and thermal improvements to our non-traditional housing stock
- Responsive and Cyclical Repairs – including external planned maintenance

1.24 This identified an overall investment requirement of £724.9m over the next 30 years (at 2015/16 prices) or £1,061m inflated at an assumed 2.5% per annum. The previous RAND stock condition survey in 2011 put the un-inflated figure at £686.7m, which shows that the latest information is fairly consistent with the previous findings.

1.25 It also identified a minimum investment requirement of £354.2m (inflated) over the next 10 years, an average annual requirement of £35.4m. Over the same period, a total of £278.2m of funding is estimated to be available, although highly depended on rent policy from 2020.

1.26 The key elements of investment required that form part of the total investment requirement detailed at paragraph 1.24 above, and shown at Addendum 2, are:

1.26.1 £73.9m (un-inflated) for structural repairs and thermal improvements to our non-traditional housing stock, taken from a structural survey of non-traditional housing stock carried out by Michael Dyson.

1.26.2 Extensive Catch up Repairs of £7.6m to replace kitchens and bathrooms and overall investment need of £29.8m to replace these components over the next 5 years.

1.27 In terms of overall Catch up Repairs and Future Major Works, the recent stock condition survey identified an investment need of £27,730 per property to replace components over the next 30 years. This is below the national average of £30,000 per property and indicates that the stock is generally in a good state of repair and above the national average.

1.28 We are currently undertaking an options appraisal to our high-rise blocks of flats during this financial year, 2016/17. It is essential that we either improve these to a higher standard with the emphasis on ensuring that they are wind and weatherproof for the next 30 years or decommission them as appropriate. We currently have an indicative cost of £10.75m for repairs and improvement works to the 6 general-purpose high-rise blocks. In addition, we have identified an allowance of £750k to invest in sheltered schemes to undertake work to re-categorise their use, as needed.

1.29

Next 4 Years

1.30 The key focus for the Council is the short to medium term horizon and the next five years in particular. Although the previous MTFP provided a summary of the following 5 years taken from the 30 year business plan, given the uncertainty around the level of rent income beyond 2019/20, this forward look has been reduced to the next 4 years. During this period, an estimated rental stream of

some £197.2m will be available to the Council to meet its management, repairs, investment and debt costs.

1.31 The headline figures from the Operating Account are shown in the table below:

4 Year Summary					
	16/17	**17/18**	**18/19**	**19/20**	**Total**
Total Income	50,005	49,265	48,789	49,145	197,205
Total Expenditure	-12,726	-12,980	-13,369	-13,770	-52,845
sub-total	37,280	36,285	35,420	35,375	144,360
Debt Repayment	-5,000	-5,000	-5,000	-5,000	-20,000
Loan Interest	-4,352	-4,186	-4,020	-3,854	-16,413
Surplus for Investment	27,928	27,099	26,400	26,520	107,947

1.32 The Council's projections show a balanced revenue budget with revenue support to the capital programme of £107.9m (including Responsive and Cyclical Maintenance). This compares with an investment requirement of £136.5m over the same period a total shortfall of £28.4m over 4 years.

