

Gravesham Borough Council

Report to: Cabinet
Overview Scrutiny Committee

Date: 4 February 2019
14 February 2019

Reporting officer: Director (Corporate Services)
Director (Housing & Regeneration)

Subject: Housing Revenue Account Estimates 2019-20 and Housing Capital Programme

Purpose and summary of report:

To present the Cabinet with the draft revenue and capital estimates for Housing Revenue Account Services in 2019-20.

To inform Cabinet of the determination of the level of rents and service charges for 2019-20.

Recommendations:

The Cabinet recommends to Council that:

1. The draft Revenue estimates for 2019-20 together with the revised estimates for 2018-19 to be approved;
2. The draft capital estimates, together with the revised estimates for 2018-19 be approved, subject to detailed reports coming forward for new schemes, where applicable;
3. The decrease in average rents of 1% for 2019-20 be noted.

1. INTRODUCTION

- 1.1 The Housing Revenue Account (HRA) is a ring-fenced account. Under the Policy Framework and Budget Procedure Rules of the Constitution, the Cabinet has responsibility for making proposals to Full Council for the adoption of the annual budget for the HRA.
- 1.2 This report presents the draft HRA revenue and capital estimates for the year 2019-20. These estimates have been prepared in accordance with the Council's Corporate Plan and Council's Partnership Framework.

2. FORMAT OF THIS REPORT

- 2.1 This report is presented in four sections. A summary is provided in the main body of this report for each section, with further detailed and contextual information presented in the supporting appendices:
- Section One – HRA Revenue Account Budget
 - Section Two – Housing Capital Programme
 - Section Three – Robustness of Estimates and Adequacy of Reserves
 - Section Four – HRA Business Planning

3. SECTION ONE – HRA REVENUE ACCOUNT (see also Appendix 2)

Revised Budget 2018-19

- 3.1 The Budget Monitoring Report at the end of Quarter Three (period to 31 December 2018) indicates a projected surplus for the year of £734,100 albeit income and expenditure variances in the last quarter of the year will impact on this figure. This compares against an original estimated requirement to draw monies from reserves of £128,840 to balance the annual budget. Details of such variances will be included in the Budget Outturn report to Cabinet and the Finance & Audit Committee after the end of the 2018-19 financial year. Any surplus will be transferred to reserves at year-end.

Revised Budget 2019-20

- 3.2 The Original Estimate for 2019-20 represents a balanced budget position, though this has only been achieved through drawing £3,509,960 from the HRA General Reserve as expenditure in the year is anticipated to exceed the income generated in the year. A draft budget book is attached at appendix 2a for Member information.
- 3.3 Working balances at the end of the year are estimated to remain at £3.0m, the minimum level of working balances for the HRA as determined by the Medium Term Financial Strategy.
- 3.4 The Government made a commitment in the Summer 2015 Budget to reduce social rents by 1% a year for four years from April 2016 to help reduce the Housing Benefit bill and cut the deficit. Within the Welfare Reform and Work Act 2016, Government included provisions requiring councils and housing associations to reduce rents by 1% each year from April 2016 to April 2019 inclusive (i.e. for financial years 2016-17 to 2019-20). 2019/20 is therefore the last year that dwelling rents will be reduced. The proposed Rent Directions from 2020 permits rents to increase by CPI+1% each year, for a period of at least five years.
- 3.5 Dwelling Rents for 2019-20 have been determined by the Assistant Director (Housing) and the Director (Corporate Services), in accordance with the Housing Act 1985 and under delegated authority as set out at Annex 1.13B.83 of the Constitution. The rents set are in keeping with the legislative requirements introduced by the Welfare Reform and Work Act 2016.
- 3.6 Adhering to the new Government rents decrease formula, the authority's average rent will decrease to £87.71 in 2019-20 compared to £87.77 in 2018-19 (the average rent reduction will not be exactly equal to 1% due to re-letting of void properties at target rent and additions of properties during the year).

