NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 24 JULY 2018

Title of report	**REVIEW OF 2018 - 2023 MEDIUM TERM FINANCIAL STRATEGY**
Key Decision	a) Financial Yes b) Community No
Contacts	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Strategic Director of Housing and Customer Services Tel: 01530 454819 glyn.jones@nwleicestershire.gov.uk Head of Finance Tel: 01530 454707 tracy.bingham@nwleicestershire.gov.uk
Purpose of report	To present members with the impact of modified assumptions within the council's Medium Term Financial Strategy and provide an update in respect of the Journey to Self Sufficiency Programme
Reason for decision	To keep members up to date in respect of the council's financial projections.
Council priorities	Value for Money
Implications:	
Financial/Staff	A review and revision of the assumptions used in the medium term financial plan and Housing Revenue Account business plan cash flow model has resulted in different projections in the forecast financial position between 2018/19 and 2022/23. These are detailed in the report.
Link to relevant CAT	None.
Risk Management	There are a number of risks associated with the medium term financial plan as clearly future events cannot be accurately predicted and as a result the economic outlook can change quickly. In addition, a great deal of uncertainty remains in the local government sector around core funding. A risk and sensitivity analysis is included within this report.

Equalities Impact Screening Human Rights Transformational Government	None. None. The report provides an update in respect of the Journey to Self-Sufficiency Programme.
Comments of Deputy Head of Paid Service	The report is satisfactory.
Comments of Section 151 Officer	As report author, the report is satisfactory.
Comments of Monitoring Officer	The report is satisfactory
Consultees	None
Background papers	MEDIUM TERM FINANCIAL STRATEGY CABINET 6 FEB 2018 MEDIUM TERM FINANCIAL COUNCIL 27 FEB 2018 PROVISIONAL OUTTURN CABINET 12 JUNE 2018
Recommendations	**THAT CABINET NOTE:** **1. THE IMPACT OF THE REVIEW OF THE MEDIUM TERM FINANCIAL STRATEGY ON THE COUNCIL'S PROJECTED FINANCIAL POSITION; AND** **2. THE PROGRESS OF THE JOURNEY TO SELF SUFFICIENCY PROGRAMME**

1.0 BACKGROUND

1.1 The council's Medium Term Financial Strategy 2018 – 2023 was approved by Cabinet on 6 February 2018 and presents a high level, 5 year assessment of the financial resources required to deliver the Council's strategic priorities and essential services over this period in respect of both the revenue and capital plans of the General Fund and Housing Revenue Account.

1.2 The strategy also promotes self-sufficiency to safeguard the Council's financial position against future central government funding changes. A new Self-Sufficiency reserve was created as part of the setting of the 2018/19 budget.

1.3 A new monitoring cycle was established as part of the new strategy, so that members more regularly review the Council's financial position.

1.4 The review has focussed on the appropriateness of the assumptions that drive the medium term financial plan which sits within the Medium Term Financial Strategy (MTFS). The assumptions have been reviewed in light of the financial outturn of the council for 2017/18, the Government's Spring Statement and other known information concerning the predictions around future income and expenditure, such as developments arising from the Fair Funding Review and progress on the development of the national 75% Business Rate Retention System.

1.5 This report details the outcome of this review and the impact to the council's financial plan projections. A fully updated Medium Term Financial Strategy will be updated and presented as part of the development of the council's 2019/20 budget.

2.0 REVIEW OF GENERAL FUND MEDIUM TERM FINANCIAL PLAN

2017/18 Outturn

2.1 The final position on the General Fund for 2017/18 was a surplus of £3.27m, compared to a budgeted surplus of £934k. This is largely due to additional income in respect of Business Rates which reached £5.627m compared to a budget of £3.85m. This additional income flowed to the council because our provision for appeals in relation to the 2010 rating list was significantly reduced throughout the year following settlement of claims, whilst appeals from the 2017 revaluation remain unknown nationally.

2.2 In line with the decisions made by council at its meeting on 27 February 2018, £1.857m of the £3.27m surplus arising on the 2017/18 year has been transferred to the self-sufficiency reserve, taking the reserve from £900k to £2.76m. Of the remaining surplus, £614k was transferred into an earmarked reserve as part of a local provision for future business rates appeals, £600k was transferred to a new earmarked reserve for the purposes of acquiring and redeveloping assets as part of the Coalville Project and £200k was added to other funds to cover the cost of replacing of the council's finance system.

