



**2015/16 BUDGET**  
**HOUSING REVENUE ACCOUNT – RISK & ASSUMPTIONS**  
**FOR CONSIDERATION BY CABINET 17 FEBRUARY 2015**



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 2015/16 that 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 its new build programme.</p>
Income recovery	<p>The Government welfare reforms will 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 and a positive effect if it improves.</p> <p>The income management team has been strengthened. Adequate Bad Debts Provision will be provided for within the HRA. This will be kept under review.</p>
Void levels	<p>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. Rent loss through void properties in previous years has been maintained at a low level.</p>
Reduced demand	<p>Overall demand for council housing remain 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.</p>

## Appendix B

Stock reductions	<p>The rate of sales in 2014/15 has increased however the numbers are still low compared with historic levels of sales. However it is anticipated that this trend is likely to continue in the medium term leading to future projected rental income levels being reduced. 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 continues to promote the RTB Scheme. Significant increase in RTB sale would reduce rental streams that would lead to deterioration in the HRA budgetary position, and the viability of the HRA, 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 exemplified by the need to increase expenditure on fire precaution works, asbestos management, and the managing the risk of legionella. These have been reflected in the capital programme. However, the Council is finalising the analysis of the stock condition survey to ensure the asset register and asset management plans correctly identifies the investment needs and programmes. Early indications are that there will be an increased investment needs above and beyond the currently budgeted for capital programme. These requirements will be 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>
Effect of Legislation /Regulation	<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> <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>
Other events	<p>Lancashire County Council are continuing to reconfigure their commissioning strategy for older people service, and The County have indicated that they are considering ceasing funding sheltered housing from 2017/2018. Over the next two years they are proposing a reduction in the contract values of at least 14% for 2015/2016 for our 3 contracts providing support services in sheltered housing and community alarm support. The City Council will need to reassess the service provision and funding relating to sheltered housing if these funding cuts are implemented.</p>