

APPENDIX A.4

WAVERLEY BOROUGH COUNCIL

MEETING OF THE COUNCIL - 16 FEBRUARY 2010

REPORT OF THE EXECUTIVE – 2ND FEBRUARY 2010

DRAFT HOUSING REVENUE ACCOUNT REVENUE ESTIMATES 2010/11

Introduction

1. Following the Finance Seminar in October 2009, the Executive considered a report in December outlining the budget headlines for the forthcoming financial year.
2. A further report was considered at the January meeting of the Executive, following the issuing by the Government of the draft Housing Subsidy Determinations for 2010-11.
3. The detailed estimates for the HRA are now attached for consideration at Annexe 16 and the effect of rent increases, other than the Government's guideline of 3.1%, is illustrated at Annexe 17. Following the Executive on 2 February 2010, the detailed budget sheets have now been updated to incorporate the effect of Star Chamber proposals.

HRA Subsidy

4. The estimates have been compiled on the basis of the draft subsidy determination issued for a consultation period ending 27th January 2010. It is the stated intention of the Department of Communities and Local Government (DCLG) to avoid significant changes in the subsidy system, pending the outcome of the review into the reform of council housing finance. The consultation paper into the reform of council housing finance announced by John Healey, the Housing Minister, proposed what was described as 'a radical dismantling' of the HRA subsidy system with the intention to replace it with 'a devolved system of responsibility and funding'. The deadline for responses to the consultation was the 27th October 2009. It is anticipated that an announcement will be made in February 2010 by DCLG, which will invite authorities to opt out of the existing subsidy system in return for a share of the national housing debt from 2011/12 and beyond.
5. In the meantime the 2010/11 estimates indicate that Waverley will contribute around £12.6m in negative subsidy and the rent rebate subsidy limitation penalty.

Rents and Rent Restructuring

6. The draft determination for 2010/11 proposes that the element of the increase deferred from 2009/10 be applied, resulting in an increase in guideline rents of 3.1% and taking the estimated average rent for Waverley to £93.16 per week. This is below the Government's target rent for convergence with other social landlords of £95.34 which is now expected to be reached by 2013/14.

2010-11 Draft Revenue Estimates

7. An allowance has been made for inflationary increases on the responsive repairs contract. The provision for cyclical repairs has also been increased to accommodate the requirement to provide energy performance certificates, the ongoing need to carry out asbestos and fire risk assessments and associated works, feasibility studies and rolling stock survey, which were all formerly charged to capital. There is also still a need for an extensive programme of external redecoration and associated external works.

Key Budget Assumptions	£'000
• Impact of BERR inflation	75
▪ Appointment of tenant participation Officer (gross cost)	45
• Tenants' decorating scheme	50
• Revenue cost of Orchard upgrade	35
• Contribution to Credit Union	5
• Additional cyclical maintenance	<u>250</u> 460
Less: Already in base (Audit Commission Recommendations)	-120
Increased rent income from improved Voids performance	-120
Net Increase in Revenue Costs	<u>220</u>
To be met from rent increase	

Forward Budget Projections

8. These have been updated in line with the draft Budget .

Observations of the Community Overview and Scrutiny Committee

9. The Overview and Scrutiny Performance Sub-Committee was tasked with examining the detail of the draft HRA budget and reporting its findings to the full Committee. The comments of the Committee are as follows
10. *It was noted that the Tenants Panel were in unanimous support of the proposed Tenants Redecorating Scheme and an email from the Chairman Tenants Panel was read aloud by the Chairman. It was noted that the sum of £50,000 could, as an alternative be applied to the Decent Homes Programme and secure around another ten kitchens. However, the Redecorating Scheme could improve around 200 homes. Although redecorations would not bring housing stock any closer to achieving the Decent Homes Standards, it was considered that this was very worthwhile scheme and a good use of resources.*
11. *The meeting heard that the percentage of properties reaching Decent Home Standard was increasing by around 3% per year, but that further deterioration tended to balance that increase. The negative subsidy was preventing the achievement of better results, and in order to achieve a significant impact on the number of properties reaching the Standard a large capital investment would be required for which no resources exist currently.*
12. *With regard to the Government's proposed rent increase of 3.1%, members heard that for every 1% charged below the recommended increase there would be £110,000 less net income. If the rent increase were to be set at 0% for 2010/11 then there would be £330,000 less to reinvest in tenants' services and housing stock. Members considered that tenants would expect a modest increase in rents in order to support expenditure on services. The new post of Tenant Participation Officer and the Tenants Redecorating Scheme had been budgeted for from the planned rent increase and both of these proposals had been considered desirable by the Tenants Panel and were supported in the recent budget consultation exercise. The meeting heard that the Executive would receive a number of budget and rent options to consider at the February meeting (see Annexe 17).*
13. Annexe 17 shows the effect of reducing the rent increase below the Government's guideline of 3.1% however, such reductions would require reduced spending on important housing repairs

The Robustness of the Estimates

14. 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.

15. The Council's Financial Strategy, together with information presented at the Annual Finance Seminar and subsequent reports demonstrates the financial challenges to Waverley Borough Council and its Landlord Service in the future.
16. In addition to the detailed scrutiny by officers of the budget the Council has:
 - Critically examined Budget Variations; and
 - Established the Star Chamber to examine the budget in detail and advise on potential reductions.
17. In view of the level of awareness amongst Members and the action taken to produce the Council's Budget in 2010/11, the Deputy Chief Executive is satisfied with the robustness of the estimates presented.
18. Given the volatility of the economy it is proposed that officers once again conduct a formal review of the HRA budget for the September 2010 Executive with any exception reports to earlier Executive meetings.

Adequacy of Reserves

19. Adequate reserves are necessary to meet significant costs that could not reasonably have been foreseen in the preparation of the budget. The levels of the HRA working and Repairs Fund balances were reviewed by the Council's S151 officer during the 2009-10 budget process who considered it prudent to increase the minimum working balance to £1.250m from 2009/10. It is expected that this level will be achieved by March 2010. For this reason the 2010-11 budget is drafted to break even. The balances are considered prudent, but not excessive.

Summary

20. It is recommended that the rent increase is agreed at 3.1% in line with the government's proposed revised rent restructuring policy of convergence with RSL rents by 2013/14. Final subsidy determinations were issued on 3 February confirming the guideline rent increase at 3.1%.
21. With this level of rent increase and the maintenance of the revenue balance at £1.25m, additional revenue is available to support the substantial demands on the revenue maintenance budgets in particular, cyclical work.

The Executive

RECOMMENDS that

17. **the Community Overview and Scrutiny Committee are thanked for their comments and that these are noted;**

- 18. a change to the Establishment to approve the post of Tenant Participation Officer,**
- 19. the average actual rent level of Council dwellings be increased by 3.1% from 5th April 2010,**
- 20. the weekly charge for a separate garage rented by both Council and non-Council tenants be increased by 3.1% from 5th April 2010, and**
- 21. a formal review of the HRA revenue budget is carried out and reported to the September meeting of the Executive.**

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