Medium Term Financial Plan - Original Projections

2.3 The projected financial position contained within the MTFS shows projected deficit arising between 2018/19 and 2022/23 totalling £5.3m. A copy of the medium term financial plan can be found in Appendix A. To summarise this position, the following table details the projected financial position over the period:

	2018/19 £'000	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**TOTAL £'000**
Surplus/(Deficit)	299	79	(1,444)	(1,828)	(2,451)	**(5,346)**

Review of Assumptions

2.4 In March of this year, the Chancellor of the Exchequer delivered the first Spring Statement. The statement provides an update in respect of the health of the economy and the Office for Budget Responsibility (OBR) forecasts. There was no change in fiscal policy but an update to economic and fiscal forecasts. Whilst there was no mention of additional funding for Local Government (this will be announced as part of the Autumn Budget), the announcement around the governments forecast in respect of CPI has relevance for the council's financial projections.

2.5 The council's financial position in light of Brexit has not been considered on a basis that is any wider than the government's own Spring Statement. However, sensitivity analysis of the council's business rate income will be looked at moving forward with an update on EU risk exposure detailed in the draft 2019/20 – 2023/24 MTFS due to be presented to Cabinet in December 2018.

2.6 The fair funding review, which will set new baseline funding allocation for all local authorities by delivering an up-to-date assessment of their relative needs and resources remains underway. Consultation was undertaken between December 2017 and March 2018 to assist in the development of a new formula for determining funding allocations from 2020/21 onwards. The government are yet to publish their response to consultation feedback. These funding allocations were last reviewed in 2013/14.

2.7 Work in respect of the Business Rate Retention Scheme (BRRS) also continues. This review will implement the move from the 50% Business Rate Retention Scheme to a 75% retention system from 2020/21. The revised system will also implement the reset of the business rates baseline, which represents the anticipated level of business rates within a locality. This baseline is used within the existing 50% retention system to share business rates between local preceptors and the government. Income collected that is above this baseline tends to be as a result of growth in the local area and under the retention system, is shared on a basis that is more favourable to the council. Updates to come out of the review include that Tier splits for county areas are not resolved and that the Government would prefer the sector to come up with a solution. This may mean that local tier splits need to be discussed and agreed but that a default tier split may also be available. Early discussions on this matter are due to commence with the Leicestershire Treasurers Association in July. There is not yet any detail regarding the date at which the baseline will be referenced against, however we do know that it will be implemented from 2020/21.

2.8 Appendix B includes a list of the original assumptions included in the MTFS and details of assumptions that have been revised. Sections 2.9 – 2.20 below provide explanation for assumptions that have been modified.

Effects of inflation

2.9 In most areas of the MTFS, inflation on expenditure is based on known increases, such as the likely level of Local Government Pay Offer in relation to staffing costs, inflation assumed on supplies and services and inflation assumed on business rates collected.

2.10 In the Spring Statement the government's forecasts of CPI are 1.8% for 2019/20 and 2% per year thereafter.

2.11 The existing assumption in the MTFS in respect of inflation on business rates is 2.2% for 2019/20 and 2% per year thereafter. This assumption has not been updated as it aligns with the Local Government Finance Settlement for 2018/19, but will be reviewed as part of budget setting for 2019/20 and the review of the MTFS.

2.12 For non-pay costs where there is no known increase, the MTFS previously assumed an increase in line with CPI at September 2017 of 2.8% per year. This assumption has been updated in line with the government's revised forecasts for CPI (as detailed in paragraph 2.10).

2.13 Aligning the medium term financial plan in respect of non-pay costs produces a favourable forecast reduction in net expenditure of £355k over the 4 years from 2019 to 2023.

Refinement of methodology for forecasting business rates

2.14 Forecasting the council's share of business rates is a vastly complex area. Forecasts must take into account not only the number of assessments included in annual billing, but also revaluations arising on the 2017 rating list, a wide range of reliefs, occupancy levels, the movement on appeals provisions, inflation, plans around the introduction of the 75% retention system and assumptions on the methodology for the resetting of the business rate baseline from 2020/21.

