

WAVERLEY BOROUGH COUNCIL

COUNCIL – 21 FEBRUARY 2017

Title:

**HOUSING REVENUE ACCOUNT BUSINESS PLAN, REVENUE BUDGET AND
CAPITAL PROGRAMME 2017/18**

[Portfolio Holders: Cllr Carole King and Cllr Ged Hall]
[Wards Affected: All]

Summary and purpose:

This report advises Members of the latest position regarding the Housing Revenue Account (HRA) Revenue Estimates for 2017/18 and the updated 30-year Business Plan. The Executive has made recommendations to Council regarding Waverley's HRA budget and Business Plan for 2017/18.

How this report relates to the Council's Corporate Priorities:

Waverley's landlord service deals with the management and maintenance of existing housing stock and delivering affordable housing which helps to improve lives – two of the Council's five corporate priorities. A viable business plan, which takes account of these priorities, needs to be in place to aid delivery of these priorities.

Equality and Diversity Implications:

Providing more and better affordable housing for residents of the Borough in housing need, particularly the more vulnerable in our society.

Resource/Value for Money Implications:

Resource implications are contained throughout the report.

Legal Implications:

There are no direct legal implications as a result of this report.

Introduction

1. This report outlines the draft budgets to be included within the annual review and update of the HRA 30 year Business Plan and the Budget for the year ahead, including the five-year Capital Programmes. The Business Plan is underpinned by the Council's Financial Strategy and provides the resources to fund the 30-year maintenance forecast and fund proposals for building new affordable homes and investment in stock remodelling.

2. This report contains the following Annexes:

Annexe 1 – Revised Business Plan - 2016/17 to 2020/21

Annexe 2 – Housing Fees and Charges

Annexe 3 – Capital Programme comprising

- Housing Core Programme
- New Affordable Homes Programme
- Stock Remodelling Programme

Annexe 4 – HRA Capital Resources summary

Annexe 5 – HRA Reserves Summary

Business Plan

3. The latest projection for the Business Plan for the four years commencing with 2016/17, is attached at Annexe 1. There has been rigorous scrutiny of HRA budgets throughout 2016 by officers and the Housing and Finance portfolio holders and the table at Annexe 1 incorporates the measures approved by Council in December 2016. These measures balance the Plan in the medium term following the major changes introduced by the Government affecting HRA finances.
4. The Government implemented major changes to HRA finances in 2016 which will lose the HRA around £300million over the 30-year life of the Business Plan compared to the previously projected and approved position. The changes are shown below:
 - Rent reductions of 1% per year for 4 years from 2016/17 (incorporated into Annexe 1)
 - Impact of the sale of high value voids – now from 2018/19
 - Welfare reforms including Universal Credit

Rents

5. Prior to 2016/17 the Council followed a rent setting policy that supports Waverley's Business Plan objectives with broad adherence to the Government's social rent policy. This increase was modelled into the business plan but in 2016/17 the government imposed a 1% per year rent reduction for the next four years. Therefore, Waverley's rent level in 2017/2018 must be set at 1% below its 16/17 level.
6. It is proposed to increase all garage rents by 10%, this equates to an increase of approximately one pound for normal garages and a two pound (plus) increase for the garages at Waggon Yard, Farnham, to reflect their prime town centre location.
7. It is proposed that service charges in sheltered accommodation be increased by 50p/week in 2017/18 and the heating reimbursement charge by the same amount in line with previous energy increases.

8. It is proposed that rents for Temporary Accommodation (TA) and Bed and Breakfast be increased in line with Local Housing Allowance rates when these are announced in due course.

Fees and Charges

9. A proposed schedule of charges for various services to leaseholders and shared owners is given in Annexe 2. Whilst the income from fees and charges are already included in the business Plan, Members are required to approve these annually.

Draft 2017/18 Capital Programme

10. The draft Capital Programmes at Annexe 3 shows the proposals estimated to be spent in 2017/18 and the following years on each of the three elements to the capital programme. The Core programme has been scaled back in the light of the funding reductions as approved by Council in December.
11. The 30-year Business Plan also includes a programme to develop new affordable homes and a programme to remodel some of the existing stock. The major project at Ockford Ridge will be a combination of redevelopment and remodelling existing dwellings. Estimates at this stage are on a very broad basis and will be refined as survey work is carried out.

Financing

12. The financial model in Waverley's Business Plan incorporates the transfer to the HRA Revenue Reserve to support capital expenditure. Annexe 4 shows the Capital Programme proposals against the resources available in the next four years. After taking account of the action approved by Council in December 2016, the table at Annexe 4 shows that latest capital expenditure plans are affordable in the medium term.

Local Government Act 2003 – Financial Administration

13. The Local Government Act 2003 formally introduced a number of specific sections covering:

- a. **Budget calculations: report on robustness of estimates;**
- b. **Adequacy of reserves; and**
- c. **Budget monitoring**

a) Robustness of Estimates

14. Full account has been taken of potential costs and adequate provision has been made. A prudent assessment of income has been undertaken and only income that has a high level of certainty of being received is included within the Council's budgets.

15. The Council's Financial Strategy, together with information presented at the Annual Finance Seminar and subsequent reports demonstrate the financial challenges to Waverley Borough Council and Landlord Service in the future.
16. In view of the level of awareness amongst Members and the action taken to produce the Council's budget in 2017/18, the Director of Finance and Resources is satisfied with the robustness of the estimates presented.

b) Adequacy of reserves

17. Adequate reserves are necessary to meet significant cost that could not reasonably have been foreseen in the preparation of the budget. The levels of the HRA working and repairs fund balances have been reviewed and the working balance maintained at £2m. Annexe 5 shows the schedule of HRA balances and reserves.

c) Budget Monitoring

18. It is the view of Waverley's Section 151 Officer that the arrangements for budget monitoring, referred to above, satisfy the requirements of the Local Government Act 2003. Budget Monitoring in 2016/17 shows that the HRA is staying within budget on capital and revenue overall.

Joint Overview and Scrutiny Committee

19. The Joint Overview and Scrutiny Committee met on 16 January 2017 to make comments and observations to the Executive regarding Waverley's HRA budget and Business Plan for 2017/18. These are set out below:
 - The Committee noted that the HRA presented a balanced position and Members acknowledged the hard work that had been done to achieve this.
 - The Committee expressed concern that housing management costs continued to rise and queried what had caused this. The Committee asked officers to provide proposals for how this could be reduced.

Officer Comment – Officers have challenged every line of budget, however a further review of staff costs, including central recharges, will be undertaken following the council's consideration of the Strategic review and this will be reported to Members in the Spring. In line with previous reports, three posts within Housing have been removed in the 17/18 budget.

Recommendation

The Executive, having considered the comments from the Joint Overview and Scrutiny Committee, RECOMMENDS that

1. the rent level of Council dwellings be reduced by 1% from the 2016/17 level with effect from April 2017 in compliance with the Welfare Reform and Work Act;

2. the weekly charge for garages rented by both Council and non-Council tenants be increased by 10% from April 2017;
3. the service charge in sheltered accommodation be increased by 50p/week from 7 April 2017;
4. the recharge for energy costs in sheltered accommodation (as appropriate) be increased by 50p/week from April 2017;
5. the increases to fees and charges be agreed as set out in Annexe 2;
6. the revised HRA Business Plan for 2017/18 to 2019/20 as set out at Annexe 1 be approved;
7. the 2017/18 Housing Revenue Account Capital Programmes as shown at Annexe 3 be approved; and
8. the financing of the capital programmes be approved in line with the resources shown in Annexe 4.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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