

APPENDIX C

WAVERLEY BOROUGH COUNCIL

EXECUTIVE - 2 DECEMBER 2008

Title:

**FINANCIAL STRATEGY 2009/10 – 20012/13
HOUSING REVENUE ACCOUNT BUDGET
2009/10**

[Portfolio Holders for Finance and Housing: Cllrs Mike Band and Richard Gates]
[Wards Affected: All]

Summary and purpose:

As part of the budget process, this report informs the Executive about the draft Housing Revenue Account (HRA) subsidy Determinations for 2009/10. The report provides Members with a preliminary indication of the impact of these Determinations.

How this report relates to the Council's Corporate Priorities:

The landlord service deals with delivering affordable housing and improving lives – two of the Council's five corporate priorities. A robust budget needs to be in place to aid the delivery of these priorities.

Equality and Diversity Implications:

As a social landlord Waverley strives to understand the housing need and provide social housing to all strands of the Borough's population.

Resource/Value for Money implications:

Resource implications are contained throughout the report

Legal Implications:

There are no direct legal implications as a result of this report

Introduction

1. The annual Finance Seminar that took place on 27 October highlighted the key issues affecting Waverley's landlord service and the ongoing difficult decisions that will need to be made as part of the 2009-10 budget process and for the longer term in order to maintain a viable service.
2. Service delivery is already under review. Posts at the senior end of the service have been deleted with resultant savings in 2009-10 and the process of examining all vacancies will continue both to help achieve savings and improve service delivery. The proposals within the draft estimates will be subjected to rigorous scrutiny through the 'star chamber' that is part of the budget preparation process.

2008-09 Draft Revenue Estimates

3. The HRA is driven by the Government's decisions with regard to the national housing revenue account and the housing subsidy regime. As Members will be aware, a full review of this system is taking place and is due to report to Ministers in Spring 2009. Consultation on the resultant proposals will be taken forward in the light of the timetable for the next comprehensive spending review.
4. Until the outcome of the review is known, Communities and Local Government (CLG) wish to avoid significant changes to the current system and maintain as stable a position as possible over the next two financial years. To this end the Draft Subsidy Determinations, issued on 29 October 2008, set the parameters for constructing both the 2009-10 and the 2010-11 Determinations.
5. From Waverley's perspective the most important proposal is the proposed fixing of the average rent increase. Instead of the guideline rent increase being dependant on the prevailing level of inflation in the previous September, CLG propose using a fixed average rent increase for both 2009-10 and 2010-11 and adjusting the rent convergence date accordingly. The intention of this change is to protect tenants from both high and variable increases in inflation.
6. The impact of these proposals is that the increase in Waverley's negative subsidy in 2009-10 is likely to be around half of what it might have been under the current subsidy rules with rent convergence by 2011-12. However, even with these proposed changes, Waverley is still expecting to be paying 48.7% of tenants' rent to the Government.
7. If confirmed a lower than anticipated increase in negative subsidy combined with other savings and efficiencies being made in the landlord service may give some flexibility to look at different spending options e.g. increase preventative cyclical maintenance, make a revenue contribution to decent homes work or choose a rent increase slightly below the Government guideline to relieve the demands on tenants.

Conclusion

8. It is estimated that, based on the content of the draft Determinations, Waverley will pay around 48% of its rent income to the Government in 2009-2010. The proposals however, to fix guideline rent increases for the next two financial years, could potentially free up a small amount of resources if rents are increased in line with CLG expectations. However, negative subsidy will still increase but some revenue may be generated by increased rents to give greater flexibility over spending options.

Recommendation

It is recommended that the Executive

1. note the issues raised in the draft subsidy Determinations and note that the Determinations will not be confirmed until late December;

2. asks the Community Overview and Scrutiny Committee to consider the detailed HRA budget papers for 2009-10 and identify spending priorities within the landlord service; and
3. gives further consideration to the HRA budget for 2009/2010 at its meeting on 6 January 2009.

Background Papers (DCEx)

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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