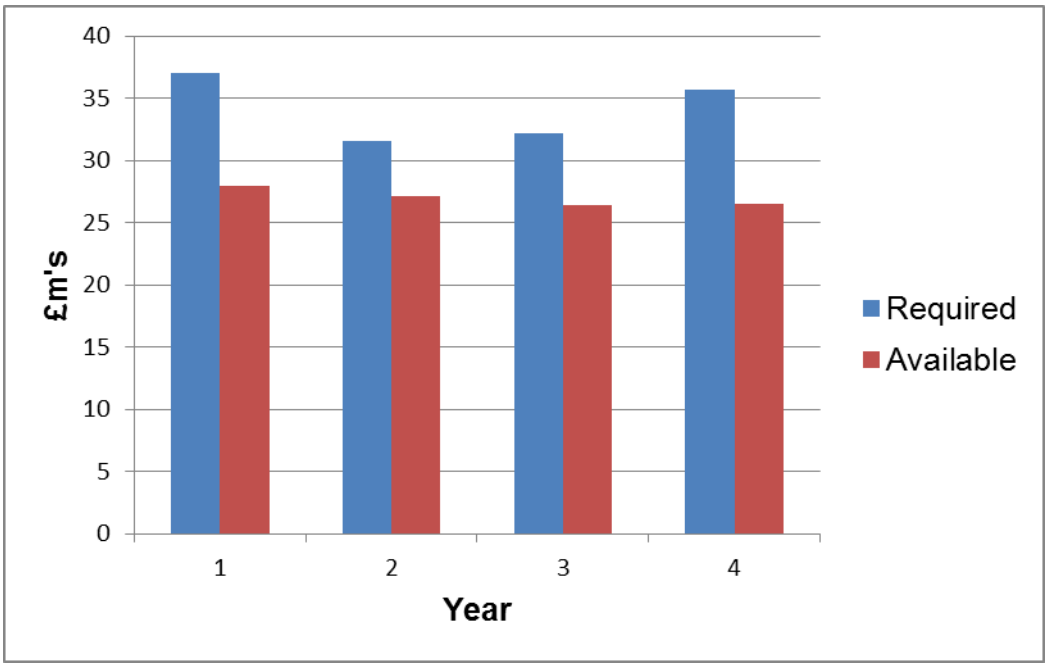
1.33 The Pennington report breaks down all investment requirements into 5 year bands, other than for Future Major Works which is also provided on an annual basis for the first 5 years. The investment requirements, other than Future Major Works, are therefore assumed to be equally spread over each year in the 5 year band for modelling requirements in the absence of a detailed annual profile at this moment in time.

1.34 The headline outputs over the business plan period can be represented graphically and shows the investment required compared with the resources available (after running costs and repayment of debt & interest), based on the assumptions previously outlined.

Housing Revenue Account

Medium Term Financial Plan - Appendix 1

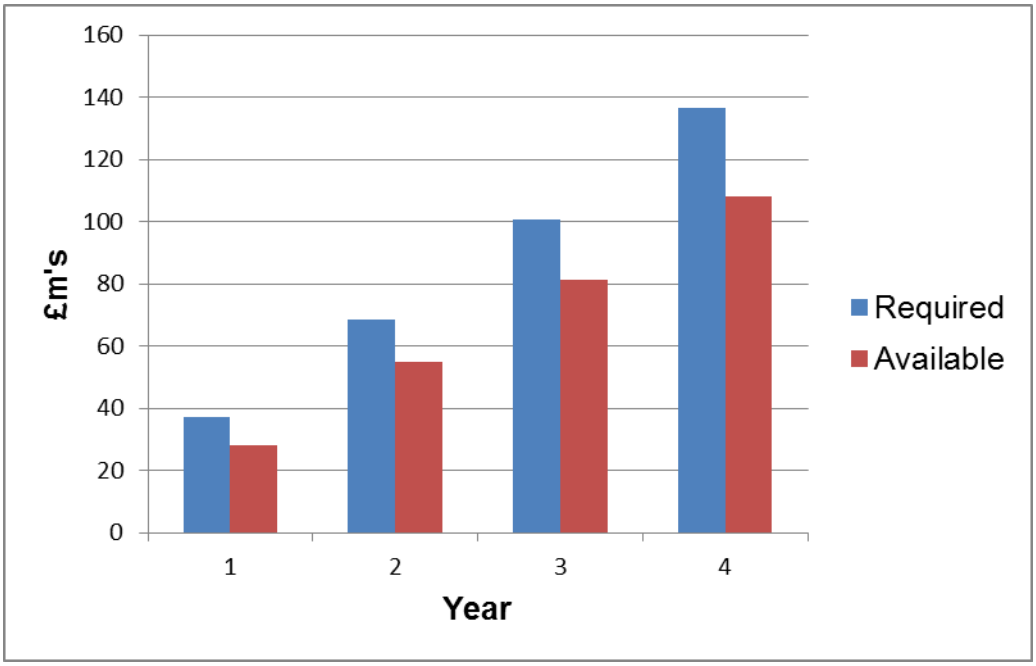
Graph 1: 4 year annual investment requirement



1.35 The above graphic shows a shortfall in required resources in each of the 4 years. The following graphic shows the same information on a cumulative basis.

