

Appendix 6A

Description	Budget 2016/17			R2 Forecast 2016/17			Proposed Budget 2017/18		
	Exp	Income	Net	Exp	Income	Net	Exp	Income	Net
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
HRA Working Balance B/F			(2,280)			(2,817)			(3,304)
HOUSING MAINTENANCE	2,204	0	2,204	2,193	0	2,193	2,293	0	2,293
HOMES FOR INDEPENDANT LIVING	608	(2)	606	576	(2)	574	603	(2)	601
TENANCY SERVICES	1,685	0	1,685	1,534	0	1,534	1,578	0	1,578
ESTATE SERVICE	515	(4)	511	478	(4)	474	540	(4)	536
COMMUNITY DEVELOPMENT	130	0	130	157	0	157	120	0	120
CENTRALISED ACCOUNTS	253	0	253	184	0	184	197	0	197
CLIENT SIDE	1,860	0	1,860	1,806	0	1,806	1,895	0	1,895
CAPITAL DEVELOPMENT PROGRAMME	98	0	98	7	0	7	0	0	0
HOUSING BENEFITS	50	0	50	0	0	0	50	0	50
CAPITAL FINANCING	6,395	(12)	6,384	6,365	(12)	6,354	6,973	(12)	6,962
RENTAL INCOME	0	(14,390)	(14,390)	0	(14,427)	(14,427)	0	(14,239)	(14,239)
OTHER INCOME	0	(198)	(198)	0	(231)	(231)	0	(213)	(213)
Total HOUSING REVENUE ACCOUNT	13,798	(14,606)	(808)	13,301	(14,676)	(1,375)	14,250	(14,470)	(220)
Revenue Contribution to Capital Expenditure			938			887			0
Non Dwellings Impairment			24			0			0
HRA Working Balance C/F			(2,126)			(3,304)			(3,525)

HRA Business Plan 30 year Financial Projections – 2017 - 2047

January 2017 Review

Introduction

The HRA Business Plan has been formally revised by the Chartered Institute of Housing in January 2017 due to a number of legislative changes affecting the income stream of the HRA and the potential for the implementation of a Higher Value Assets levy being introduced for high value assets within the HRA. The regulations in terms of this are still awaited. Therefore, the plan has been revised with two scenarios. The first reports on the current known impact of the rent reduction and the second makes an assumption of the impact if the HVA levy is implemented by Central Government from April 2018.

Assumptions

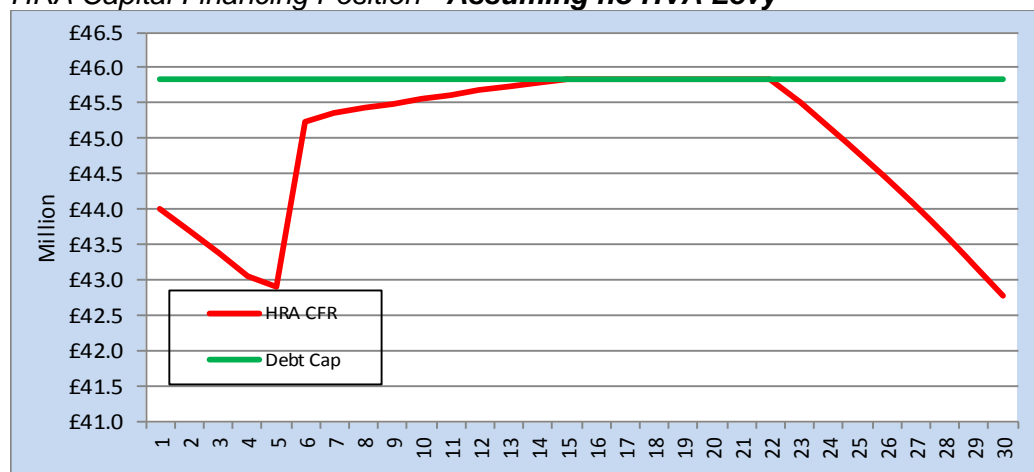
In reviewing the plan, a number of key assumptions have been made based on the following:-

- The model uses the latest forecasts for 2016/17 and forecasting expenditure and income going forward whilst adding general RPI inflation increases (gradually rising to 2.5% in year 5 and remaining at that level for the remainder of the plan).
- That the recommendations set out in this report for the HRA rent setting and Budget setting for 2017/18 are approved
- That the HVA levy if implemented does not exceed £1.5million per year and no sales of assets are assumed to fund this levy.
- The current HRA service delivery model and structure.
- That the current enforced rent reduction will end in 2019/20 with rents reverting to CPI + 1% for 2020/21 and the following years.
- That debt repayment interest charged to the HRA is based on the mid-year HRA CFR balance at an interest rate of 4.22% which is not forecast to change through the duration of the plan.
- For sales of property under the Right to Buy the plan assumes for 2017/18 and 2018/19 sales are at 15 per year and then reduce gradually to 10 for year 8 and onwards.
- A bad debt provision of £75,000 has been assumed (currently forecast at £33,000 for 2016/17) up until 2020/21. After 2020/21 adjustments for inflation and stock changes are included.
- Assumes a minimum HRA reserve balance of £750,000
- Forecast based on latest stock condition survey data which is regularly being updated.

