

Gravesham Borough Council

Report to: Cabinet
Overview Scrutiny Committee

Date: 3 February 2020
13 February 2020

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

Subject: Housing Revenue Account Estimates and Housing Capital Programme 2020-21

Purpose and summary of report:

To present the Cabinet with the draft revenue and capital estimates for Housing Revenue Account Services in 2020-21.

To inform Cabinet of the determination of the level of rents and service charges for 2020-21.

Recommendations:

The Cabinet recommends to Full Council that:

1. The draft Revenue estimates for 2020-21 together with the revised estimates for 2019-20 to be approved;
2. The draft capital estimates, together with the revised estimates for 2019-20 be approved, subject to detailed reports coming forward for new schemes, where applicable;
3. The increase in average rents of 2.7% for 2020-21 be noted.
4. Due consideration is given to the view of the Director (Corporate Services) (as S151 Officer) on the robustness of estimates for the coming year, the medium term financial strategy and the adequacy of proposed reserves and balances, as required under Section 25 of the Local Government Finance Act 2003.

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 2020-21. 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 2019-20

- 3.1 The Budget Monitoring Report at the end of Quarter Three (period to 31 December 2018) indicates a projected and anticipated deficit for the year of £3,475,220 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 £3,509,960 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 2019-20 financial year. Any surplus will be transferred to reserves at year-end.

Revised Budget 2020-21

- 3.2 The Original Estimate for 2020-21 represents a balanced budget position, though this has only been achieved through drawing £1,389,600 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 Dwelling Rents for 2020-21 will increase by 2.7%. The authority's average social rent will increase to £89.96 per week in 2020-21, compared to £87.17 per week in 2019-20. The average affordable rent will increase to £159.41 per week (the average social rent increase will not be exactly equal to 2.7% due to re-letting of void properties and additions of properties during the year).
- 3.4 The council's average capped service charge will be £3.63 per week for 2020-21.

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

- 4.1 The Housing capital programme for 2020-21 totals £20,550,100, of which £832,800 is in respect of non-HRA capital schemes and £19,717,310 is in respect of HRA capital schemes. The HRA capital programme for 2020-21 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.
- 5.2 The council's current MTFs covers the period 2016-17 to 2019-20. As explained in the General Fund Revenue and Capital Estimates 2020-21 report also included on this agenda, the current lack of clarity from Central Government around the future funding of local government has resulted in the decision being taken to put in place a one year Medium Term Financial Strategy for 2020-21. This Strategy and a recommendation for approval has been included in the General Fund Revenue and Capital Estimates 2020-21 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 Plans (Revenue and Capital) can be found at appendix 5 and appendix 6 to this report. **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 (HRA) 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> <p>The Local Government Act 2003 requires the Chief Financial Officer to provide a view of the robustness of the estimates and the adequacy of the level of reserves.</p>
Finance and Value for Money	<p>This report sets out the parameters and processes in place for preparing a balanced budget for 2020-21, in accordance with the Medium Term Financial Strategy for the year.</p>
Risk Assessment	<p>The risks associated with the HRA revenue and capital estimates are set out within the report.</p>
Data Protection Impact Assessment	<p><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p>a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data?</p> <p>A definition of each type of data can be found on the Information Commissioner’s Office website via the above links.</p> <p>No</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice?</p> <p>N/A</p> <p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk.</p> <p>N/A</p>
Equality Impact Assessment	<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 Plan Objective 3: Progress – Strong Leadership, specifically the commitment for Sound Financial Management.
Crime and Disorder	N/A
Digital and website implications	N/A
Safeguarding children and vulnerable adults	N/A