13. HOUSING REVENUE ACCOUNT

13.1. The Housing Revenue Account (HRA) is a statutory account which sets the Landlord costs and income for the housing stock. The HRA now operates with a 30 year business plan which allows the housing strategy to be updated and implements long term planning on resources and asset maintenance.

13.2. The plan contains a long-term assessment of the need for investment in assets, such as Decent Homes and other cyclical maintenance requirements, as well as forecasts on income streams such as rents, in line with rent restructuring, and future developments. The plan also recognises certain risks. For example; the impact of government policy changes in respect of types of tenancy, rent levels, right to buy, pay to stay, and treatment of voids.

13.3. These risks are discussed below and officers continue to test the flexibility and robustness of the HRA to meet such risks and the implications of any further government policy changes.

13.4. As reported in the 2016/17 budget report, the HRA has been undergoing a major revision following the Government's announcement in the July 2015 of a 1% reduction in social rents to be applied each year for the next four years from 2016/17, contained in the Welfare Reform and Work Act 2016. The impact of the change in policy is a total reduction of forecast rental income within the business plan of £1.90m for 2016/17. The expected cumulative rent reduction over the next four years is £25.0m, with £374.0m being lost over the life of the 30 year business plan. As the Government's proposals are enacted by primary legislation, the authority has no choice other than to implement the rent reduction. In order to protect the business plan to provide the same level of investment and services, the reduction in income will need to be off-set though increased efficiencies and reprioritisation of investment requirements.

13.5. A review of investment needs and priorities has been undertaken, based on updated surveys and inflation estimates has enabled officers to produce a balanced plan, as set out in the attached appendix. Appendix 4 shows the detailed plan for the next five years, including the current year.

13.6. The Housing and Planning Act 2016 has presented the HRA with two further risks. The first the obligation of councils to make a contribution to the Treasury for the disposal of High Value Assets. Whilst the details are still to be determined, it is expected that this will operate by means of a formula from which will assess how much each Council should receive from selling high value voids every year. Councils will be expected to pay this sum to the treasury.

13.7. The second key risk arising from 2016 is the 'pay to stay policy' which requires tenants with a household income of over £40k per annum to pay 80% of market rents and those with an income over £50k to pay full market rents. This will present the Council with a significantly increase administrative burden although the Council will not be able to keep any of the additional income raised. This may lead to an increase in Right to Buy applications and higher void costs as tenants chose to move from the social housing sector.

APPENDIX 4

HOUSING REVENUE ACCOUNT 30 YEAR PLAN – YEARS ONE TO FIVE AS AT JUNE 2016

PROJECTED INCOME & EXPENDITURE STREAMS	SHORT TERM INCOME & EXPENDITURE FORECAST					
-	YEAR 1 £M's	YEAR 2 £M's	YEAR 3 £M's	YEAR 4 £M's	YEAR 5 £M's	TOTAL 1 to 5 £M's
Rents	68.4	70.8	73.1	73.7	71.7	357.7
Tenants service charges	4.5	4.6	4.6	4.6	5.7	24.0
Leasehold service charges	4.0	4.2	4.4	4.4	4.2	21.2
Hostel charges and grants	0.9	1.4	1.3	1.3	1.3	6.3
Major Works recoveries	1.2	1.2	2.2	2.3	5.5	12.4
Other income	3.9	4.1	3.0	2.5	1.5	15.0
Operating Income	**82.9**	**86.3**	**88.6**	**88.8**	**89.9**	**436.6**
Less:						
Management costs	-29.7	-30.2	-29.9	-29.2	-34.5	-153.6
Repairs & maintenance	-16.7	-15.4	-14.6	-14.2	-15.4	-76.3
PFI Costs	-4.7	-5.1	-5.3	-5.5	-5.4	-26.0
	-51.1	**-50.7**	**-49.8**	**-48.9**	**-55.3**	**-255.8**
Interest & other finance costs	-4.6	-4.5	-3.7	-3.6	-4.3	-20.7
Depreciation	-16.9	-21.8	-26.3	-30.1	-30.3	-125.4
Operating surplus/(deficit) after financing	**10.3**	**9.3**	**8.8**	**6.2**	**0.0**	**34.6**
RCCO	-3.2	-6.0	0.0	0.0	0.0	-9.2
Debt Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Interest on balances	0.2	0.2	0.4	0.6	0.9	2.4
Surplus/(deficit) after appropriations	**7.3**	**3.5**	**9.2**	**6.8**	**1.0**	**27.9**
Opening reserves	7.8	15.1	21.2	30.4	37.2	7.8
Other Reserve Contributions	0.0	2.5	0.0	0.0	0.0	0.0
HRA Reserves	**15.1**	**18.7**	**30.4**	**37.2**	**38.2**	**35.7**

CAPITAL PROGRAMME & RESOURCING	SHORT TERM CAPITAL PROGRAMME & RESOURCING					
	YEAR 1 £M's	YEAR 2 £M's	YEAR 3 £M's	YEAR 4 £M's	YEAR 5 £M's	TOTAL 1 to 5 £M's
Capital programme	36.2	44.3	51.0	19.4	28.6	179.6
Sheltered Housing	0.0	0.0	0.0	0.0	0.0	0.0
New Build construction	0.1	0.4	1.7	2.6	9.8	14.6
New Build ongoing capital costs	0.0	0.0	0.0	0.0	0.0	0.0
Capital programme slippage (RPI uplift)	0.0	0.0	0.0	0.0	0.0	0.0
Capital slippage	**36.3**	**44.7**	**52.8**	**22.0**	**38.4**	**194.2**
Funded By:						
MRR Opening Balance	-4.5	-12.7	-19.8	-29.4	-37.5	-103.9
Decent Homes Funding	-20.5	-24.0	-36.0	0.0	0.0	-80.5
RCCO	-7.1	-6.0	0.0	0.0	0.0	-13.1
Depreciation	-16.9	-21.8	-26.3	-30.1	-30.3	-125.4
Borrowing	0.0	0.0	0.0	0.0	0.0	0.0
Capital shortfall	**-12.7**	**-19.8**	**-29.4**	**-37.5**	**-29.4**	**-128.7**
Debt Level	**83.5**	**83.5**	**74.8**	**74.8**	**74.8**	**74.8**