

WAVERLEY BOROUGH COUNCIL

EXECUTIVE - 5 FEBRUARY 2013

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**Title:**

**HOUSING REVENUE ACCOUNT BUSINESS PLAN 2013-2014 and  
REVENUE BUDGET 2013-2014**

**[Portfolio Holder: Cllr Keith Webster]  
[Wards Affected: All]**

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**Summary and purpose:**

This report updates the Executive on the Housing Revenue Account (HRA) Business Plan and the revenue budget for 2013-14.

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

Waverley's landlord service deals with the management and maintenance of existing stock and delivering **affordable housing** which helps to **improve lives** – two of the Council's five corporate priorities. A viable business plan which takes account of these priorities needs to be in place to aid delivery

**Equality and Diversity Implications:**

Providing more and better affordable housing for residents of the Borough in housing need, particularly the more vulnerable in our society.

**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

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**Background**

1. In March 2012 Waverley was required to enter into a new method of funding the provision of council housing services and borrow £189 million. The new self-financing system replaced the previous regime where Waverley was required to hand over 50% of rent receipts to the government as a 'negative subsidy'.
2. This new way of funding, based upon a Government formula has given Waverley much greater financial freedom - to retain all of its rental income, service the debt and manage and improve the stock much more effectively as a result.

## **Introduction**

- 3 The debt has been structured around a balanced package of loans of various values and repayment dates to give an average interest rate of 3% and minimise exposure to the identified risks. The financial model to the Business Plan (**Annexe 2**) reflects the repayment of the loans which begins in 2017. This delay in repayment allows for the retained income to be re-invested in the stock via the decent homes scheme and major stock improvement together with the building of new homes for social rent.

The Business Plan reflects the level of debt and repayment, ensuring that repayment and adequate investment in the stock is sustainable. The assumptions underpinning the original and updated 30-year Business Plan are attached at **Annexe 1**

## **REVENUE BUDGET**

### **2013-14 Draft Revenue Estimates**

- 4 There has been rigorous scrutiny of draft budgets through the Council's 'star chamber' process involving the Chief Executive, Finance and Service Portfolio Holders, Heads of Service and, in the case of the landlord service, Strategic Director.
- 5 The new contracts for repairs and major works awarded in February 2012, are now beginning to reflect the anticipated improvements over the previous contracts. The responsive maintenance, and cyclical & planned maintenance budgets have been increased in line with the terms of the contract.
- 6 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 Housing Management for 2013-14
- 7 The budget (**Annexe 3**) and updated Business Plan reflect the savings submitted at Star Chamber and there are no outstanding items from the 2013-14 Star Chamber process.

## **Rents**

- 8 The Government's policy on rent convergence remains in place together with the subsidy penalty where average rents are higher than Government guideline rents. With the move to self-financing and away from some of the strictures of the Government's rent restructuring regime, it is felt appropriate to agree a set of rent setting principles that are suitable to Waverley's Business Plan objectives. Draft principles to be followed in such a policy are proposed as follows;
- To maintain social housing rents

- Maintain sufficient revenue to generate original estimated Business Plan investment in New Build and Stock Improvement, after taking account of cost fluctuations each year
- Set a flat-rate increase
- Review rents each year to decide whether variation necessary for properties below their historic target rent.
- To converge rents for similar properties in similar locations
- Voids should be re-let at historical target rent where this is above current rent charged

Key Actions (resulting from the above)

- Carry out a detailed analysis of stock below historic target rent
  - Implement greater control on rent setting by reviewing proposed re-let rent before void is advertised
- 9 For 2012-13 the council set an average rent increase of 5.9% based on October 2011 RPI plus ½%. This was an average increase based on rent restructuring principles that gave a wide variation around the average. It is now proposed that in the self-financing environment, and in line with the rent setting principles outlined above, a flat rate increase is more appropriate and gives tenants more certainty with only minor adjustments for those properties where rent continues to be below the historical target rent.

Several options for rent increase have been considered (**Annexe 4**) but, based on October 2012 RPI (3.2%), it is proposed that a rent increase of 3.7% should be levied for 2013-14 with an addition of up to £2/week for those properties where rent is below their target rent. This, crucially, protects the amount available in the first 5 years of the Business Plan.

**Robustness of Estimates**

- 10 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.
- 11 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 its Landlord Service in the future.
- 12 In addition to the detailed scrutiny by officers of the budget the Council has

- Critically examined budget variations and considered a range of rent options – see Annexe 4
- Established the Star Chamber to examine the budget in detail and advise on potential changes.

13 In view of the level of awareness amongst Members and the action taken to produce the Council's budget in 2013-14, the Deputy Chief Executive is satisfied with the robustness of the estimates presented.

### **Adequacy of reserves**

14 Adequate reserves of £2 million 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 allows for this.

### **Conclusion**

15 The benefits of self-financing, the staffing restructure and the re-letting of major contracts are already becoming apparent for the landlord service. Lower inflation generally and the level achieved in letting the new maintenance contracts together with reductions in staffing costs charged to the revenue account are keeping running costs down. This enables predicted investment funds to be maintained with a lower level of rent increase than was forecast in the original Business Plan.

16 Significant improvements to tenants' homes are already being made and this will be accelerated through the decent homes programme in 2013-14 (see **Appendix A 7.4** – Housing Revenue Account Business Plan – Capital Programme et al)

### **Recommendation**

Having considered the comments from the Corporate Overview and Scrutiny Committee it is recommended that the Executive makes the following recommendations to Council that:

1. the draft rent setting principles be agreed;
2. the actual rent level of Council dwellings be increased by 3.7% from 1st April 2013 with an addition of up to £2/week for those properties below their historic target rent;
3. the weekly charge for garages in Wagon Yard, Farnham be increased by 5% from 1<sup>st</sup> April 2013 to reflect their prime town centre location;

4. the weekly charge for other garages rented by both Council and non-Council tenants be increased by 3.7% from 1<sup>st</sup> April 2013; and
5. the resultant HRA Revenue Budget and Business Plan updated for 2013-14, which includes the above changes, be approved.

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Background Papers ( DCE)

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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**CONTACT OFFICER:**

**Name: Paul Wenham**

**Telephone:** 01483 523238

**E-mail:** paul.wenham@waverley.gov.uk

**Name: Glennis Pope**

**Telephone:** 01483 523477

**E-mail:** glennis.pope@waverley.gov.uk

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