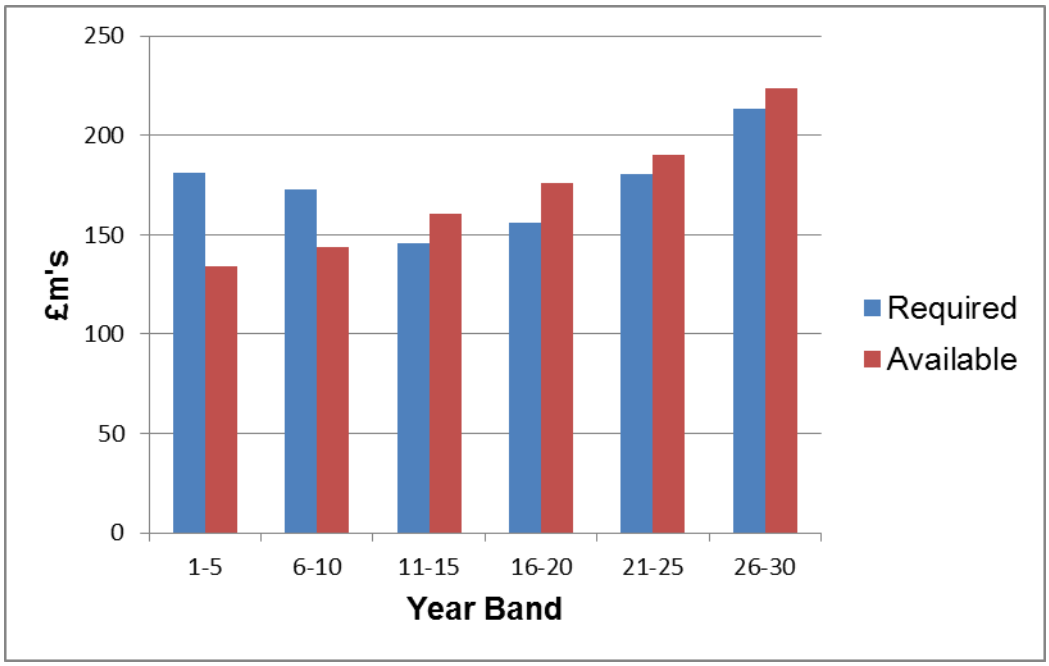
Graph 2: 4 year cumulative investment requirement

Further information on the subject of this report can be obtained from Paul Smith, Direct Dial Telephone Number 01793 463976, psmith2@swindon.gov.uk.

