

Report to Communities Select Committee

Date of meeting: 20th June 2017

Portfolio: Housing – Cllr S. Stavrou

Subject: HRA Financial Plan 2017-18

Officer contact for further information:

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Committee Secretary: Adrian Hendry



Recommendations:

- (1) That the Housing Revenue Account (HRA) Financial Plan 2017-18, attached as an Appendix, be considered; and**
- (2) That the Select Committee provides any comments or concerns to the Housing Portfolio Holder and Director of Communities accordingly.**

1. Each year, the Council formulates its Housing Revenue Account (HRA) Financial Plan for the forthcoming year. The Financial Plan sets out the forecast income and expenditure for the Council's HRA for the following 30 years, to enable early decisions to be made based on these long term forecasts. Each year, the Financial Plan takes account of the latest budget figures, Council policy, Government policy and Council decisions, and makes assumptions for a range of future income and costs.

2. In previous years, the HRA Financial Plan has formed a Chapter within the Council's HRA Business Plan, which was considered by the Select Committee prior to formal sign-off of the Business Plan by the Housing Portfolio Holder. However, following the corporate decision to only have one business plan for each Directorate - covering just key actions and resource implications - a HRA Business Plan is no longer produced. However, in view of its importance in informing key strategic financial decisions needing to be made by the Council, the Council continues to produce a HRA Financial Plan – and the Financial Plan for 2017-18 is attached as an Appendix.

3. As in previous years, the HRA Financial Plan has been produced by Simon Smith, the Council's HRA financial planning consultant with SD Smith Consultancy, in consultation with the Director of Communities and Finance Officers.

4. The latest Financial Plan starts from 2016/17 and is based on the latest out-turn forecasts for 2016/17 and the agreed budgets for 2017/18. It also takes account of the Cabinet's decisions following the Stage 1 HRA Financial Options Review undertaken earlier in the year, when it was agreed that the Council should continue with its Council Housebuilding Programme for Phase 4-6 and revert to the Government's Decent Home Standard from the Council's own Modern Home Standard. Indeed, the Financial Plan is usually produced in March each year, but has been delayed this year pending the outcome of the Stage 1 HRA Financial Options Review.

5. The Financial Plan demonstrates that, despite the Government's policy that all social rents must be reduced by 1% per annum for four years which clearly has an effect on rental income, the HRA continues to be in a reasonable healthy state, and that all of the current and planned HRA loans are able to be repaid within 25 years (or 26 years from April 2016), whilst maintaining a minimum HRA balance of £2 million throughout the Plan period.

6 The Financial Plan also identifies that, on current forecasts, almost £90million of service enhancements or housing improvements could be introduced from 2023, over the remaining Plan period.

7. It should be noted that the Financial Plan has been produced before the outcome of the General Election is known. It therefore points out that, if the Conservative Party is returned to Government, although there was no specific reference in their Election Manifesto, it is unknown whether their previous policy to require stock retained councils to sell higher value void properties, to fund an annual levy payable to Government, will be continued. If it is, it is likely to have a significant impact on the Council's HRA, which the Council has already agreed would trigger a Stage 2 HRA Financial Options Review.

8. The Select Committee is asked to consider the HRA Financial Plan 2017-18 and provide any comments or concerns to the Housing Portfolio Holder and Director of Communities accordingly.

9. The Cabinet has previously asked the Communities Select Committee to review changes to the HRA Financial Plan twice each year, at its scheduled meetings in October and March. In addition, senior Housing and Finance officers also formally review the Financial Plan in July and January each year too.