

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** Executive Director Commercialisation (S151 Officer)

**To:** Governance & Audit Committee – 21 January 2016

**Author:** Ken Trotter-Interim Chief Accountant (Deputy S151 Officer)

**Subject:** HRA - Draft Budget, Medium Term Plan and Capital Strategy

**Purpose:** To consider the draft capital & revenue budget estimates, the medium term financial plan and the capital strategy.

### **Recommendations:**

- 1. That the HRA draft capital and revenue budget estimates, the medium term financial plan and the capital strategy are reviewed and comments forwarded to Cabinet as appropriate**
- 2. To review the details of the proposed National Rent Policy and recommend to Council adoption of this policy or any alternative proposed by the committee**
- 3. To review asset management criteria particularly in respect of useful life changes proposed for current and future use and recommend to Council adoption of the revisions to the Asset Management Plan.**

### **1.0 BACKGROUND**

- 1.1 The appendices to this report outline the 2016-17 revenue and capital estimates for the HRA, the outline position to 2019-20, the medium term financial plan and the capital strategy. The medium term financial plan sets out the framework within which the budget is to be set to ensure that it enables the Council to achieve its own corporate objectives. The capital strategy sets out the framework for the capital budget setting.
- 1.2 During recent years, the Council, alongside many public sector service providers has experienced financial pressures in various combinations; public sector funding cuts, all time low returns on cash deposits and a national economic downturn affecting jobs, housing and business growth. During this same period the basis on which the public sector is funded has undergone unprecedented reform, radical changes that affect the Council's funding financial position both directly and indirectly include National Welfare Reform, Localisation of Council Tax Relief, Business Rates Retention, New Homes Bonus and of course reduction and in some cases removal of a range of grant funding sources. Each change bringing elements of uncertainty in terms of impact.
- 1.3 Since the inception of self-financing, central government changes have had a major impact on the 30 year Business Plan of the HRA. The increase in discounts available to tenants has lead to increased sales of units, national rent policy has changed twice in the last two years, pay to stay regulations are coming through and charges for higher value property in respect of forced sale on void are also coming through Parliament.
- 1.4 Despite these challenges, and as a result of the Council's prudent financial management, the HRA has been positioned to secure a sustainable financial future across the medium term with no dependency on reserves. This position is enabling the Council time to further develop the financial strategy and to identify and deliver a clear replacement programme in

line with the 1 for 1 replacement agreement entered into with Central Government.

- 1.5 This change has already started with the formation of the Housing Growth Group and some changes have been delivered early, with accelerated savings, in respect of the proposed changes in the asset replacement policy
- 1.6 Further changes are being considered including the formation of a property services function for the authority which would include asset management and have responsibility for the capital programme including the proposed affordable housing projects. Planned maintenance, works on void properties and responsive repairs.

## 2.0 **OPTIONS**

- 2.1 That the draft capital and revenue budget estimates, the medium term financial plan and the capital strategy are released for consultation.
- 2.2 There are no alternative options presented, however amendments may be made before comments are reported to Cabinet.
- 2.3 To do nothing.

## 3.0 **REASONS FOR RECOMMENDATIONS**

- 3.1 To comply with the budgetary and policy framework

## 4.0 **EXPECTED BENEFITS**

- 4.1 To set an affordable and balanced budget for 2016-17 which delivers on the Council's priorities

## 5.0 **IMPLICATIONS**

### 5.1 **Financial**

- 5.1.1 The report is of a financial nature and financial details are included within the appendix.
- 5.1.2 The 2015/16 Medium Term Financial Plan identified a deficit on the HRA of £147,000 which was increased to £391,000 with approval to carry forward capital programme delayed expenditure in June 2015.
- 5.1.3 This deficit was examined in the current budget setting cycle and the revised position after 2015/16 initiatives & service adjustments has now been reversed and a balanced account is projected for 2015/16.
- 5.1.4 Details are available in the 2015/16 Financial Forecast OutTurn Quarter 2 report and relevant HRA sections of this report have been submitted to the committee for background information.
- 5.1.5 A further report to Council is anticipated in respect of a change of use of garages and car parking spaces for rent which are currently managed within the HRA. Recommendations in respect of re-designating these as Community Assets and appropriating them to the general fund are in progress.
- 5.1.6 HRA general balance is projected at £8,968,000 (Section 7, Page 6 in Appendix A of this report) with £2,000,000 considered to be a reasonable level consistent with the risks on the

service. The MTFP therefore includes a balanced budget for the period which includes approx. £11,783,000 for a proposed Affordable Housing programme to replace lost rent from Right to Buy sales and changes planned in the National Rent policy. In addition £2,409,000 has been proposed to be transferred to the major repairs reserve in 2015/16 to support this programme in respect of timing differences on funding and potential acceleration of the programme by purchasing rather than building units.

## 5.2 Risk Management

5.2.1 Risks are highlighted within the appendix.

## 6.0 WARDS/COMMUNITIES AFFECTED

6.1 Budget implications affect all wards.

## 7.0 ACRONYMS

HRA – Housing Revenue Account  
MTFP – Medium Term Financial Plan  
RCCO – Revenue Contribution to Capital Outlay  
MRR – Major Repairs Reserve  
RTB – Right to Buy  
MRA – Major Repairs Allowance

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Background papers:- None

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### Lead Contact Officer

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### Director / Officer who will be attending the Meeting:

Ken Trotter- Interim Chief Accountant (Deputy Section 151 Officer)  
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**Key Decision:** No

**Exempt Decision:** No

**This report refers to both Mandatory Service and Discretionary Services**

### Appendices attached to this report:

Appendix A – HRA Budget estimates and medium term financial plan  
Appendix B – HRA Budget Summary 2016/17  
Appendix E – Capital estimates

### Other supporting documents

Financial Forecast Outturn Quarter Two 2015-16 (Abridged – HRA only)