



2013/14 BUDGET
HOUSING REVENUE ACCOUNT – RISK & ASSUMPTIONS
FOR CONSIDERATION BY CABINET 12 FEBRUARY 2013



RISK AREA	NOTES/DETAILS
Self financing	<p>Whilst the key debt transaction has been completed, guidance is still awaited for other accounting aspects such as depreciation. Linked with capital financing strategy generally, this may mean that in future different accounting policies should be considered and therefore there is still risk attached.</p> <p>Robust business planning arrangements will need to be maintained that take into account debt financing, stock condition, service budgetary needs, and ongoing Government policy around rents and inflation.</p>
Rent policy	<p>The council has adopted a medium term financial strategy and has agreed to set a rent policy that supports the future investment needs of its HRA housing stock, and to enable council housing to be considered in a wider regeneration context. The council is committed to maintaining decent homes. The two issues (rent policy and investment plans) need to be considered together, in order to manage the associated key risks:</p> <ul style="list-style-type: none"> - Rents set too low = insufficient scope to meet business needs and HRA becomes unsustainable. - Rents set too high, with no supporting investment strategy or other business needs identified = funds raised for no purpose (with is also unsustainable). <p>That said, the inherent weakness in forecasting over very long periods also need to be appreciated.</p> <p>The Government assumed, in its calculation of the debt settlement for self financing, that the council would increase its rents in accordance with Government guidelines. The Government also assumed that the national policy of rent convergence will continue, with the assumption that local authority rents will converge with RSL rents after 2016. There will always be the risk that the Government may 're-open' the self-financing settlement or introduce further measures, but the first is considered unlikely and the second must simply be accepted and monitored.</p>
Income recovery	<p>The proposed Government welfare reforms present a higher risk to levels of rent collection and that the council may need to increase the contribution to the Bad Debts Provision to reflect future arrears trends. There is a negative effect on future years' budgets if income recovery deteriorates. Arrangements for the future introduction of Universal Credit are very uncertain at this stage.</p>
Void levels	<p>Rent loss through void properties in previous years has been maintained at a low level. The reduction followed the introduction of improved void management arrangements within Health and Housing Services. Over the last year we experienced an increase in rent loss through voids and steps are being taken to tackle this, however if stock turnover increases greater allowance may need to be made within the budget.</p>
Reduced / changing demand	<p>Demand for council housing remains high, and does not present a significant risk overall. That said, the pattern of demand for different types of properties is expected to be influenced by welfare reforms, hence proposals to consider new build.</p>

APPENDIX B

Stock reductions	<p>The rate of sales in 2012/13 remains low. It is anticipated that this trend is likely to continue in the short to medium term leading to higher levels of rental income than would previously have been predicted. Low sales levels leads to lower levels of capital receipts. Sales impact on the revenue position as income is reduced, but many costs are fixed.</p> <p>The Government's objective is to increase the number of sales through the Right to Buy. At this stage it is difficult to assess the impact but it is anticipated that given the current economic climate sales will not increase. Significant increase in RTB sale would reduce rental streams that would lead to deterioration in the HRA budgetary position unless measures could be taken to reduce costs within the HRA.</p>
Additional capital requirements	<p>Legislation, changes in health and safety standards or the discovery of previously unknown defects may require additional capital expenditure. This is evidenced by the need recently to increase expenditure on fire precaution works, which has been reflected in the capital programme. The council will be carrying out a further stock condition survey and maintains a detailed asset register to ensure that the investment needs are regularly reviewed and reflected in the 30 year HRA Business Plan.</p>
Major disasters	<p>Major disasters are generally covered by insurance. The Government also provides support for uninsurable losses incurred by local authorities through the Bellwin scheme.</p>
Tenancies	<p>The Localism Act places new responsibilities regarding the adoption of a tenancy policy, and depending on its proposed content this could pose additional risks for the Council. Such risks will be considered in developing the policy, for subsequent consideration by Members.</p>
Effects of Legislation /Regulation generally	<p>Various risks are attached - implications of new legislation / regulation or changes to existing requirements may not be not identified; funding may not be readily available to meet the costs associated with changes in statutory requirements, etc.</p> <p>Effective processes are in place to ensure that implications are identified and raised. The Council has processes in place to manage the demands of local and national housing agendas, including the Corporate Plan, MTFs and HRA Business Plan.</p>
Other specific events	<p>Lancashire County Council provide an annual grant of approximately £240,000 for 3 contracts providing support services in sheltered housing and community alarm support. County are continuing to reconfigure their commissioning strategy for these services. Existing contracts will expire 31 March 2013. Lancashire County Council has not yet identified how future contracts will be awarded, and therefore this poses risks and uncertainties for the HRA budget.</p>