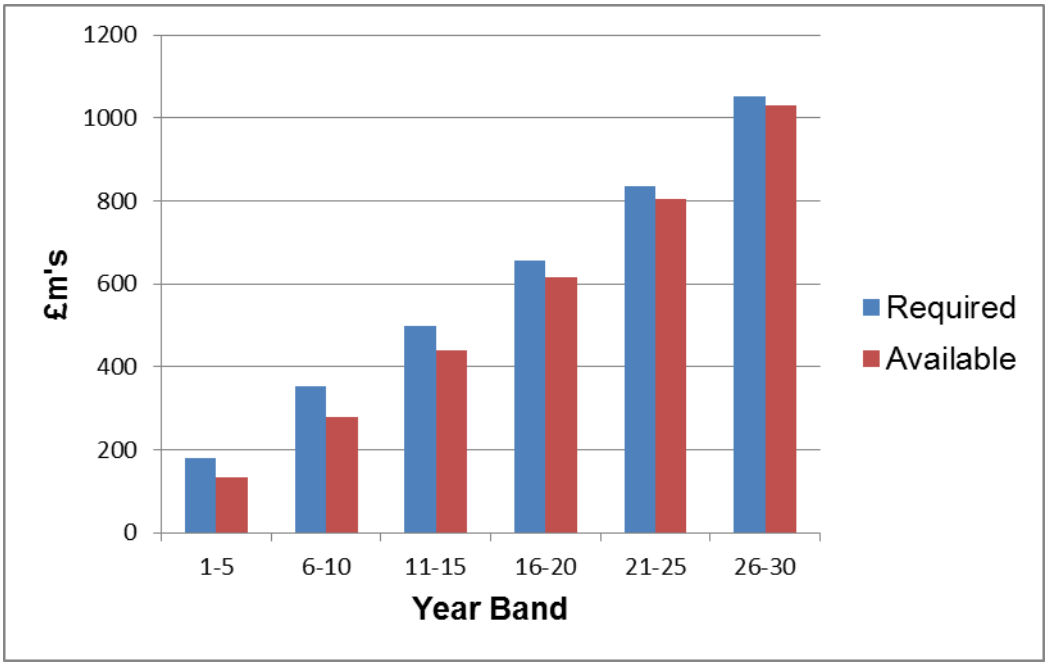


1.36 The following graphs show the full 30 year position, per each 5 year band and cumulatively.

Graph 3: 30 year investment requirement by 5 year period



Graph 4: Cumulative 30 year investment requirement



1.37 Graph 3 above shows that there is a projected shortfall in available funding up until year 10 but as debt is repaid and rent income increases then available funding increases to a point where it exceeds the investment requirements from years 11-15.

1.38 Graph 4 shows that over the whole 30 years of the business plan, there is a projected overall deficit between funding required and that available.

1.39 Should rents not increase at 2% per annum from 2020 as is the assumption per this business plan, then deficits will increase. Rental income in 2020/21 is estimated at £41.882m assuming a 2% increase from 2019/20 and this would reduce by around £830k if there were no increase. Over the remaining, 25 years, if there were no further increases this would equate to a loss of over £260m of rent income, an average of over £1m per annum when compared with an average 2% increase.

Social Housing Rents

1.40 The main source of income for the HRA is rental income from dwellings paid to the Council by tenants. Local authority rents are determined by a formula set by Government based on capital values and regional earnings and the policy of moving actual rents towards formula rents is known as “rent convergence”

1.41 Each year, the Government has set a guideline increase or decrease to actual rents based on the change in the Retail Price Index (“RPI”) + 0.5% + £2 with the intention that this would move or “converge” the actual rents paid towards the

"formula" rent target. The Government's self-financing determination assumed that local authorities followed this guideline.

1.42 The Government issued ***new policy guidance in May 2014***, of which one of the stated aims is "to balance the need to ensure rents remain affordable with the need that landlords have the income they need to remain in good financial health and to invest, particularly in new affordable homes".

1.43 The guidance previously stated that for formula rents, from 2015-16 to 2024-25, would be uplifted each year by the Consumer Price Index ("CPI") at September of the previous year + 1%.

1.44 The housing and planning bill now says that authorities must reduce rent levels by 1% per annum for each year from 2016/17 through to 2019/20 which significantly reduces the overall resources available to invest in housing stock.

Affordable Rents

1.45 Affordable rent allows local authorities to set rents at levels that are typically higher than social rents, the intention (as stated by Government) being that this flexibility allows the generation of additional capacity for investment in new affordable housing. Homes let on affordable rent terms should be made available at a rent level of up to 80% of gross market rents, inclusive of service charges where applicable. Local authorities should increase rents for properties let on affordable rent terms on the same basis as social rents, i.e. a reduction of 1% per annum to 2019/20. Swindon affordable rents are set at 80% of the applicable Local Housing Allowance with any service charges then added on top.