2.15 The council's share in business rates has been reviewed in light of the outturn on the 2017/18 financial year and the production of the NNDR3 return which is completed and submitted to government at the end of each financial year and the NNDR1 2018/19 which is the return for the forthcoming budget year. The review has identified an error in the methodology for forecasting rates from 2019/20 where the council's share in rates is carried forward to the following year. The error occurred because of the way in which additional income was factored in for 2017/18 and then removed in 2018/19 to align with the council's NNDR1 return which then further reduced forward projections from 2019/20. The error has now been corrected and the impact of this to the medium term financial plan is a favourable combined increase in estimated rates over the 4 year period from 2019/20 to 2022/23 of £415k.

Consideration of Business Rates Growth and Other Factors

2.16 Estimates of business rates from 2019/20 and beyond are based on the projected level of rates in 2018/19, adjusted for inflation in line with the governments assumptions for CPI as part of the Local Government Finance Settlement. It is assumed that the 75% retention system is live from 2020/21 and that rates collected in this year are reduced due to the resetting of the baseline funding level at the 2018/19 level of rates collected.

2.17 Growth forecasts were included for the 2018/19 draft budget and MTFS based on known business rates assessments that would be occupied within the 2018/19 year. MTFS forecasts for business rates forecasts from 2019/20 onwards have not previously and do not currently include an assumption for growth above inflation, but it is intended to change this approach going forward.

2.18 Work to forecast business rate growth from 2019/20 is underway with the Revenues and Benefits and Business Focus teams. A new forecasting approach is being developed with the use of commercial planning application data, occupancy rates, relief rates and other local economic factors.

2.19 Additionally, this team will also seek to establish a methodology for identifying the risk exposure that businesses in North West Leicestershire face in the light of Brexit and EU trading changes and the resultant risk of loss in business rates for the council.

2.20 More robust assumptions in respect of future growth will therefore be included in the 2019/20 budget and MTFS due to be presented in draft to members in December 2018. It is likely that this will impact positively on the projections for future years.

Medium Term Financial Plan – Revised Projections

2.21 In comparing the original and revised projections there is a favourable downward movement in the projected deficit over the five year period of £770k.

2.22 The revised medium term financial plan can be found in Appendix C, with the table below summarising the position to 2023.

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	TOTAL £'000
Surplus/(Deficit)	298	366	(1,301)	(1,662)	(2,278)	**(4,576)**

3.0 REVIEW OF HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL PLAN

2017/18 Outturn

3.1 The final position on the Housing Revenue Account for 2017/18 is a surplus of £520k which was £378k higher than the approved budgeted surplus of £142k.

3.2 The additional surplus generated for the year resulted from a number of favourable and offsetting adverse variances. The most significant of these variances were additional rental income due to reduced empty homes, a reduced depreciation charge for the year, reduced salary costs charged to revenue, underspends on council tax, utility and cleaning costs; offset by increases in repairs and maintenance costs and corporate recharges, and a reduction in service and other housing non-rental charges.

3.3 In line with the decisions made by council at its meeting on 27 February 2018, the surplus achieved for the year has been added to the HRA balance which stood at £9.432m at 31 March 2018. This balance represents £8.432m set aside within a loan redemption reserve for the purposes of repaying two maturity loans totalling £13m which fall due for repayment in March 2022 with the remaining £1m being retained as a minimum working balance for the HRA.

3.4 A copy of the five year extract of HRA business plan cash flow can be found in Appendix D.

HRA 30 year Business Plan Cash Flow - Original Projections

3.5 The projected financial position contained within the MTFS shows that the HRA is able to fully fund its capital programme and meet loan commitments falling due over the five year period from 2018/19 to 2022/23.

3.6 Over the life of the business plan, a shortfall arises in 2041/42 of £2.36m followed by a further £59.6m by the end of the 30 year period in 2047/48. The total of these sums is £62m between 2041 and 2048. This projected position is 25 years from being realised, and whilst a number of financial variables (especially rent inflation) could be subject to change, and the option of refinancing always remains, planning in the intervening years will be required to address the potential shortfall.

Review of Assumptions

3.7 Inflation forecasts have been updated and the projected increase in CPI in line with the government's Spring Statement has led to a significant increase in the income from housing rents. Costs are also projected to increase, although the overall impact on expenditure is less significant, bringing about additional net income from 2020/21.

