

APPENDIX C.2

WAVERLEY BOROUGH COUNCIL

EXECUTIVE - 5 JANUARY 2010

Title:

**FINANCIAL STRATEGY 2009/10 – 2012/13
HOUSING REVENUE ACCOUNT BUDGET 2010/11**

[Wards Affected:All]

Summary and purpose:

In December Members were advised of the constraints around the preparation of the draft Housing Revenue Account (HRA) revenue budget for 2010/11. This report gives Members the updated position following the receipt of the draft Housing Subsidy Determinations on 10th December.

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 December report to the Executive outlined the work going on within Waverley's landlord service despite the very difficult and uncertain financial climate within which it operates.
- 2 Since that meeting the HRA budget has been scrutinised through the Council's 'star chamber' process. Good progress is being made in implementing recommendations made by the Audit Commission (AC) following inspection in the autumn of 2008. It is proposed that permanent changes will be made as a result of this, including the appointment of a tenant participation officer to develop and broaden engagement with tenants.
- 3 Earlier in the year, the Executive agreed to carry out a detailed budget consultation exercise to help inform the 2010/11 budget process and

Members undertook to take note, wherever possible, of residents views about spending priorities. This exercise was completed in October and consulted a representative sample of Waverley's housing tenants on specific housing services and spending priorities. The budget reports being considered by the Overview and Scrutiny committees in January highlight the links between the budget consultation results and the draft budget proposals: Further detail will be provided to the Executive in February alongside the comments from the O&S Committees.

2009-10 Draft Revenue Estimates

- 4 The Government's draft subsidy determinations for 2010-11 were finally issued for consultation on 10th December, a process that concludes on 25th January. The main issue for consultation is the proposal to increase guideline rents by an average of 3.1% for 2010-11 rather than the 6.1% that the Government proposed for 2010-11 when it issued the equivalent draft Determinations for 2009-10.
- 5 Communities and Local Government (CLG) restate the objective that 'significant changes to the current system should be avoided until the final outcome of the work on the Reform of Council Housing Finance is known. It is our intention to issue the 2010-11 HRA Subsidy and Item 8 Determinations constructed using similar parameters as those used in previous years. The formulae and definitions used in this 2010-11 determination are based on those used for the original 2009-10 subsidy determination issued in December 2008 except where there are agreed annual updates to the data'
- 6 CLG goes on to say 'The key issue in this consultation concerns the average guideline rent increase for 2010-11. As you will be aware, the average guideline rent increase for 2010-11 established in December 2008 was 6.1%. After taking into account the continuing economic conditions, the September 2009 RPI -1.4%, and current rent re-structuring policy, the average guideline increase has been reduced to 3.1%'. Fixing the guideline rent increase at this level will speed up convergence between housing association and local authority rents so that it is achieved in three years time.
- 7 The impact of a 3.1% increase has been incorporated into the draft budget along with the key budget assumptions itemised below.

Key Budget Assumptions	£'000
• Contract 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 external maintenance	<u>250</u>
	460
• Less: Already in base (Audit Commission Recommendations)	-120
Reduction of rent lost through voids	-120
Net Increase in Revenue Costs	<u>220</u>
To be met from rent increase	

Conclusion

- 7 The portfolio holder for housing has written to the Minister questioning the rationale behind the 3.1% guideline rent increase and urging reconsideration. In the meantime, Waverley must work within the parameters of the draft Determination. An average rent increase of 3.1% will raise sufficient revenue to enable spend to be targeted at high priority areas. However, it is also estimated that negative subsidy will account for 49% of rent income in 2010-11. In addition Waverley has to pay back an extra £1m for repairs funding brought forward into 2009-10 to speed delivery of decent homes. This increases the negative subsidy proportion of rent to 53% for the year.

Recommendation

It is recommended that the Executive

1. ask the Community Overview and Scrutiny Committee to consider the detailed HRA budget papers for 2010-11 and identify any further spending priorities within the landlord service and any opportunities for savings; and
2. give final consideration to the HRA budget for 2010/2011 at its meeting on 2 February 2010;

Background Papers (DoF)

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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