



**2020/21 BUDGET**  
**HOUSING REVENUE ACCOUNT – RISK & ASSUMPTIONS**  
**FOR CONSIDERATION BY CABINET 11 February**  
**2020**

**APPENDIX G**

<b>RISK AREA</b>	<b>NOTES/DETAILS</b>
Self financing	<p>Under Part VI of the Local Government and Housing Act 1989 a local authority has duty to keep a HRA as a ring fenced account and has a duty to ensure that it does not go into deficit.</p> <p>Following four years under which the Government removed local discretion to set rent levels (imposing four annual rent decreases of –1%) from 2020/21 (and for five consecutive years) Local Authorities are granted discretion to increase rents by a maximum of CPI +1%.</p> <p>Potential financial risk exists, should the Government deviate from this position during the five-year period.</p>
Rent policy	<p>The Council had set a local rent policy, based on Government rent policy guidelines and the freedoms introduced under the self- financing regime in 2011, which supported the future investment needs of its HRA housing stock.</p> <p>In May 2015 the Government announced a statutory limit on rents for 4 years commencing 2016/17, imposing rent decreases of 1% per annum. This created substantial financial sustainability risks for the HRA.</p> <p>On 4 October 2017 the Government announced it would maintain statutory control over rent increases and that increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020. This remains as current policy.</p> <p>The 30-year HRA business plan reflects this rent increase from 01 April 2020 and for 5 years. There is still considerable uncertainty regarding prospects for 2025/26 onwards and the above history highlights that Government policy can change significantly. These risks will need to be considered and Government plans kept under review, to inform future decision-making.</p>
Income recovery	<p>The welfare reform agenda, and in particular the introduction of Universal Credit (UC) within the district in 2016, resulted in significantly increased levels of rent arrears, and risk to rent collection.</p> <p>The Income Management team has been developed since 2016, achieving external accreditation as an example of industry-wide good practice from HQN in 2018. Current tenant rent arrears are low, and rental income collection is being maintained effectively.</p> <p>The impact of tenant debt on business planning is recognized as a key risk to the delivery of housing services. A renewed focus on former tenant and other sundry debt is underway, to be reflected in service improvement planning for 2020/21.</p>
Void levels	<p>Management of voids remains a priority to ensure that rent loss through voids is minimised. Significant improvements have been realised since 2018 to cut void rent loss from around 2% of the total rent debit to below 1%.</p> <p>Void management, however, is subject to fluctuation in property turnover levels, and remains an area of risk. Continuous review is in place to mitigate this risk, and will be underpinned by the service improvement planning process from 2020/21.</p>

Reduced demand	<p>Overall demand across the council housing stock is monitored and informs the asset management plans.</p> <p>Demand for council housing remain high, particularly for one- and two-bedroom properties. The demand profile continues to inform the Council's decision to give priority to building one bedroom accommodation in any new build programme or acquisition scheme.</p>
Stock reductions	<p>The rate of Right to Buy (RTB) sales in 2019/20 remains relatively low compared to historic levels of sales.</p> <p>Any sales lead to future projected rental income levels being reduced, but many costs are fixed, resulting in an adverse impact on the revenue position. On the other hand, low sales levels also lead to lower levels of capital receipt.</p> <p>Significant increase in RTB sale would reduce income levels, which would lead to deterioration in the HRA budgetary position and the viability of the HRA. However there are no indications that such an increase is likely.</p>
Additional capital requirements	<p>Legislation, changes in health and safety standards, or the discovery of previously unknown defects create the potential for additional capital expenditure requirements. The Council has increased its expenditure in recent years on fire precaution works, asbestos management, and the managing the risk of legionella.</p> <p>The Council still need to ensure the asset register and asset management plans correctly identify the investment needs and inform the programme. Any requirements identified will be reviewed and reflected in the 30-year HRA Business Plan.</p> <p>The Mainway estate (comprising circa 200 council dwellings) was subject, in 2019, to detailed survey work which highlighted the need for major decisions around repair, upgrade, or redesign.</p> <p>Project work is underway to define the options available; any potential project of transformation on Mainway would likely require borrowing against the HRA and will be subject to the council decision making process.</p> <p>The outcome of this project will devise the most cost-effective strategy for the future of the estate.</p>
Major disasters	<p>The district has been subject to two severe weather events in recent years.</p> <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>Implications of new legislation / regulation or changes to existing legislation /regulation can present significant new financial risks.</p> <p>Although the housing related legislative programme of Government remains uncertain, it contains the potential to create new financial challenges and risks to the Council's HRA.</p>
Other events	<p>Continuing reductions in services in other sectors such and health and social care are presenting increased demands and risks to the Council as a social landlord.</p> <p>In response to these challenges the Council has redesigned and continues to develop its housing management services to support tenants, protect revenue streams, and protect its assets.</p> <p>The implications of Brexit remain unclear but the potential threat to income streams and supplier relationships, and the impact on future Government policy making around social housing, remains relevant. Business planning continues to take this uncertainty into account.</p>