

## APPENDIX A.4

### WAVERLEY BOROUGH COUNCIL

#### COUNCIL MEETING – 15 FEBRUARY 2011

#### REPORT OF THE EXECUTIVE - 25 JANUARY 2011

#### FINANCIAL STRATEGY 2010/11 – 2013/14

#### HOUSING REVENUE ACCOUNT BUDGET 2011/12

##### Housing Revenue Account

- 1 In its comprehensive spending review in October the Government confirmed the demise of the HRA subsidy system and its replacement by a system of self-financing for local authorities that still own housing stock. It is expected that self-financing will be introduced with effect from 1<sup>st</sup> April 2012. The 2011-12 financial year will therefore be the last under the old system in which Waverley is paying in excess of 50% of its rental income to the Government.
- 2 A policy document is due to be published early this year setting out how the proposals are envisaged to work in practice, together with the underpinning model and updated indicative numbers for each council.

##### Housing Revenue Account Subsidy

- 3 The Government issued its draft Subsidy Determinations on 10<sup>th</sup> November 2010. The Determinations indicated an average increase in guideline rents of 6.8% but Waverley's individual guideline as 7%. The estimated negative subsidy of £12.936m resulting from this indicative rent increase and other changes to subsidy elements have been incorporated in the draft estimates to date.
- 4 The Final Determinations issued on 10<sup>th</sup> January 2011 confirmed the guideline rent increase. However, due to an increase in the GDP deflator to which increases in allowances for management and maintenance are linked, the estimated negative subsidy is now reduced by some £100,000. This amended figure is incorporated in the HRA Summary at Annexe 15, which also shows the impact of increasing rents at the Government guideline.

##### 2011-12 Draft Revenue Estimates

5. There has again been rigorous scrutiny of draft budgets through the Council's 'star chamber' process involving the Chief Executive, Finance Portfolio Holder, and Heads of Service to examine operational and staffing budgets in detail.
6. A substantial list of potential savings has been identified and is attached at Annexe 16 for consideration. Some of the proposed reductions reflect what is already happening e.g. proposed deletion of posts that are already vacant

and service delivery has been adapted to accommodate the vacancies. Other proposed savings will have to be achieved during the course of the next financial year through the work of your officers.

7. It is also suggested that garage rents in high demand areas and, for consistency of charging in those areas where council car parking is available, should be increased by more than the approved average rent increase.
8. The Star Chamber proposals, combined with further savings from the foresight programme are in the region of £600,000 and, if combined with a rent increase at the Government guideline, will enable a substantial contribution to be made to the decent homes programme.
9. The key assumptions that have been made in drafting the budget are:

<b>Key Budget Assumptions 2011/12</b>	<b>£'000</b>
---------------------------------------	--------------

- |  |    |
|--|----|
| • Contract Inflation   | 25 |
| ▪ Allowance for increase in pension contributions                | 25 |
| • Revenue support for Orchard upgrade b/fwd                      | 35 |
| • Contribution to Credit Union                                   | 5  |
| • Balances held at £1.25m  |    |
| • Rent Increase: Each 1% equates to £127,000 (net after subsidy) |    |

7% rent increase produces £892,000 (net)

Housing subsidy will account for 51% of rent income in 2011-12

- |  |  |
|--|--|
| • Supporting People will be accounted for in the General Fund from 2011-12 |  |
|--|--|
10. The detailed HRA revenue estimates appended to this report show the estimated impact of increasing rents at the Government guideline prior to any of the Star Chamber proposals being approved and actioned.

### **Fees and Charges**

11. A schedule of the proposed Fees and Charges for the Housing Revenue Account is shown at Annexe 17.

### **Tenants' Panel**

12. Waverley's Tenants' Panel, representing and working on behalf of all Waverley's tenants, considered the issue of rent increase at a recent group meeting. They agreed that Waverley should increase rents by whatever the Government guideline is and should not be lower. The panel recognise that

this is important to help put the HRA in the strongest possible position going into self-financing and that it may help support Waverley's bid for decent homes backlog funding. The panel are particularly keen to see more decent homes work carried out, especially doors and windows.

### **The Robustness of the Estimates**

13. 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.
14. 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.
15. 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.
16. In view of the level of awareness amongst Members and the action taken to produce the Council's Budget in 2011/12, the Deputy Chief Executive is satisfied with the robustness of the estimates presented.

### **Adequacy of Reserves**

17. 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 2010-11 budget process who considered it prudent to maintain the minimum working balance at £1.250m.

### **Summary**

18. Waverley has submitted a bid for Decent Homes backlog funding in line with the invitation issued by the Homes and Communities Agency (HCA) in December. The funding is intended to support Government plans for reforming the HRA subsidy system and enable councils to achieve sustainable, self-financing business plans. In order to make a successful bid Waverley will need to demonstrate, amongst other things, that it is doing as much as it possibly can to deliver decency. A rent increase at the Government guideline will raise the maximum amount of revenue and enable a contribution to be made to support the 2011-12 Capital Programme.
19. The guideline rent increase of 7% is high in the current financial climate. There is some mitigation in the fact that currently some 58% of Waverley's

tenants are in receipt of full or partial housing benefit that will help to alleviate the impact of the rent increase.

20. Other initiatives are being considered to help reduce the cost burden on tenants. Officers are currently receiving proposals for the installation of solar photovoltaic (PV) panels on council dwellings. Such a scheme could produce savings in energy bills for a tenant of an estimated £130 per year and additionally could generate an income stream for the landlord service that could be recycled into maintenance and improvements for those tenants unable to benefit from the PV scheme.
21. At its meeting on 17 January 2011, the Community Overview and Scrutiny Committee made the following observations:-

Members had a substantial discussion and were informed by the Tenants' Panel Representative that they supported the proposed rent increase being at the level of the government's guideline figure, currently 7%. The Tenants' Panel recognised the importance of an increase in rents to sustain the repairs programme and contribute to the capital resource for decent homes. Members considered it important that the budget should be in a robust position in the lead up to self-financing.

22. The Executive now

**RECOMMENDS that**

14. **the Community Overview and Scrutiny Committee are thanked for their comments and that these are noted;**
15. **in accordance with the Subsidy Determinations issued by the Government, the average actual rent level of Council dwellings be increased by 7% from 4th April 2011;**
16. **the weekly charge for garage rents at Waggon Yard, Farnham be increased by £4 a week from 4 April 2011 to reflect their location;**
17. **the weekly charge for garages at Courtney Road, Farnham; Meadow, Latimer Road and Peperharow Road, Godalming; Hillhouse and Sunbrow, Haslemere be increased by 10% from 4 April 2011 to reflect the demand for garages in these areas;**
18. **the remaining garages rented by both Council and non-Council tenants be increased by 7% from 4th April 2011;**
19. **the List of Star Chamber Reductions as shown at Annexe 16 be approved;**
20. **it be noted that no increase in pension contributions is required in 2011/12;**

- 21. the schedule of Fees and Charges for 2011/12 as shown at Annexe 17 be approved**
- 22. any balances in excess of £1.25m, the working balance, be used to fund Decent Homes work in the Capital Programme; and**
- 23. the resultant HRA Revenue Budget for 2011/12 be approved which includes the above changes.**