



2014/15 BUDGET
HOUSING REVENUE ACCOUNT – RISK & ASSUMPTIONS
FOR CONSIDERATION BY CABINET 11 FEBRUARY 2014

| RISK AREA | NOTES/DETAILS |
|-----------------|--|
| Self financing | <p>Sufficient funds need to be set aside within the Revenue Budget / Major Repairs Reserve in order to ensure that the 30 Year HRA Capital Programme can continue to be financed.</p> <p>Sufficient funds need to be set aside within the Business Support Reserve in order to ensure that the Council's programme for new build council housing and scheme of acquisition of ex-council housing can be fulfilled.</p> <p>Any significant reduction in available capital financing (e.g. through revenue growth) could have an adverse impact on the position.</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 will enable the council to consider council housing in a wider regeneration context. The council is committed to maintaining decent homes, and to building and acquiring new homes.</p> <p>The Government assumed, in its calculation of the debt settlement for self financing, the council will increase its rents in accordance with Government guidelines.</p> <p>The Government is also assuming that from 2015/14 rents in the social rented housing sector would increase by CPI (at September of the previous year) + 1 percentage point annually, for ten years. Under the Government policy they see the majority of existing rented properties in the social housing sector being let at social rents.</p> <p>Setting levels of rent below Government guidelines will reduce the amount of money available for future investment. If rent levels are set significantly below the guideline levels the council would not be able to maintain the reserves to properly fund the future investment needs of the stock, or any new build programme.</p> |
| Income recovery | <p>The Government welfare reforms still present a higher risk to levels of rent collection and 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 and a positive effect if it improves.</p> <p>The income management team has been strengthened. Adequate Bad Debt Provision will be provided for within the HRA. This will be kept under review.</p> |
| Void levels | <p>Rent loss through void properties in previous years has been maintained at a low level. Stock turnover has increased over the last twelve months. If this level of turnover is maintained greater allowance may need to be made within the budget for loss of rental income due to voids.</p> |

Appendix B

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| Reduced demand | Overall demand for council housing remains high, and is particularly high for one and two bedroom properties. This demand has informed the council's decision to give priority to building one bedroom accommodation in any new build programme or acquisition scheme. Demand across the council housing stock is monitored and informs the asset management plans. |
| Stock reductions | <p>The rate of sales in 2013/14 remains low. It is anticipated that this trend is likely to continue in the short to medium term leading to rental income levels being maintained and not impacted by sales. 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, and is proposing further variations to the discounts available to tenants. 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 sales 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 | Legislation, changes in health and safety standards or the discovery of previously unknown defects may require additional capital expenditure. This is exemplified by the need to increase expenditure on fire precaution works which has been reflected in the capital programme. The council is 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. |
| Major disasters | Major disasters are generally covered by insurance. The Government also provides support for uninsurable losses incurred by local authorities through the Bellwin scheme. |
| Effect of Legislation /Regulation | <p>Risks; implications of new legislation / regulation or changes to existing are not identified; funding is not identified to meet the costs associated with changes in statutory requirements; HRA Debt Settlement could be re-opened by Government.</p> <p>Mitigation; 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, MTS and HRA Business Plan</p> |
| Other events | Lancashire County Council continues to 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 The County Council has not yet identified how future contracts will be awarded. |