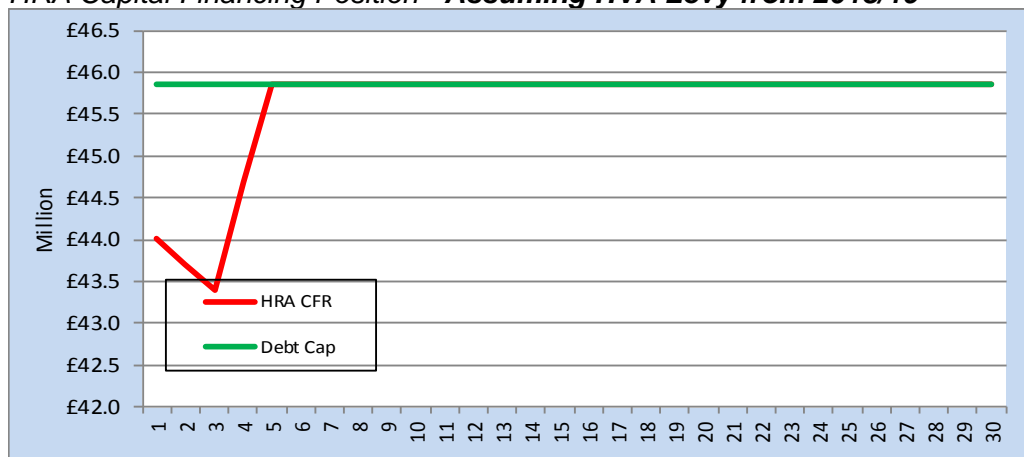
Outcomes

Based on the above, the following graphs show the financing position of the HRA, under each scenario:

HRA Capital Financing Position - Assuming no HVA Levy



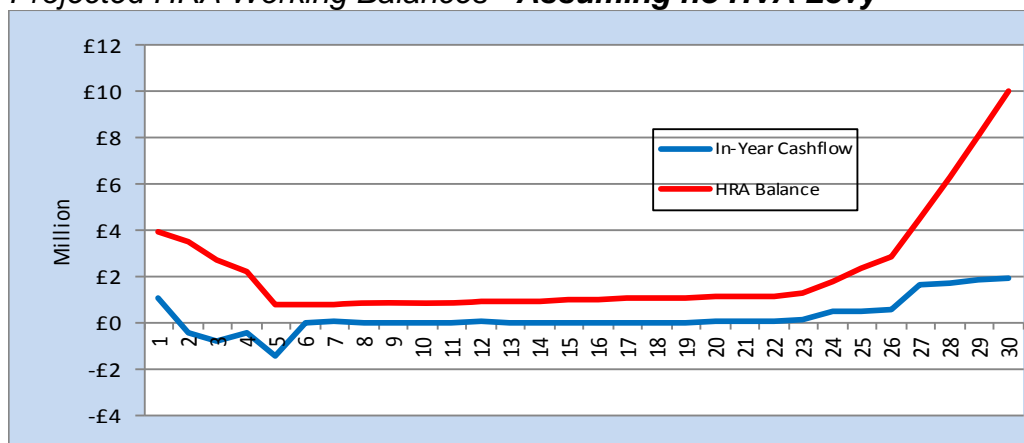
HRA Capital Financing Position - Assuming HVA Levy from 2018/19



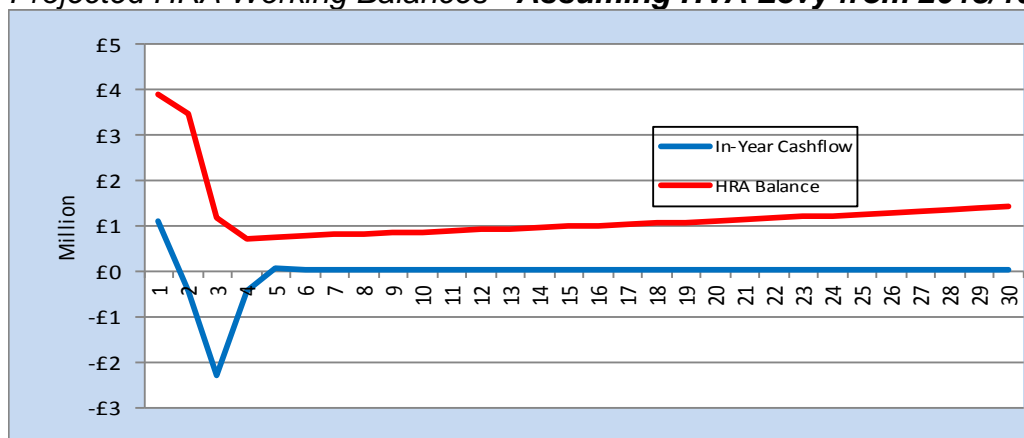
The accounting debt of the HRA (HRA CFR), starts at £40.566m under both scenarios.