1.46 On each occasion that an affordable rent tenancy is issued for a property – whether it is let to a new tenant, or an existing tenant is re-issued , local authorities should re-set the rent based on a new valuation, to ensure it remains no more than 80% of the relevant market rent. The only exception to this is where the accommodation is re-let to the same tenant as a consequence of a probationary tenancy coming to an end. In this case an authority is not expected to re-set the rent.

1.47 As a condition of the award of grant under the Governments Affordable Housing Programme, the Council must let a proportion of its new lets at affordable rent levels which will generate additional income to help finance the new build properties in addition to the grant award.

Since October 2015, properties have been converted when they are vacant, and people are given the choice to bid on them in the normal way, and on the same tenancy terms as other housing. This would be done over the three years of the Affordable Housing Programme. The approach will be to convert 2 and 3 bed houses only, avoiding conversion of larger, and potentially much more expensive 4 and 5 bed properties.

Other Rental Income

1.48 The HRA includes responsibility for managing and maintaining around 3,100 garages which generate annual income to the account of around £1m.

1.49 Also included in the HRA are certain commercial properties such as shops. Rents from such properties are subject to periodic rent reviews, but the budget for 2016/17 is £373k.

Service Charges

1.50 In addition to their rent, tenants may also be required to pay service charges. Service charges usually relate to additional services provided to specific tenants. Different tenants may receive different types of service reflecting their housing circumstances. Local authorities have discretion to decide what services to charge for separately, and what services should be included within the rent. These charges are reviewed annually with the intention of recovering costs and are subject to consultation and Council approval.

Future Government Initiatives impacting income

1.51 In addition to the requirement to reduce social rents by 1% per annum for each of the next 4 years, the Government is also bringing in other changes

1.51.1 Sale of high value homes – the Government pledged to extend Right to Buy to Housing Association tenants, and propose to fund the cost of replacing the properties sold through a requirement for Local Authorities to sell off their “high value” properties. The Government is planning its own calculation around the number of “high value” homes in each area, and to require Councils to make payments in line with these calculations rather than forcing Councils to actually sell.

1.51.2 Near market rents for tenants on high incomes (“Pay to Stay”) – the Government have announced that tenants with incomes of more that £30,000 per annum (£40,000 in London) will be expected to pay “near market” rents. Local Authorities would pay over the additional rent to the treasury, which would contribute to the national debt reduction process. Housing Associations would be able to use the extra income to reinvest in new housing.

1.52 The Housing and Planning Act also contains a number of other measures that will impact on housing revenue account business plans and these will be kept under review and reflected in future business plans where applicable.

HRA Expenditure

1.53 Housing Management costs can broadly be broken down into 3 distinct areas:

- Repairs and Maintenance: this relates to the day to day repairs and maintenance of the housing stock including responsive and void repairs;
- Supervision and Management (General): these are the costs of policy and management of the housing stock, tenancy administration, rent collection and financing charges;
- Supervision and Management (Special): these are the running costs of services that benefit specific groups of tenants including communal heating, lighting, lifts, caretaking, cleaning and ground maintenance

Treasury Management and HRA Debt Position

1.54 Since HRA self- financing in April 2012, the HRA has been responsible for servicing the debt interest costs that arose out of the requirement to pay Government a sum of £138.6m.

1.55 A number of loans of varying maturities and interest rates were taken out from the Public Works Loans Board, and these are managed as part of the Councils wider debt portfolio through the Councils treasury management team.

1.56 As at 31st March 2016, HRA debt stood at £130.532m as against a Government imposed cap of £172.6m. The HRA therefore has the ability to borrow a further £42m to fund capital expenditure but is unable to borrow beyond this even if it can afford the loan repayments and interest.

1.57 The current policy is to repay debt at a rate of £5m per annum which would repay all HRA debt over the next 28 years. The current average interest rate on HRA debt is 3.32% and therefore annual debt repayment at this level saves £160,000 in interest payments each year per £5m repaid. To the end of 2015/16, the impact of repaying £20m of principal has been an overall reduction in interest payments over the 4 years of around £1m.