3.8 The cash flow model updates in respect of right to buy sales and affordable properties brought onto the rent debit in 2017/18 has resulted in a favourable movement on HRA cash balances due to the compound nature of accruals of additional rental income on these new properties.

3.9 Appendix E includes a list of assmptions and review details.

HRA 30 year Business Plan Cash Flow – Revised Projections

3.10 A shortfall first arises in 2044/45, which is £1.3m, followed by a further £32m by the end of the 30 year period to 2047/48. The total of these sums is £33.3m between 2041 and 2048.

3.11 The five year extract of the revised HRA Business Plan cash flow model can be found in Appendix F.

4.0 **JOURNEY TO SELF-SUFFICIENCY PROGRAMME**

4.1 As detailed in paragraph 2.2 above, the self-sufficiency reserve now stands at £2.76m and remains in line with the projections of the MTFS. There has been no expenditure against the reserve.

4.2 A Journey to Self-Sufficiency Programme Board has been established and 4 key workstreams identified.

4.3 The portfolio holder for Finance will act as Cabinet sponsor for the programme and updates will be provided on a monthly basis at the portfolio holder briefing session. Formal updates on the progress of savings will be reported to Cabinet as part of the bi-annual review of the MTFS. As is the normal course of business, any strategies or initiatives will be presented to Policy Development Group prior to Cabinet approval.

4.4 Each of the 4 work streams are detailed below with a summary of progress.

4.4.1 **Commercialism** – A Commercial Strategy for the council is currently in early draft. The strategy lays out how the council will focus on income generation and developing the culture of the organisation to become more business like and commercial orientated in all areas. The Head of Legal and Commercial Services will be taking the strategy to PDG for comment and Cabinet for approval in late

2018/19. Updates in respect of progress against the implementation of the strategy will be included in futures updates on the MTFS.

4.4.2 **Phase 2 Organisational Restructures** – The phase 2 staffing restructures follow on from the senior management restructure which was implemented in February 2018 and are being led by the Chief Executive and Head of HR and Organisational Development. Annual revenue savings across the organisation of £68k have been achieved so far, of which £36k related to the General Fund and £32k to the Housing Revenue Account (excluding the anticipated one off redundancy costs charged to the General Fund of £25k). Phase 2 restructures in other services, namely Customer Services, Property Services and Cultural Services are due to be undertaken in the coming months.

4.4.3 **Savings** – All Team Managers of the council's corporate support services have formed a group led by the Head of Finance to review how each service area can flex to deliver savings against the target of £200k reduction in corporate costs that was committed to as part of the decision to outsource the council's leisure centres. The group is in the early stages of identifying savings, with £20k of costs in relation to supplies and services already identified. The group will continue to meet to progress a consistent methodology for assessing staffing requirements against the current and new operational models for the delivery of leisure centre services.

4.4.4 **Budget process** – the Head of Finance is currently developing the approach to preparing the 2019/20 budget. There will be a focus on savings through more sophisticated forecasting, releasing budget provision where it is not required and engaging members earlier on in the budget timetable.

4.5 It is anticipated that Cabinet will be presented with its first recommendations regarding the use of the self-sufficiency reserve as part of an update on the Journey to Self-Sufficiency Programme (including Commercial Strategy and savings) when the draft budget and MTFS for 2019/20 and beyond is reviewed by Cabinet in December 2018.

5.0 DEVELOPING THE 2019/20 BUDGET AND MTFS

5.1 The Medium Term Financial Strategy will be updated in full and presented alongside the draft and final 2019/20 revenue budgets and 2019/20 – 2023/24 capital programmes presented to members in December 2018 and February 2019 as part of the budget setting process.

5.2 The government's Autumn Budget announcement and local government provisional and final settlements will be used as the main basis for assessing and, where necessary, revising assumptions.

5.3 In July, the Finance team launched a new finance business partnering service delivery model. This new approach sees budget holders and finance colleagues meet in a 'finance clinic' on a quarterly basis to review budgetary variances, revise in-year forecasts, identify and manage key budget lines that contribute to the volatility of the council's outturn position, and manage the timely expenditure of earmarked reserves. The purpose of this new approach is to drive value for money and in particular, reduce unexpected results in respect of the General Fund. The development of the draft budget for 2019/20 and beyond will build on this approach to deliver a budget that closes the gap on unexpected results, thereby giving members greater opportunity to use resources in a planned manner.

