

WAVERLEY BOROUGH COUNCIL
JOINT OVERVIEW AND SCRUTINY COMMITTEE
18 JANUARY 2016

Title:

**HOUSING REVENUE ACCOUNT BUSINESS PLAN, REVENUE BUDGET AND
CAPITAL PROGRAMME 2016/17**

[Portfolio Holder: Cllr Carole King]
[Wards Affected: All]

Summary and purpose:

This report advises the Joint Committee of the latest position regarding the Housing Revenue Account (HRA) Revenue Estimates for 2016/17 and the updated 30-year Business Plan. The Joint Committee is requested to make observations and comments as appropriate to the Executive regarding Waverley's Draft HRA budget for 2016/17.

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

Waverley's landlord service deals with the management and maintenance of existing 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 updating 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 – Business Plan Approved February 2015 - 2016/17 to 2020/21
- Annexe 2 – Business Plan Revised December 2015 - 2016/17 to 2020/21
- Annexe 3 – Business Plan Assumptions
- Annexe 4 – Detailed Estimate sheets
- Annexe 5 – Star Chamber Proposals
- Annexe 6 – Housing Fees and Charges
- Annexe 7 – Revised 2016/17 Business Plan compared to Original
- Annexe 8 – Capital Programme comprising
 - Housing Core Programme
 - New Affordable Homes Programme
 - Stock Remodelling Programme
- Annexe 9 – HRA Capital Resources summary

Business Plan

3. The next five years' latest projection for the Business Plan, commencing with 2016/17, is attached at Annexe 2. For information, the previously approved Business Plan figures for this period are also included at Annexe 1. The assumptions behind the Business Plan are illustrated in Annexe 3.
4. The Government announced changes to HRA finances in the summer budget which, as reported at the Finance Seminar, will lose the HRA over £300million over the life of the Plan compared to the Business Plan approved in February 2015. The changes are shown below:
 - Rent reductions of 1% per year for 4 years from 2016/17 (incorporated into Annexe 2)
 - Impact of the sale of high value voids from 2017/18
 - Welfare reform
5. These changes will have a significant impact on the continued delivery of the current strategy for the Housing service depicted by the Business Plan. As a consequence, and given that the detailed regulations and guidance has not been published yet, it is proposed that a full review of every aspect of the Business Plan and its underlying budget costings is carried out in the summer to assess the right activity levels and the desired capital programme expenditure in the longer term. These Government changes have already created a £1.3million shortfall in the 2016/17 revenue budget compared to the Business Plan approved in February 2015.
6. There has been rigorous scrutiny of draft budgets through the Council's 'Star Chamber' process involving the Directors, Portfolio Holders, and Heads of Service particularly in light of the budget shortfall. The Star Chamber proposals are summarised in Annexe 5. These have not yet been incorporated in the Business Plan or detailed budgets.
7. A detailed breakdown of the budgets behind the summary Business Plan figures for 2016/17 is provided at Annexe 4.

Rents

8. The Council usually follows a rent setting policy that supports Waverley's Business Plan objectives with broad adherence to the Government's social rent policy of an annual rent increase calculated as September RPI + 1/2 % (2015/16 increase 2.8%). However, the government have imposed a 1% per year rent reduction for the next four years from 2016/17. This is reflected in the Business Plan and has resulted in £1.3million less rent income than originally budgeted for in 2016/17.

Fees and Charges

9. A proposed schedule of charges for various services to leaseholders and shared owners is given in Annexe 6. Whilst the income from fees and charges are already included in the business Plan, Members are required to approve these annually.

Draft 2016/17 Capital Programme

10. The draft Capital Programme at Annexe 8 shows the proposals estimated to be spent in 2016/17 on each of the three elements to the capital programme. A five-year core capital programme of works has been drawn up to help ensure compliance with landlord and employee obligations and to bring systems and equipment up to standard.

Draft 2016/17 New Affordable Homes Programme and Stock Remodelling Programme

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. These programmes will form part of the full review of the Business Plan in the summer as they need to be affordable within the Business Plan after taking account of the impact of the 1% rent reduction and forced high value sales.

Financing

12. The financial model in Waverley's Business Plan incorporates the transfer to the HRA Revenue Reserve to support capital expenditure. Annexe 9 shows the Capital Programme proposals against the resources available in the next five years. Even after taking account of the significant accumulated resources prior to 2016/17, including capital receipts, the table at Annexe 9 shows that latest capital expenditure plans significantly exceed available capital resources over the five year period from 2016/17 to 2020/21. This is not a sustainable position and the review of the entire Business Plan during 2016 will examine to what extent Capital Programmes will need to be revised to meet available resources and will examine other ways to generate additional funds.

Conclusion

13. As a result of efficiency measures and reductions in some activities, the 2016/17 budget is currently showing a relatively small gap which will need to be addressed before Council in February. However, subsequent years of the Business Plan will need to be reviewed thoroughly in the light of the impact of Government's changes.

Recommendation

The Joint Overview and Scrutiny Committee is asked to pass comments and observations to the Executive on the detailed estimates and proposals in this report.

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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