The two graphs above are similar in that they are both constrained by the debt cap early in the programme. As shown the graph without the levy meets the debt cap in year 16. The second graph hits the cap after only 5 years

Projected HRA Working Balances - Assuming no HVA Levy



Projected HRA Working Balances - Assuming HVA Levy from 2018/19



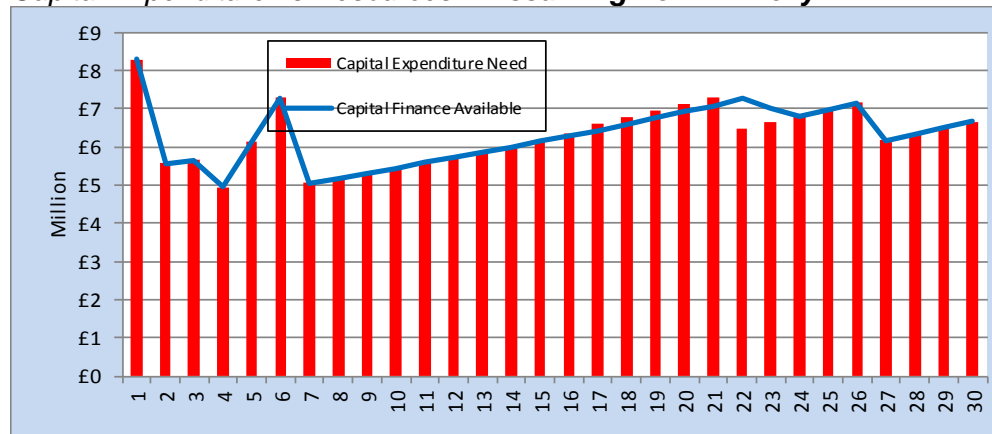
The balance is impacted by the need to meet the demands of the capital programme. Both scenarios show negative cashflow in the early years of the plan, while balances are utilised to pay for the capital programme.

Both scenarios then show the HRA balance levelling off at close to £1m. Without an HVA levy, the situation starts to improve from year 23, as debt is repaid. With an HVA levy, HRA balances are kept at the minimum level for the life of the plan.

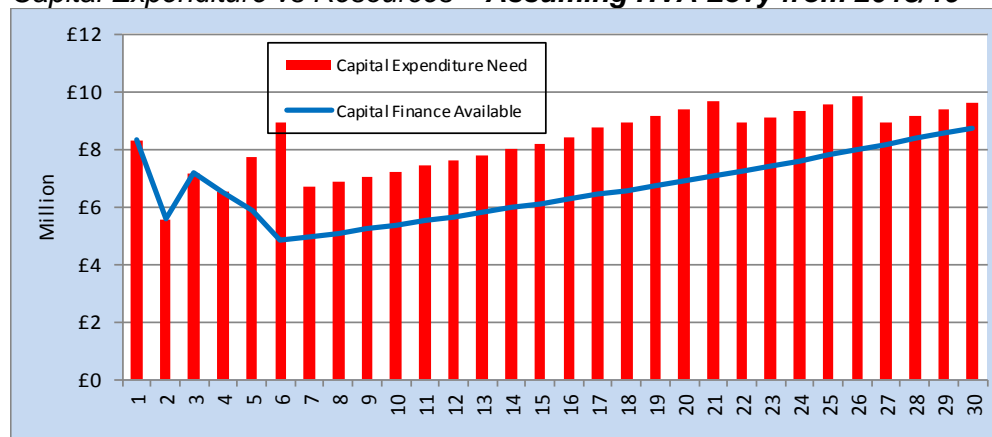
Expenditure

The following graphs demonstrate the capital expenditure (in the thick red vertical bars) for each year including inflation. The available resources are shown (using the thin blue horizontal line).

Capital Expenditure vs Resources – Assuming no HVA Levy



Capital Expenditure vs Resources – Assuming HVA Levy from 2018/19



In both scenarios it shows capital expenditure needs exceed the available capital finance for much of the time period. In the first scenario (if the levy is not implemented) the shortfall is approximately £0.1m to £0.2m per year from years 17 to 22. This scenario then shows that eventually the in-year expenditure is affordable and completely funds the backlog. In the scenario that the HVA levy is implemented from April 2018 this shows fewer resources available the programme becomes unaffordable early in the plan and remains so. Both scenarios as shown include the basis that any remaining headroom is utilised to sustain the capital finance. In both scenarios continuation of the HRA new build programme is not sustainable.

Summary

The review shows the plan without the HVA levy has a shortfall in capital financing between years 17 and 22, which should be recoverable over the 30 year period. Options for addressing this funding gap will need to be considered. The plan with the HVA levy shows a more severely unaffordable programme. Additional options will need to be available in the event a HVA determination is levied on the Council. Officers are currently reviewing options to improve the sustainability of the Business Plan for future consideration.