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Adjustments to REP-1239 – Housing Revenue Account Budget

There have been 3 adjustments to the HRA Budget report, REP-1239. Please see below.

1. Paragraph 5.8 has been adjusted with additional information. Please see below the new paragraph 5.8;

   A 1% reduction in rent represents a loss of £180k of income. The current average weekly rent as at the 21.12.15 is £85.52, based on a 50 week collection year. If the Council had increased rents by 3.1% in 2016/17 as per the Business Plan, this would have increased to £88.17. Instead, reducing rents by 1% in 2016/17, gives an average weekly rent of £84.67. This is a decrease in planned average weekly rent of £3.50 in 2016/17. It is also a decrease of £0.86 from the 2015/16 average rent. Over the following years 2017/18 to 2019/20 the gap between planned average weekly rent and forecasted weekly rent increases as illustrated in the table below.

Average Weekly Rent

2015/16 as at 21.12.15	2016/17 3.1% Increase	2016/17 1% Decrease	2016/17 Difference	2017/18 3.1% Increase	2017/18 1% Decrease	2017/18 Difference	2018/19 3.1% Increase	2018/19 1% Decrease	2018/19 Difference	2019/20 3.1% Increase	2019/20 1% Decrease	2019/20 Difference
£85.52	£88.17	£84.67	-£3.50	£90.90	£83.83	-£7.08	£93.72	£82.99	-£10.73	£96.63	£82.16	-£14.47

2. An additional Paragraph has been added under section 13. Please see below new paragraph 13.2;

   The borrowing taken on by the Council as a result of self-financing was calculated on the assumption of 3.1% rent increases. The impact of the rent reduction and losing £7.7 million rental income over the next four years and £29 million over the 30 year Business Plan, has significantly reduced the funding available for new housing development programmes for the future, including taking on additional borrowing within the headroom available to the HRA Although challenging, the HRA can fund the current housing developments committed, while still paying back current borrowing by year 30 of the Business Plan. There is uncertainty over the future of the rental income stream to the HRA due to Government policy on rent increases from 2020/21. Currently the Government has advised that from 2020/21 Local Authorities will be allowed to increase rents as before and the Business Plan has therefore assumed rents to increase by 3.1% from 2020/21.If however the Government were to change this, for example create a cap on the increase lower than 3.1%, or in fact continue the rent decreases, this will have a serious impact on the HRA's ability to pay back the current borrowing levels and to maintain its housing stock at its current levels. Officers are working closely with members to ensure the sustainability of the business plan going forward.

3. The 2015/16 revised budget has reduced by £105,000. This is due to an insurance claim to be settled in 2015/16. The impact, is reducing the HRA movement in 2015/16 from £122,000 credit, to £17,000 credit. This reduces the HRA working Balance in Appendix C.