

Amendments to the Treasury Management Strategy 2024/25 report, for onward recommendation to Council

Introduction & background

Following discussions with the Council's finance commissioner the following changes are proposed to be made to the Council's Treasury Management Strategy 2024/25 for onward presentation to Council. This will support the ongoing sustainability of the HRA 30-year business plan.

Changes to the covering report

Page 15, under table 10, replace the paragraph beginning "A minimum level of HRA..." with:

A minimum level of HRA general reserve is deemed to be £4m, Major Repairs Reserve £5m and minimum interest cover is 1.25 times, represents the affordability framework within the HRA Business Plan.

Changes to the detailed report

On page 5 of the strategy under the affordability indicators, replace the second bullet point with these 3 bullet points:

- £4m minimum level of HRA general reserve
- £5m minimum level of Major Repairs Reserves
- 1.25 times HRA interest cover ratio

On page 31 of the strategy, under the revenue budget implications heading, replace the paragraph under table 10 with:

A minimum level of HRA general reserve is deemed to be £4m, Major Repairs Reserve £5m and minimum interest cover is 1.25 times, represents the affordability framework within the HRA Business Plan.

On page 17 of the strategy, above the paragraph which starts "The main HRA capital projects include...", insert the following content:

As the Council continues to increase its capital investment programme and consider the wider strategic use of capital receipts from disposal of surplus assets, it is timely for the Council to set out its approach to monitoring the financial capacity, capability of the HRA to deliver on its objectives towards refurbishment, investment, regeneration, and new supply and ensure the HRA remains sustainable over the 30-year period of the Plan. In doing so the following is proposed:

- The HRA minimum general balance needs to be sufficient to provide a contingency for the account. Currently at a level of £4m, equating to circa. 10% of annual gross rent
- A Major Repairs Reserve £5m for any unplanned or urgent application that may be required to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA
- Interest cover ratio - This is the ratio of operating surplus divided by interest costs and represents the cover that the HRA has against its interest cost liabilities in any year. Housing Association lending covenants are generally based on an ICR of between 1.10 and 1.50 with 1.25 being a typical golden rule. This strategy sets out that the ICR for the HRA should remain at 1.2 or above for the duration of the 30-year plan.

The above will need to be monitored on an annual basis by the Section 151 Officer and revised upwards if they consider that the risks and pressures facing the HRA warrants an increase and reassessed at each gate way review for the plan.