

Housing Revenue Account Medium Term Financial Plan

Cabinet

Date: 14th June 2017

Author:	Cabinet Member for Housing and Public Safety and Corporate Director, Communities and Place
Wards:	All
Parishes Affected:	All

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 10,200 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 the 4 years to 2019/20 (other than for supported housing where this was delayed until 2017/18). 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, with revenue support to the capital programme of £134.9m (including Responsive and Cyclical Maintenance) compared with an investment requirement of £163.9m inflated over the same period. This is based on assumptions around rent

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increases being implemented in year 4 onwards, 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 commissioned in April 2016.
- 3.5 In 2010 the Government announced that the historic HRA subsidy system would be abolished in return for a one off payment, for Swindon this was set at £138.6m. Swindon reviewed its' HRA business plan, and this identified that the funding available under the new policy was not sufficient in the short term (1-10 years) to maintain the homes to the desired quality. The Council therefore concluded that the tenants would see more improvement in the quality of their homes if they transferred to a housing association. In 2011 this option was put to tenants in a ballot giving them the option of transfer which would have enabled a new organisation to invest in improving their homes. Tenants opted to stay with the Council as their landlord, and it is now widely accepted and understood that the Council would have insufficient funding to meet all of the short term investment requirements for their homes.
- 3.6 The key messages from the current Medium Term Financial Plan is that as recognised in 2012, there continues to be a significant shortfall in funding available in the next 5 years. As a result of this shortfall the investment will continue to be prioritised and will be directed largely towards:
- 3.6.1 maintaining homes to the Decent Homes Standard
 - 3.6.2 undertaking structural repairs to the non- traditionally built stock where viable to do so, and
 - 3.6.3 re-categorisation of the sheltered housing stock where finances allow
- 3.7 Although the Government has introduced a requirement for 1% rent cuts for the 4 year period to 2019 (other than delaying this change until 2017/18 for sheltered/supported housing), there is no visibility around rent levels beyond this. The MTFP has been prepared on the basis of a 3% annual increase from 2020, but this assumption materially affects the outcome of the plan in estimating future resources. One possible option is that the future national rent policy will be linked to the organisations appetite to develop additional affordable housing. The MTFP will be kept under review, and will be updated once Government policy for social housing and rents become clear.

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.

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5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 The underlying message from the current business plan is that there is insufficient revenue resources to meet the capital needs of the HRA.
- 5.2 The current plan identifies a need for an additional £29m of capital over the next 5 years, and this is consistent with previous business plans and the options appraisal in 2012. The HRA does have the capacity to borrow an additional £47.1m before it reaches the borrowing limit imposed by Government, any additional borrowing needs to be considered against the desire to build new property whilst maintaining the existing stock. The current cost of borrowing over 50 years from the Public Works Loan Board is 2.32%, therefore for each £1m borrowed the HRA debt cost would increase by £43.2k per annum (interest 23.2k plus capital repayment £20k).
- 5.3 This plan supports the current approach of prioritising investment in new build properties in order to meet growing housing needs. This approach will also enable some of the more expensive to maintain stock to be demolished and replaced with new homes, similar to the recently completed Sussex Place regeneration.
- 5.4 Currently the HRA capital repairs team are entering in to contracts to ensure effective use of the £15.7m of funding available in 2017/18, (in 2016/17 £13.4m of the available £15.7m was spent). This underspend was due to a delay with letting a contract for windows and doors and 2nd phase for structural repairs to the non-traditional housing stock. Capital works are delivered through long-term contracts over a number of years and spend is being aligned to the available budget.

Legal and Human Rights Implications

- 5.5 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)

- 5.6 There are no such direct implications.

Diversity Impact Assessment (DIA)

- 5.7 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.

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6. Consultees

- 6.1 The Director of Finance (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.