

WAVERLEY BOROUGH COUNCIL

COUNCIL - 20 FEBRUARY 2018

Title:

**HOUSING REVENUE ACCOUNT BUSINESS PLAN, REVENUE BUDGET AND
CAPITAL PROGRAMME 2018/19**

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

Summary and purpose:

This report advises Members of the latest position regarding the Housing Revenue Account (HRA) for 2018/19 and the updated 30-year Business Plan and seeks approval of the 2018/19 budget.

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. The Council must set a balanced HRA budget.

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 three-year Capital Programmes. The Business Plan is underpinned by the Council's Medium Term Financial Plan and provides the resources to fund the 30-year maintenance forecast and deliver proposals for building new affordable homes and investment in stock remodelling.

2. This report contains the following Annexes:

Annexe 1 – Revised HRA Business Plan - 2018/19 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 2017/18, is attached at Annexe 1. There has been rigorous scrutiny of HRA budgets throughout 2017 by officers and the Housing and Finance portfolio holders. The measures agreed by Council in 2017 balanced the Business 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 expected to be from 2019/20.
 - Welfare reforms including Universal Credit

Rents

5. Prior to 2016/17 the Council followed a rent setting policy that supported 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 2018/19 must be set at 1% below its 17/18 level. The Business Plan includes a return to rent increases from 2020/21.
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 2018/19 and the heating reimbursement charge by the same amount in line with previous energy increases.

Fees and Charges

8. 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 2018/19 Capital Programme

9. The draft Capital Programmes at Annexe 3 shows the proposals estimated to be spent in 2018/19 and the following years on each of the three elements to the capital programme.
10. 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.

Financing

11. The financial model in Waverley's HRA 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. The table at Annexe 4 shows that latest capital expenditure plans are affordable in the medium term. Waverley has spent £21million on building new homes in the last 3 years and has a number of further schemes committed and in the pipeline. It is expected that the balance of capital resources shown in Annexe 4 will be utilised in the next 3-7 years as these schemes are delivered.
12. In 2012 Waverley had to take out £189m of borrowing (in addition to the existing £3m) to transfer the HRA to the new 'self financing' basis. The HRA began making repayments of external debt principal in 2017/18. This is now scheduled to continue each year throughout the life of the Business Plan. As the total debt reduces each year this enables the HRA to reborrow to finance Capital expenditure if necessary, up to the statutory cap level of £192m. Whilst there is no need to borrow additional sums in the medium term as sufficient resources are available to meet the capital programme expenditure, a delegation is sought to enable borrowing to be undertaken, if needed and if the conditions are favourable, to ensure flexibility in the HRA business plan.

Local Government Act 2003 – Financial Administration

14. 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**

Robustness of Estimates

15. 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.
16. The Council's Medium Term Financial Plan, together with information presented at the Annual Member Finance Briefings and subsequent reports demonstrate the financial challenges to Waverley Borough Council and Landlord Service in the future.
17. In view of the level of awareness amongst Members and the action taken to produce the Council's budget in 2018/19, the S.151 Officer is satisfied with the robustness of the estimates presented.

b) Adequacy of reserves

18. 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. Plans for investment of balances in existing and new build properties are being drawn up to ensure the reserves are fully utilised.

c) Budget Monitoring

19. 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 2017/18 shows that the HRA is staying within budget on capital and revenue overall.

Housing Overview and Scrutiny Committee

20. The Housing Overview and Scrutiny Committee considered this report at its meeting on 30 January 2018 and made the following comment:-

The Committee was pleased to see the prudent approach to budgeting and endorsed the recommendations to the Executive and Council.

Recommendation

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

1. the rent level of Council dwellings be reduced by 1% from the 2017/18 level with effect from April 2018 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 2018;
3. the service charge in sheltered accommodation be increased by 50p/week from 7 April 2018;
4. the recharge for energy costs in sheltered accommodation (as appropriate) be increased by 50p/week from April 2018;
5. the revised HRA Business Plan for 2018/19 to 2020/21 as set out at Annexe 1 be approved;
6. the fees and charges be agreed as set out in Annexe 2;
7. the 2018/19 Housing Revenue Account Capital Programmes as shown at Annexe 3 be approved;
8. the financing of the capital programmes be approved in line with the resources shown in Annexe 4; and
9. authority be delegated to the Strategic Director and Head of Housing Operations in consultation with the Portfolio Holders for Housing and Finance to undertake external borrowing and/or internal borrowing transactions to ensure flexibility in HRA Business Plan resources to meet future capital expenditure needs.

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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