

WAVERLEY BOROUGH COUNCIL

VALUE FOR MONEY AND CUSTOMER SERVICE O&S COMMITTEE
22 JANUARY 2019

EXECUTIVE - 5 FEBRUARY 2019

Title:

**HOUSING REVENUE ACCOUNT BUSINESS PLAN, REVENUE BUDGET AND
CAPITAL PROGRAMME 2019/20**

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

Summary and purpose:

This report advises Councillors of the latest position regarding the Housing Revenue Account (HRA) for 2019/20 and the updated Business Plan and seeks approval of the 2019/20 budget.

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

This report relates to the Council's 'People' priority as the Housing Revenue Account manages and maintains the existing housing stock to ensure homes are pleasant and safe and delivers affordable housing to local residents.

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.

Financial 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 and adhere to the statutory limits placed on rent increases.

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 - 2019/20 to 2022/23

Annexe 2 – Housing Fees and Charges

Annexe 3 – Capital Programme comprising

- New Affordable Homes Programme
- Stock Remodelling Programme

Annexe 4 – Core Capital Programme

Annexe 5 – HRA Reserves Summary

Business Plan

3. The latest projection for the Business Plan for the four years commencing with 2019/20, is attached at Annexe 1. There has been rigorous scrutiny of HRA budgets throughout 2018 by officers and the Housing and Finance portfolio holders.
4. The Government implemented major changes to HRA finances in 2016 which will lose the HRA significant resources over the 30-year life of the Business Plan compared to the previously projected and approved position. The most significant change is imposed rent reductions of 1% per year for 4 years from 2016/17. These have been incorporated into the Business Plan at Annexe 1.

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 2019/20 must be set at 1% below its 18/19 level. It is the Government's intention that rents will go up from 2020/21, although this is not yet confirmed. A rent increase has been built into the Business Plan from 2020/21.
6. The dwelling rent income budget reflects a 53 week rent year in 2019/20.
7. It was agreed at the Housing Overview and Scrutiny Committee on the 27 November 2018 that garage rents would be fixed for at least one year in order to meet maximum occupancy. The increased budgeted income for 2019/20 therefore reflects increased lettings rather than a rent increase.

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 is already included in the Business Plan, Councillors are required to approve these annually.

Draft 2019/20 Capital Programme

9. The 30-year Business Plan includes a programme to develop new affordable housing and remodel some of the existing stock. The draft Capital Programme containing the proposals for the new build programme and stock remodelling programme for 2019/20 and the following two years is shown at Annexe 3.
10. The programme contains schemes that are a continuation of existing projects and those put up for formal approval by the Council. Any other potential schemes identified during 2019/20 will be put forward for approval during the year as appropriate. The main schemes where formal approval is requested at this stage are:
 - Ockford Ridge Site B – pre-development budget for 2019/20
 - Ockford Ridge Site C – pre-development budget for 2019/20
 - Buy Backs – for the next three years
 - S106 affordable housing units – for the next three years
11. Proposed spend on core capital works to the existing dwelling stock in 2019/20 is shown at Annexe 4. This is a one year programme of work as a comprehensive review of the Asset Management Plan and spend requirements will be undertaken by the Housing Strategic Asset Manager during 2019/20 to inform the programme for 2020/21 onwards.

Financing

12. Waverley's HRA Business Plan incorporates the transfer to HRA Revenue Reserves to support capital expenditure. The HRA Capital Funding is shown at Annexe 5. It includes the continuation of existing projects and those put up for approval, as detailed in paragraph 10, against the resources available in the next three years. Matching capital proposals to resources available shows that latest capital expenditure plans are affordable in the medium term. Should all proposals prove viable financing will need to be reassessed against remaining resources.
13. In 2012 Waverley had to take out £189m of borrowing 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. In October 2018 the Government removed the borrowing cap for the HRA which limited the total borrowing that a HRA-Council could have. The Council has agreed not to borrow any more until rent increases are allowed again and also, there is no need to borrow additional sums in the medium term as sufficient resources exist to meet projected capital needs. This position will be reviewed later in 2019 when the new build capital programme is developed further.

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

a) Robustness of Estimates

15. Full account has been taken of potential costs and, therefore, 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 Business Plan.
16. The Council's Medium Term Financial Plan, together with information presented during the year to Executive and Overview and Scrutiny Committees 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 Business Plan for 2019/20, the Section 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 level of the HRA working balance has been maintained above the minimum amount set of £2m. Annexe 5 shows the schedule of HRA balances and reserves. The Capital Programme shows the plans for investment of balances in existing and new build properties.

c) Budget Monitoring

19. It is the view of the Section 151 Officer that the arrangements for budget monitoring, referred to above, satisfy the requirements of the Local Government Act 2003. Budget Monitoring in 2018/19 shows that the HRA is staying within budget on capital and revenue overall.

Recommendation from Executive to Council

The Executive, having considered the comments from the Value for Money Overview and Scrutiny Committee, RECOMMENDS to Council that:

1. the rent level of Council dwellings be reduced by 1% from the 2018/19 level with effect from April 2019 in compliance with the Welfare Reform and Work Act;

2. the revised HRA Business Plan for 2019/20 to 2022/23 as set out at Annexe 1 be approved;
 3. the fees and charges be agreed as set out in Annexe 2;
 4. the 2019/20 Housing Revenue Account Capital Programmes as shown at Annexe 3 and 4 be approved; and
 5. the financing of the capital programmes be approved in line with the resources shown in Annexe 5.
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Recommendation

The Value for Money and Customer Service Overview and Scrutiny Committee is asked to review the report and recommendations from Executive to Council set out above, and agree comments to be forwarded to the Executive.

Background Papers

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

CONTACT OFFICERS:

Name: Peter Vickers

Telephone: 01483 523539

E-mail: peter.vickers@waverley.gov.uk

Name: Vicki Basley

Telephone: 01483 523250

E-mail: victoria.basley@waverley.gov.uk

Name: Hugh Wagstaff

Telephone: 01483 523363

E-mail: hugh.wagstaff@waverley.gov.uk

Name: Andrew Smith

Telephone: 01483 523096

E-mail: andrew.smith@waverley.gov.uk