- 3.7 The Government expects authorities to protect tenants against sharp rises in service charges. The Government have stated that the increase in the service charge of an individual property should not exceed CPI+1% with the CPI figure as at September 2018 being 2.4%. By adhering to this policy the authority's average capped service charge is £3.33 per week for 2019-20.

4. SECTION TWO - HOUSING CAPITAL PROGRAMME (see also Appendix 3)

- 4.1 The Housing capital programme for 2018-19 currently shows a projected out-turn of £13,124,640 against an original estimate of £13,827,060.
- 4.2 The Housing capital programme for 2019-20 totals £16,722,030, of which £832,800 is in respect of non-HRA capital schemes and £15,889,230 is in respect of HRA capital schemes.
- 4.3 The HRA capital programme for 2019-20 will primarily focus on works to maintain the Council's housing stock and delivering the New Build and Acquisitions Programme.

5. SECTION THREE – ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES (see also Appendix 4)

- 5.1 The Local Government Act 2003 introduced a requirement for the Chief Finance Officer to report on the adequacy of reserves as part of the budget setting process. As set out in Appendix 4, it is the view of Director (Corporate Services), as Section 151 Officer, that the estimates are robust and that the level of reserves is sufficient for the Authority. The review of reserves and working balances conducted by the Director (Corporate Services) can be found at Appendix 4 to this report.

6. SECTION FOUR - HRA BUSINESS PLANNING (see also Appendix 5 and 6)

- 6.1 Business planning is central to a self-financed HRA for financial and service planning, monitoring progress and managing risk. The business plan shows how, over 30 years, the rental and other income will fund all the investment needs of the stock, servicing of the debt and day-to-day management and repair requirements. It is the main tool for the financial management of the HRA and has a substantial impact on the asset management plans.
- 6.2 The investment in the stock will be funded from internally managed resources: capital receipts, revenue monies available, and other contributions received, supplemented by any additional prudential borrowing required. Whilst, capital receipt pooling to the government is to continue, the debt that authorities can take on is no longer capped following a government announcement in October 2018.

- 6.3 Within the strategic framework of the overall Housing Strategy, the following five objectives are identified;
- To continue the delivery of a high quality council housing service alongside fully engaged tenants who participate in the on-going programme of Housing Service policy reviews;
 - To provide sufficient affordable housing to the Decent Homes Standard;
 - To seek to provide suitable housing to meet the vulnerability needs within the borough;
 - To maintain or improve the amount of private social housing available within the borough;
 - To continue to provide tenants with the tools to enable them to engage with and scrutinise the Housing Department's activities and decision making processes;
 - To manage the council's financial position by the recovery of monies owed and increasing income to the council.
- 6.4 The current HRA Business Plan can be found at appendix five to this report.

7. BACKGROUND PAPERS

- 10.1 Background papers pertaining to this report are available from the Financial Services team in the first instance.

IMPLICATIONS**APPENDIX 1**

Legal	<p>There Is a legal requirement under Section 76 of the Housing Act 1989 to maintain a Housing Revenue Account and every year formulate proposals regarding:</p> <ul style="list-style-type: none"> • The income of the authority from rents and other charges in respect of houses and other property • The expenditure in respect of the repair, maintenance, supervision and management of such property • Such other matters connected with the HRA • <p>Implementation of the proposals will secure that the account does not show a debit balance</p>
Finance and Value for Money	As contained within the report.
Risk Assessment	The risks associated with the Housing Revenue Account and Housing Capital estimates are contained within this report and the current Medium Term Financial Strategy.
Equality Impact Assessment	Screening for Equality Impacts
	Question
	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer.</p> <p>No</p>
	<p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer.</p> <p>No</p>
	<p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>
Corporate Plan	Corporate Objective 4: A sound and self-sufficient council.
Crime and Disorder	N/A
Digital and website implications	There will be a need to update information provided by the council on the website
Safeguarding children and vulnerable adults	N/A