

APPENDIX A.3

WAVERLEY BOROUGH COUNCIL

COUNCIL – 18 FEBRUARY 2014

REPORT OF THE EXECUTIVE - 4 FEBRUARY 2014

HOUSING REVENUE ACCOUNT BUSINESS PLAN 2014/2041 AND REVENUE BUDGET 2014/2015

1. This report updates councillors on the Housing Revenue Account (HRA) Business Plan and the revenue budget for 2014-15. It contains the following Annexes:

- Annexe 16 – Business Plan Assumptions
- Annexe 17 – Business Plan
- Annexe 18 – Star Chamber proposals
- Annexe 19 – Draft revenue estimates
- Annexe 20 – Rents Analysis
- Annexe 21 – Housing fees and charges

Background

2. Self-financing of the HRA is now well established. The backlog decent homes work will be cleared by the end of the 2013/2014 financial year (partly funded by Government grant) and it is expected that the first new build for many years will start on site in March 2014.
3. There continues to be significant internal change in housing staff with a number of senior posts remaining to be filled. A priority in 2014/2015 will be to appoint to these posts and create some stability within the landlord service that can take the service forward to the benefit of current and future tenants and the wider community in Waverley.
4. The first five years of the Business Plan are attached at Annexe 17 and the assumptions behind the plan (Annexe 16). This illustrates the impact of the latest assumptions and estimates when compared with the original Business Plan. Despite unavoidable increases in some costs and assumed lower increases in rents from 2015/16 to reflect the latest Government proposals, surpluses of some £37.1m are still expected to be generated in the first 5 years to fund new affordable homes and support stock remodelling, this compares to an original estimate of £37.2m. However, additional cost of some £100k from the refinement of the staff structure referred to at (2) above will potentially reduce the available surplus. In year 6 of the Business Plan Waverley will begin to repay the £189m of borrowing that was necessary for the implementation of the self-financing regime.

REVENUE BUDGET
2014/15 Draft Revenue Estimates

5. There has been rigorous scrutiny of draft budgets through the Council's 'star chamber' process involving the Deputy Chief Executive, Finance and Service Portfolio Holders, Heads of Service and, in the case of the landlord service, Strategic Director. The approved proposals submitted are included at Annexe 18.
6. The new contracts for repairs and major works awarded in February 2012 are being kept under close scrutiny. The responsive maintenance and cyclical & planned maintenance budgets have been increased in line with the terms of the contract.
7. As part of its wider landlord role, in 2012/13 Waverley piloted Waverley Families, a multi agency service to support vulnerable families with diverse problems. Following a successful pilot a budget for this service has been incorporated within the landlord service with Surrey County Council funding until at least April 2015.
8. The draft budget (Annexe 19) and updated Business Plan reflect the proposals submitted at Star Chamber in order for the Business Plan to show that the proposals are viable. There are no outstanding items from the 2013/14 Star Chamber process.

Rents

9. When setting its budget for 2013/14, the Council agreed a set of principles that would support Waverley's Business Plan objectives with broad adherence to the Government's social rent policy. The proposed increase of 3.7% (September 2013 RPI + ½%) with an addition of up to £2/week for those properties where rent is below their target rent has regard to these principles. In addition this, crucially, helps to protect the amount available in the first five years of the Business Plan. Annexe 20 analyses the numbers of properties that are below target rent.
10. Garage rents are proposed to increase by 3.7%, with a review of usage and economic viability to be undertaken during the year. The garages at Waggon Yard, Farnham to increase by £1.95 per week to reflect their prime town centre location and desirability.
11. It is not proposed for service charges in Sheltered accommodation to be increased in 2014/15 as the costs have not increased, but that the Heating reimbursement charge is increased by £2 per week reflecting the anticipated increased cost. Last year the sheltered charges were not increased, and gas prices have increased by 20% since 2012.
12. It is proposed that, following the changes to Temporary Accommodation (TA) rent setting that were agreed by Council on 15.10.13, the rents of TA and Bed and Breakfast are increased in accordance with the agreed recommendation when the LHA rates are announced.

Robustness of 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 demonstrate the financial challenges to Waverley Borough Council and the 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 changes.
16. In view of the level of awareness amongst Members and the action taken to produce the Council's budget in 2014/15, the Director of Finance and Resources is satisfied with the robustness of the estimates presented.

Adequacy of reserves

17. 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 increased to £2m which is projected to be achieved during 2013/14 and maintained going forward.

Increases in Fees and Charges

18. Where Waverley has discretion over fees and charges, these have been reviewed as part of the budget process, and increases of 2.8% rounded to the nearest whole pound (£) have been suggested (Annexe 21).

Comments from the Corporate Overview and Scrutiny Committee

19. The Corporate O&S Committee endorsed the detailed estimates and proposals in the report, including the proposed rent increase, and had no further comments to pass on to the Executive.
20. The Executive, having considered the comments from the Corporate Overview and Scrutiny Committee

RECOMMENDS that

16. **the actual rent level of Council dwellings be increased by 3.7% from 7 April 2014 with an addition of up to £2/week for those properties below their historic target rent;**

- 17. the weekly charge for garages rented by both Council and non-Council tenants be increased by 3.7% from 7 April 2014;**
- 18. the weekly charge for garages at Waggon Yard, Farnham to be increased by £1.95 per week;**
- 19. the recharge for energy costs (as appropriate) be increased by £2/week from 7 April 2014;**
- 20. fees and charges be increased in line with the proposals at Annexe 21;**
- 21. the Star Chamber proposals at Annexe 18 be approved; and**
- 22. the resultant HRA Revenue Budget and Business Plan updated for 2014-15, which incorporate the above changes, be approved.**