1.58 The Government has allowed Councils to increase their borrowing cap through a bid process and therefore Swindon's cap has the potential to increase in future years, although of course the HRA would need to finance the additional debt payments from existing resources.

HRA Reserves

1.59 The overall level of HRA balances at the 31st March 2016 is unchanged from the March 2015 balance at £33.8m. The makeup of this balance is provided in the

following table: and shows that of this total, £7.4m of revenue balances are un-allocated. The “Right to Buy” receipts can only be used to fund capital expenditure and must be in line with Government rules around match funding, and must be repaid, with interest, if not spent within 3 years of receipt.

Balances 31/3/16	**Allocated**
	£m
Capital	21.2
Revenue	12.7
Total	**33.9**
Allocated to:	**£m**
Prior year Capital Programme approvals	19.0
Retained Right to Buy Receipts	2.2
Capital Reserves sub-total	**21.2**
Earmarked to sheltered schemes	1.3
Minimum Reserve Balance	4.0
Un-allocated	7.4
Revenue Reserves sub-total	**12.7**

Links to the Housing Strategy

1.60 The housing strategy details a number of Action Points and sets out the role that the strategy can play in helping the Council meet its strategic objectives. Specifically the Strategy covers 4 key themes:

- Affordability – improving the offer,
- Private rented housing – regulation and support,
- Promoting and maintaining independence, and
- Housing Growth – increasing the quality and diversity of housing.

The annual budget will therefore be developed with these themes and objectives in mind, alongside the investment needs of existing and future tenants. In practice, these objectives mean that over the next 5 years the HRA will:

- Deliver a Development Programme for new housing
- Invest in existing property
- Review sheltered housing with an emphasis on condition and suitability

These are covered in more detail below in the following paragraphs:

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Deliver a Development Programme for new housing

1.61 Based on its successful bid to the Affordable Housing Programme 2015-18 Swindon Borough Council has a Council housing development programme and the Council has pledged to deliver 266 new homes by March 2020. The Council has a contract to develop 104 properties by March 2018 in exchange for a contribution of grant from the Homes & Communities Agency. The largest single development is at Sussex Place, which is a £10 million regeneration scheme. This programme also includes a development at the Hawthorns to increase independent living options for people with care needs.

1.62 To deliver the remaining 162 homes alternative sources of funding are being assessed. A new grant funding scheme, the Shared Ownership and Affordable Homes Programme 2016 to 2021 was published on 13th April 2016, and this will be looked at for further development opportunities. There is also an estimated £6m from "Right to Buy" receipts which needs to be spent by March 2018, and could potentially fund approximately 150 new homes.

Investment in existing property

1.63 Our existing 3-year investment programme was developed prior to Pennington Choices undertaking the recent stock condition survey and will need to be updated to reflect the results and investment requirements within the finalised report.

1.64 We have a requirement to ensure our housing stock meets The Regulatory Framework for Social Housing in England from April 2012, which includes a consumer standard known as the Decent Homes Standard.

1.65 The results from the stock condition survey identified that over 98.84% of our housing stock meets the Decent Homes Standard (DHS). The properties fail the standard are mainly due to key components being considered to be both old and in poor state of repair. Surveys will be undertaken to individual properties to verify the information and replacement/renewals work will be undertaken to ensure compliance with the standard, as quickly as possible. It also identified that approximately 3.5% of the housing stock will be potentially non-decent due to key components needing to be replaced over the next 5 years. This information will be analysed and replacement/renewal work will be targeted towards potentially non-decent homes to ensure 100% compliance with the Decent Homes Standard.

1.66 We have let contracts to commence our structural repairs and thermal improvement works to the steel and concrete framed properties in Pinehurst and Upper Stratton. These are system built properties known as BISF, Dorlonco and Reema construction types and due to the extent of structural repair work it is necessary to take a whole house retrofit approach to replace other key components at the same time. This includes replacement roof coverings, windows and doors and internal rewiring along with new kitchens and bathrooms if these haven't already been replaced for these property types.