5.4 The MTFS will be developed further to include greater emphasis on assessment of financial risk and the sensitivity of financial plans to results that differ from the core assumptions.

Appendix A

GENERAL FUND MEDIUM TERM FINANCIAL PLAN – ORIGINAL

	2018/19	2019/20	2020/21	2021/22	2022/23
	Budget	**Budget**	**Budget**	**Budget**	**Budget**
	£000	£000	£000	£000	£000
Base Budget	13,204				
Indicative Base Budget (based on services assessment)		12,995	13,658	14,432	14,987
Assumed Base Budget (5% increase year on year)					
Total Budget before Savings/Surplus	**13,204**	**12,995**	**13,658**	**14,432**	**14,987**
(Savings Required)/Surplus to Reserves/Balances	299	79	(1,444)	(1,828)	(2,451)
Total Final Expenditure Budget	**13,503**	**13,073**	**12,214**	**12,603**	**12,535**
Funding					
Revenue Support Grant	235	0	0	0	0
Business Rates	4,864	4,722	3,752	3,847	3,948
New Homes Bonus	2,905	2,896	2,987	3,197	2,941
Council Tax	5,210	5,305	5,400	5,497	5,596
Council Tax Surplus	289	150	75	63	50
Total Funding	**13,503**	**13,073**	**12,214**	**12,603**	**12,535**

Appendix B

GENERAL FUND REVENUE PROECTIONS 2018 – 2023
KEY ASSUMPTIONS

	Assumptions of Medium Term Financial Plan – February 2018	Revised Assumptions of the Medium Term Financial Plan – June 2018
Base Budget 2018/19	1. As per 2018/19 draft budget.	1. No change
Indicative Base Budget 2019/20 – 2022/23	2. Stabilisation of planning fees from 2018/19 at £1.2 million per annum 3. Stable car parking charges and income 4. Local Council Tax Reduction / Support Scheme grant to town and parish councils reducing by £25,000 (approximately 25%) each year over four years, and maintain Special Expenses at their current levels 5. Pay award in line with Local Government Pay Offer, with 3% built in for 2019/20 and 2% each year thereafter, pending a detailed redesign of the council's existing pay structure 6. Pensions and national insurance costs inflated at anticipated levels to 2023. 7. Non pay costs inflated from 2018/19 levels at 2.8% (CPI @ Sept 2017) to 2023 8. Collection fund surplus reduced from £289,000 in 2018/19 with incremental decreases year on year until 2022/23 where an assumption of £50,000 surplus is assumed 9. Return on investments at previously achieved performance level of 0.44%, with no additional targets included for commercial activity such as a Local Housing Company or investment into property funds 10. Apprenticeship levy of 0.5% 11. That the council saves £200,000 in corporate overheads from 2019/20 and receives £250,000 income each year in a management fee on outsourcing it's leisure centres in March 2019. Additional interest and minimum revenue provision (repayment of internal debt) is also factored in from 2020/21	2. No change 3. No change 4. No change 5. No change, pending review of the council's pay grading structure 6. No change 7. Adjustment to align with the governments forecasts for CPI as announced as part of the Spring Statement: 2019/20 – 1.8% 2020/21 – 2022/23 – 2% 8. No change 9. No change at present, but we are looking at reviewing the Treasury Management Strategy Statement with a view to increase the return we receive on investments. 10. No change 11. No change. We are now aware that the contract for outourcing of the council's leisure centres will not take place until Q1 of 2019/20. We have not revised this assumption at this time, pending the outcome of the procurement process and contract award.

