

WAVERLEY BOROUGH COUNCIL

COUNCIL - 16 FEBRUARY 2016

Title:

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

[Portfolio Holders: Cllr Carole King and Cllr Wyatt Ramsdale]
[Wards Affected: All]

Summary and purpose:

This report advises members of the latest position regarding the Housing Revenue Account (HRA) Revenue Estimates for 2016/17 and the updated 30-year Business Plan. The Executive has made recommendations to Council regarding Waverley's HRA budget and Business Plan 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 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 – 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 budget pages
- 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
- Annexe 10 – HRA Reserves 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 projections 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 reforms
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 (0.8%)+ 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. The Bill is currently in the House of Lords. This change is reflected in the revised Business Plan at Annexe 2 and has resulted in £1.3million less rent income than originally budgeted for in.
9. It is proposed to increase garage rents by 1.3%. The proposal for the garages at Waggon Yard, Farnham, is to increase rents by 7% to reflect their prime town centre location.
10. It is proposed that service charges in sheltered accommodation be increased by 50p/week in 2016/17 and the heating reimbursement charge by the same amount in line with previous energy increases. The position will be reviewed in 2016/17 in the light of current market conditions.
11. 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

12. 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

13. 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

14. 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

15. 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.

Robustness of Estimates

16. 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.
17. 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.
18. In view of the level of awareness amongst Members and the action taken to produce the Council's budget in 2016/17, the Director of Finance and Resources is satisfied with the robustness of the estimates presented.

Adequacy of reserves

19. 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. It is proposed to apply the repairs fund balance to support specific revenue projects leaving a projected balance of some £35k at the end of 2016/17. Annexe 10 shows the schedule of reserves.

Joint Overview and Scrutiny Committee

20. The Joint Overview and Scrutiny Committee considered the report and, whilst making a number of specific suggestions on the Service Plans for 2016/17, also gave its support for a review of the Housing Business Plan being undertaken in light of government reforms.

Conclusion

21. As a result of efficiency measures and reductions in some activities, the 2016/17 budget is now showing a balanced position. However, subsequent years of the Business Plan will need to be reviewed thoroughly in the light of the impact of Government's changes.

Recommendation

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

1. a fundamental review of every budget within the Business Plan be undertaken before December 2016 to take account of the Government's legislative changes when the details are published;
 2. subject to the new legislation being in force, the rent level of Council dwellings be reduced by 1% from the 2015/16 level with effect from April 2016 in compliance with the Welfare Reform and Work Bill 2015;
 3. the weekly charge for garages rented by both Council and non-Council tenants be increased by 1.3% from April 2016;
 4. the garages at Waggon Yard, Farnham be increased by 7% to reflect their prime town centre location;
 5. the service charge in sheltered accommodation be increased by 50p/week from 7 April 2016;
 6. the recharge for energy costs (as appropriate) be increased by 50p/week from April 2016, with a review being carried out in 2016/17 to assess changing energy prices;
 7. fees and charges increases be agreed as set out in Annexe 6;
 8. the proposals included on the List of Savings and Growth Items be implemented as shown at Annexe 5;
 9. the resultant HRA Revenue Budget and Business Plan updated for 2016/17, which incorporate the above changes, be approved;
 10. the total spend proposed in the 2016/17 Housing Revenue Account Capital Programme as shown at Annexe 8 be approved;
 11. the indicative 2016/17 New Affordable Homes Programme be approved with specific scheme approvals to be sought when detailed costs are available;
 12. the indicative 2016/17 Stock Improvement Programme be approved with specific scheme approvals to be sought when detailed costs are available; and
 13. the financing of these programmes be approved in line with the resources shown.
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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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