1.67 We will also need to take into account the extra cost to replace key components when undertaking exceptional extensive structural repairs to our non-traditional housing stock, which has a significant impact on the available budget for replacement or renewal work and particularly the need to provide homes with modern kitchens and bathrooms.

1.68 Stage 2 of the works with Pennington Choices includes support to put together a Medium Term Investment Programme, which will assist us to compile an HRA Asset Management Strategy for the housing stock in consultation with tenants and leaseholders.

1.69 The development of a 5 year investment programme is to include key activities listed as follows:

- Targeting programmes of work to reduce Catch-up Repairs and Future Major Works in line investment need, subject to the available budget
- Prioritising exceptional extensive works and undertaking options appraisal to assess whether it is viable to undertake structural repairs for different property types
- Considering options to minimise the need for a whole house approach to repair our non-traditional housing stock
- Setting out a detailed 5 year investment programme of work
- Ensuring that the Housing IT system is kept up to date from stock surveys completed programmes of work
- Linking external planned maintenance with Catch-up Repairs, Future Major Works and structural repairs programmes of work; and
- Taking into account any maintenance trends to maximise efficiency

1.70 At present, the short fall in available budget means that we will not be able to fully undertake the Catch-up Repairs and Future Major Works (£14.8m and £271.9m respectively as detailed at Addendum 2) and identified as the investment need whilst delivering the exceptional extensive structural repairs to

our non-traditional housing stock. This leads to a key risk that single components such as kitchens and bathrooms are kept serviceable, but are not really fit for purpose leading to claims for disrepair, increase in complaints and tenants that are dissatisfied with the standard of accommodation on offer.

1.71 Given the substantial shortfall between available funding and investment required, the Head of Property Maintenance will be reviewing the overall investment plan and identifying priorities and activities to match the funding available.

Review sheltered housing with an emphasis on suitability and sustainability

1.72 Swindon Borough Council will work to ensure that the housing stock in the Borough supports individuals to live independently for as long as possible. Therefore we are developing an innovative, affordable sheltered housing model to support older people, as well as people with disabilities.

1.73 The Housing Strategy identifies the need to provide a diverse range of options for people with specific housing needs due to medical circumstances. This will assist the Council in the delivery of its Health and Wellbeing Strategy. To assist with this Swindon Borough Council will look to use the Council Housing development and acquisition programme and existing stock to offer improved housing solutions to those with specialist needs as well as reducing costs. These options will be considered in the assessment of those individuals with learning disabilities currently placed out of Borough. This includes the planned development of larger bungalows, which we do not currently have in our housing stock, and the purchase of existing larger properties suitable for people with care needs.

Municipal Housing Company

1.74 It is unlikely that the Housing Revenue Account will have a direct role to play in any potential Municipal Housing Company as referenced in the Council's Housing Strategy. The Company would seek to draw funding from either General Fund borrowing or institutional investors. The purpose of the Company would be to provide

- a more attractive and affordable private rental model for tenants who wish to rent privately over a medium to long term period (3 – 10 years)
- tackle regeneration opportunities including those in the town centre

1.75 The financial implications of the actions detailed in the paragraphs above have not been included within the business plan projections included in this paper at this stage. Each of the proposals will need to be fully costed and its impact on the base business plan assessed in order to measure its deliverability and

affordability. Whilst some of these proposals will generate additional income to the HRA, the timing of this income together with the capital investment requirement will have an effect on the cash flow and needs to be accommodated from within the overall budget, including any borrowing need up to the cap.

1.76 On the assumption that tenants rents will provide the core funding for investment on existing property, borrowing up to the Government cap will be assessed as a potential funding route for proposals, in hand with any additional income that may be generated. Should this be identified as a preferred option, any proposal will be brought to Cabinet for approval with full details around the proposal itself as well as alternative options.

Addendum 1: HRA MTFP 30 Year Operating Plan

Addendum 2: HRA 30 year stock investment requirements

Further information on the subject of this report can be obtained from Paul Smith, Direct Dial Telephone Number 01793 463976, psmith2@swindon.gov.uk.