Revenue Support Grant	12. RSG is phased out in 2018/19	12. No change, although it should be noted that until the outcome of the Fair Funding review is known, negative RSG is absorbed into the council's business rate baseline funding level, reducing the council's funding position by: • 2019/20: nil • 2020/21: -£210k • 2021/22: -£270k • 2022/23: -£320k
Business Rates	13. Full business rate baseline reset in 2020/21 at the 2018/19 level of business rates collected, with no transitionary measures upon implementation of the Fair Funding Review 14. 75% Business Rate Retention system implemented in 2020/21 15. Tariff on business rates income in line with Government announcement in respect of 2018/19. 2019/20 and beyond assumed at anticipated level before the announcement in respect of 2018/19. These projections will be updated once firmer detail is understood.	13. No change 14. No change 15. Tariff payable reviewed and error corrected from 2019/20.
New Homes Bonus	16. That our reliance on New Homes Bonus as part of our core budget will be reduced by 25% by 2023 after it has funded regeneration activities and services, phased in incrementally at 6.25% per year over four years from 2019/20	16. No change
Council Tax	17. Council tax assumed at 0% increase to the council tax base per annum 18. Estimates of council tax base increase of 1.8% every year (broadly 600 homes each year) which impacts on council tax base and NHB. Note that the average increase since 2014 has been in the region of 700 new homes per year	17. No change 18. No change It is anticipated that a review of the discounts and exemptions offered by the council will deliver a future saving and this will be updated as part of the MTFS in December.
Council Tax Surplus	19. As per base budget 2018/19. Reduced to £50k p.a. by 2023 to reflect anticipated reduction in surplus now that growth forecasts built into council tax base.	19. No change

Other	20. That we will create a Self Sufficiency Reserve of £2.76 million from £900,000 of existing general fund reserves and the forecast 2017/18 surplus of £1.86 million and that surpluses generated in future years (as projected in section 7) will be paid into this reserve. 21. That we will maintain a minimum General Fund working balance will be maintained at the higher of £1.5 million or 10% of net expenditure to 2023 22. The General Fund Capital Programme is fully funded	20. No change (except to acknowledge that the self-sufficiency reserve now stands at £2.76m as anticipated in February 2018). 21. No change 22. No change

Appendix C

GENERAL FUND MEDIUM TERM FINANCIAL PLAN – REVISED

	2018/19	2019/20	2020/21	2021/22	2022/23
	Budget	**Budget**	**Budget**	**Budget**	**Budget**
	£000	£000	£000	£000	£000
Base Budget	13,204				
Indicative Base Budget (based on services assessment)		12,954	13,587	14,327	14,848
Assumed Base Budget (5% increase year on year)					
Total Budget before Savings/Surplus	**13,204**	**12,954**	**13,587**	**14,327**	**14,848**
Transfer to reserves					
(Savings Required)/Surplus to Self-Sufficiency Reserve	298	366	(1,301)	(1,662)	(2,278)
Total Final Expenditure Budget	**13,503**	**13,320**	**12,286**	**12,665**	**12,570**
Funding					
Revenue Support Grant	235	0	0	0	0
Business Rates	4,864	4,970	3,824	3,908	3,983
New Homes Bonus	2,905	2,896	2,987	3,197	2,941
Council Tax	5,210	5,305	5,400	5,497	5,596
Council Tax Surplus	289	150	75	63	50
Other grants					
Total Funding	**13,503**	**13,320**	**12,286**	**12,665**	**12,570**

Appendix D

HRA BUSINESS PLAN MODEL PROJECTIONS – ORIGINAL

Year £ Thousands	2018.19 2	2019.20 3	2020.21 4	2021.22 5	2022.23 6
INCOME:					
Rental income	17,153	16,997	17,174	17,358	17,568
Void losses	(136)	(172)	(173)	(175)	(177)
Service charges	523	536	550	563	577
Non-dwelling income	93	42	21	22	22
Grants and other income	285	301	308	316	324
Total income	**17,918**	**17,704**	**17,879**	**18,084**	**18,314**
EXPENDITURE:					
General management	(2,284)	(2,343)	(2,401)	(2,461)	(2,523)
Special management	(649)	(665)	(682)	(699)	(716)
Other management	0	0	0	0	0
Rent rebates	0	0	0	0	0
Bad debt provision	(98)	(100)	(101)	(102)	(104)
Responsive and cyclical repairs	(5,573)	(5,702)	(5,833)	(5,968)	(6,114)
Total revenue expenditure	**(8,604)**	**(8,810)**	**(9,018)**	**(9,231)**	**(9,457)**
Interest paid	(2,277)	(2,252)	(2,226)	(2,198)	(1,862)
Finance administration	(8)	(9)	(9)	(9)	(9)
Interest received	84	141	252	204	116
Depreciation	(3,103)	(3,146)	(3,116)	(3,088)	(3,065)
Net operating income	**4,009**	**3,628**	**3,762**	**3,763**	**4,039**
APPROPRIATIONS:					
FRS 17 / other HRA reserve adjustments	(2,906)	(2,500)	(2,608)	16,266	0
Revenue provision (HRACFR)	(1,103)	(1,128)	(1,154)	(14,180)	(1,206)
Revenue contribution to capital	0	0	0	0	(2,557)
Total appropriations	**(4,009)**	**(3,628)**	**(3,762)**	**2,086**	**(3,763)**
ANNUAL CASHFLOW	**0**	**(0)**	**0**	**5,849**	**275**
Opening balance	1,000	1,000	1,000	1,000	6,849
Closing balance	**1,000**	**1,000**	**1,000**	**6,849**	**7,125**
Other HRA reserve balance	0	0	0	0	0
HRA debt repayment reserve	11,158	13,658	16,266	0	0
HRA new build reserve	0	0	0	0	0

