

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

POLICY DEVELOPMENT GROUP – 6 JANUARY 2016

Title of report	HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS FOR 2016/17 (WITH UPDATE)
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Purpose of report	To receive the Committee's comments on the Cabinet's draft 2016/17 Housing Revenue Account (HRA) Budget proposals
Council Priorities	Value for Money Homes and Communities
Implications:	
Financial/Staff	As included in report.
Link to relevant CAT	Delivering a HRA Budget for 2016/17 will allow the Council to achieve the objectives for the service as set out in the Housing Business Plan and Service Team Business Plans.
Risk Management	The Council sets an HRA budget, which is regularly monitored throughout the year to ensure services are delivered within budget. Risks are managed through the corporate risk management process.
Equalities Impact Screening	None identified.

Human Rights	None identified.
Transformational Government	Not applicable
Comments of Head of Paid Service	Report is satisfactory
Comments of Section 151 Officer	Report is satisfactory
Comments of Monitoring Officer	Report is satisfactory
Consultees	Corporate Leadership Team (CLT), Cabinet (8 December 2015).
Background papers	HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS FOR 2016/17, CABINET 8 DECEMBER 2015. CAPITAL PROGRAMMES, CABINET 8 DECEMBER 2015.
Recommendations	THAT THE COMMITTEE PROVIDES ANY COMMENTS IT MAY HAVE FOR CONSIDERATION BY THE CABINET WHEN IT MEETS ON 9 FEBRUARY 2016 PRIOR TO THEIR RECOMMENDATIONS BEING TAKEN TO COUNCIL ON 23 FEBRUARY 2016.

1.0 INTRODUCTION

1.1 Housing Revenue Account Draft Revenue Budget proposals for 2016/17 were presented to the Cabinet for approval for consultation at its meeting on 8 December 2015. The Policy Development Group is invited to consider these proposals, along with the Addendum at appendix 2, and provide any comments for the Cabinet to take into account when it agrees its final recommendations on 9 February 2016.

1.2 Further details are included in the attached Cabinet reports:

Appendix 1 Draft Housing Revenue Account (HRA) Budget Proposals 2016/17

1.3 The formal consultation process commenced on 17 December 2015 and ends on 16 January 2016 with details of the timetable shown in appendix D of the Cabinet Report of 8 December 2015. The outcome of this consultation exercise will be fed back into the subsequent reports to Cabinet and Council to seek approval for the final budget.

- 1.4 Draft proposals for consultation have been prepared in the context of a revised approach to annual rent increases following announcements made by the Chancellor of the Exchequer in his Budget statement in July of this year, regarding the four year rent reduction regime which all social housing landlords must adhere to.
- 1.5 As described in 4.8 and 4.9 of the Cabinet Report of 8 December 2015, the budget proposals have now been amended to address the impact on the 30 year business plan of changing the core assumption around future rent inflation from 2020 onwards. In view of government policy and the outlook for inflation, it is now considered prudent to change this assumption from a 2.5% to 1.5% annual rent increase.
- 1.6 Key changes are identified in the addendum to the Cabinet report attached as appendix 2, which should be read in conjunction with appendix 1. These changes are deemed necessary to address potential shortfalls in the income the Council can expect to receive from 2021 onwards.
- 1.7 The immediate post budget impact of the annual year on year rent decrease for four years from April 2016 is for rental income forecasts to be reduced by £7.5m over the first 5 years of the HRA business plan, when compared to previous assumptions when setting the 2015/16 budget and rent increase. This information has been included for consultation via the website and with the Performance and Finance Working Group and Tenants and Leaseholders Consultation Forum.

2.0 2015/16 BUDGET POSITION

- 2.1 The budgeted position for 2015/16 was a £183k surplus. The overall forecast at period 7 shows a potential surplus of £2k. This is largely as a result of the reduction in expected rent due to a higher than predicted level of empty properties, the loss of Supporting People grant for the older persons services and additional short term staffing costs in the Repairs team. We will aim to achieve a balanced budget position by year end (i.e. a zero deficit / surplus).
- 2.2 As a result of this the balance on the Housing Revenue Account at 31 March 2016 is estimated to be £5.3m. This balance significantly exceeds our agreed minimum working balance on the HRA of £1m and has been developed as a provision against the future repayment of debts taken out on a maturity repayment basis, as described within the HRA Business Plan. The first maturity loans of £10m and £3m fall due for repayment on 28 March 2022. It is proposed that this balance be transferred to a loan repayment reserve for the purposes of repaying these loans commitments.

3.0 CONSULTATION PROCESS

- 3.1 The contents and appendices of this report will be used to consult with Council tenants on the proposals for the 2016/17 Housing Revenue Account budget.
- 3.2 Consultation in accordance with the timetable referenced in paragraph 1.3 above will include consulting with tenant members of the Performance and Finance Working Group (the Council's Resident Involvement technical finance working group) and the Tenants

and Leaseholders Consultation Forum (the Council's main consultative body of tenants) to review and comment on the proposals.

- 3.3 In addition, the contents and appendices of this report will be published on the Council's Housing internet page and available in hard copy format upon request.

4.0 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

- 4.1 The Local Government Act 2003 requires the Council's Chief Financial Officer (Section 151 Officer) to comment on the robustness of the estimates and also on the adequacy of the proposed reserves. Members must have regard to these comments when making a decision on the budget proposals for the forthcoming year.
- 4.2 Taking into account identified risks, the Section 151 Officer considers that the estimates which form the Housing Revenue Account Budget for 2016/17 are robust and prudent and the proposals are deliverable.
- 4.3 The Section 151 Officer also considers that the overall level of Housing Revenue Account reserves is adequate.