

# Housing Revenue Account Medium Term Financial Plan

**Cabinet**

**Date: 16<sup>th</sup> June 2016**

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Author: Cabinet Member for Housing and Homelessness  
Board Director, Service Delivery

Wards: All

Locality Affected: All

Parishes Affected: All

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## **1. Purpose and Reasons**

- 1.1 This report sets out the Housing Revenue Account Medium Term Financial Plan “MTFP” over the next 30 years.
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council’s ability to achieve its plans and priorities.

## **2. Recommendations**

Cabinet is recommended to:

- 2.1 Endorse the Medium Term Financial Plan set out at Appendix 1.
- 2.2 Note that the plan will be updated annually to take into account changing policies and updated survey information.

## **3. Detail**

Medium Term Financial Plan

- 3.1 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.
- 3.2 There is a significant projected under investment in the council housing stock. The key focus for the Council is the medium term horizon and the next five years in particular. Recent Government policy changes have enforced an annual reduction in rents of 1% per annum for 2016/17 (other than for supported housing where this has been deferred for a year) and each of the following 3 years and this will directly affect the amount of funding available for capital investment and assumed in the previous financial plan.
- 3.3 The Council’s projections show a balanced revenue budget over 5 years of £47m, with revenue support to the capital programme of £134.4m (including Responsive and Cyclical Maintenance) compared with an investment

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Further information on the subject of this report can be obtained from Paul Smith on (01793) 463976, or Email [psmith2@swindon.gov.uk](mailto:psmith2@swindon.gov.uk).

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requirement of £181.4m inflated over the same period. This is based on assumptions around rent increases for year 5, as well as around inflation costs, all of which are detailed in the MTFP itself.

3.4 The investment requirements used to formulate the plan are based on the output of a finalised Stock Condition Survey report from Pennington Choices in April 2016.

3.5 The key messages from the Medium Term Financial Plan is that there is a significant shortfall in resources available to undertake the investment required, but also that investment will be directed largely towards:

3.5.1 maintaining homes to the Decent Homes Standard

3.5.2 undertaking structural repairs to the non- traditionally built stock where viable to do so, and

3.5.3 re-categorisation of the sheltered housing stock where finances allow

3.6 Although the Government has introduced a requirement for 1% rent cuts for the 4 year period to 2019 (other than a 1 year delay for sheltered/supported housing), there is no visibility around rent levels beyond this. The MTFP has been prepared on the basis of a 2% annual increase from 2020, but this assumption materially affects the outcome of the plan is trying to estimate future resources.

## **4. Alternative Options**

4.1 The Medium Term Financial Plan reflects the future financial position of the HRA based on current policies. It is therefore good business practice that an MTFP is produced to aid future decision making through identifying the financial impact of those decisions.

## **5. Implications, Diversity Impact Assessment and Risk Management**

### Financial and Procurement Implications

5.1 These have been reflected in the business plan.

### Legal and Human Rights Implications

5.2 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.

### All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

5.3 There are no such direct implications.

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## Diversity Impact Assessment (DIA)

- 5.4 There are no specific DIA impacts as a result of the plan itself. Any specific budgetary proposals generated as a result of the financial plan will be subject to individual DIAs.

## **6. Consultees**

- 6.1 The Board Director, Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

## **7. Background Papers**

- 7.1 None.

## **8. Appendices**

- 8.1 Appendix 1 - HRA Medium Term Financial Plan  
8.2 Addendum 1 - 30 Year financial operating account  
8.3 Addendum 2 – Stock Investment Requirement

## **9. Key Decision/Decision in Cabinet Work Programme and Forward Plan**

- 9.1 This is not a Key Decision.