HOUSING REVENUE ACCOUNT PROECTIONS 2018 – 2023
KEY ASSUMPTIONS

	Assumptions of Medium Term Financial Plan – February 2018	**Revised Assumptions of the Medium Term Financial Plan – June 2018**
Income (Rents)	1. As per Government rent policy of 1% reduction to 2019/20 then CPI + 1%. CPI assumed at 1% 2. Rent loss performance on empty homes sustained at 1% for the life of the plan 3. Right to Buy sales projected to be between 43 and 30 every year. 4. 68 new homes added to the housing stock during 2018/19 at affordable rent levels	1. No change 2. No change 3. Forward projections reflect economic forecast of CPI at 2% from 2020/21 onwards. 2017/18 outturn updated in respect of lower level of sales than anticipated. Additional 26 affordable homes added to stock list in 2017/18. 4. Assumed development of a further 20 new homes in 2019/20
Base budget	5. RPI increase on all costs (inclusive of staffing, supplies and services) at 2.5% per annum.	5. Increase assumed to rise to 3.5% from 2021/22 onwards
Other	6. Surplus balances on the HRA to be transferred to the loan redemption reserve to repay maturity loans 7. HRA Capital Programme is full funded	6. £13m requirement for repayment of loans reached 7. No change

Appendix F

HRA BUSINESS PLAN MODEL PROJECTIONS – REVISED

Year £'000	2018.19 1	2019.20 2	2020.21 3	2021.22 4	2022.23 5
INCOME:					
Rental Income	17,270	17,245	17,672	18,062	18,468
Void Losses	-252	-141	-144	-148	-151
Service Charges	523	523	536	555	574
Non-Dwelling Income	93	86	82	79	76
Grants & Other Income	285	277	274	272	271
Total Income	**17,920**	**17,990**	**18,419**	**18,821**	**19,238**
EXPENDITURE:					
General Management	-2,700	-2,536	-2,343	-2,425	-2,510
Special Management	-649	-649	-672	-695	-720
Other Management	0	0	0	0	0
Rent Rebates	0	0	0	0	0
Bad Debt Provision	-101	-105	-108	-110	-113
Responsive & Cyclical Repairs	-5,505	-5,628	-5,759	-5,950	-6,149
Total Revenue Expenditure	**-8,955**	**-8,918**	**-8,882**	**-9,181**	**-9,491**
Interest Paid	-2,277	-2,252	-2,227	-2,198	-1,862
Finance Administration	-8	-8	-9	-9	-9
Interest Received	101	148	205	255	195
Depreciation	-3,106	-3,199	-3,172	-3,178	-3,184
Net Operating Income	**3,675**	**3,760**	**4,336**	**4,511**	**4,886**
APPROPRIATIONS:					
FRS 17 /Other HRA Reserve Adj	-2,572	-1,561	0	13,000	0
Revenue Provision (HRACFR)	-1,103	-1,128	-1,154	-14,180	-1,206
Revenue Contribution to Capital	0	0	0	0	-1,157
Total Appropriations	**-3,675**	**-2,689**	**-1,154**	**-1,180**	**-2,363**
ANNUAL CASHFLOW	**0**	**1,071**	**3,182**	**3,331**	**2,523**
Opening Balance	1,000	1,000	2,070	5,253	8,584
Closing Balance	**1,000**	**2,070**	**5,253**	**8,584**	**11,107**
Other HRA Reserve Balance	201	0	0	0	0
HRA Debt Repayment Reserve	11,238	13,000	13,000	0	0
HRA New Build Reserve	0	0	0	0	0