

Report for: Cabinet

Date of Meeting:

16 February 2023

Subject:

Housing Revenue Account Budget (HRA) 2023-24 and Medium-Term Financial Strategy (MTFS) 2024-25 to 2025-26 and HRA 30- year Business Plan

Key Decision:

Yes

Responsible Officer:

Dipti Patel - Corporate Director of Place;
Dawn Calvert - Director of Finance;
David McNulty - Divisional Director of Housing;

Portfolio Holder:

Councillor Mina Parmar-- Portfolio Holder for Housing;

Councillor David Aston - Portfolio Holder for Finance and Human Resources

Exempt:

No

Decision subject to Call-in:

Yes

Wards affected:

All

Enclosures:

Appendix 1 – HRA Budgets 2023-24, 2024-25 and 2025-26
Appendix 2 – Average Rents and Service Charges
Appendix 3 – Garage, Parking charges and Facility Charges
Appendix 4 – Water charges
Appendix 5 – Community Halls Charges
Appendix 6 – HRA Capital Programme – 2023-24 to 2027/28
Appendix 7a-7b HRA Business Plan Assumptions and Summaries

Section 1 – Summary and Recommendations

This report sets out the proposals on the Housing Revenue Account (HRA) budgets and rent setting for 2023-24, the Medium-Term Financial Strategy (MTFS) for 2024-25 to 2025-26 and the update on HRA 30-year Business Plan.

Recommendations:

Cabinet is requested to:

- 1) Approve proposed average weekly rent for general needs and sheltered accommodation of £132.00 and £113.52 for 2023-24 respectively as set out in paragraph 32 and Appendix 2.
- 2) Approve proposed average weekly rents for affordable and shared ownership properties of £197.49 and £210.64, which reflect increases of 7% in line with the national rent policy for social housing -paragraph 33 and 35
- 3) Approve a five-year HRA Capital programme of £181,228,214 made up of £52,965,240 planned investment, £54,617,799 Building Council Homes for Londoners (**BCHfL**), £212,249 Grange Farm phase 3, £2,615,000 Grange Farm Infrastructure, £70,817,926 Homes for Harrow Phase 2 as set out in paragraphs 59 to 65 Appendix 6.
- 4) Approve the HRA 30-year Business plan and assumptions (appendix 7 and 7a paragraphs 66 to76).
- 5) Approve the flexibility under the Governments Rent Policy, to allow void properties to be re-let at formulae rent plus 5% and 10% for general needs and sheltered properties respectively as set out in paragraph 34.
- 6) Approve proposed average weekly general need service charge of £8.22 and sheltered services charges of £16.95 per week. The charges proposed reflect the outcome of the service charge review as set out in paragraph 38 and appendix 2.
- 7) Approve proposed average weekly services charges for affordable and shared ownership properties of £15.86 and £8.91 respectively as set out in appendix 2.
- 8) Approve an average weekly facility charge of £30.77 for sheltered properties The charges proposed reflect the impact of significant increases in utility costs (paragraph 41).
- 9) Approve an average weekly heating charge for general needs properties of £18.77 (as per paragraph 41).
- 10) Approve an increase of up to 7.5% to water charges as set out in paragraph 40 and Appendix 4.

- 11) Approve weekly parking spaces and garage charges of £10.16 and £15.55 respectively as set out in paragraph 39 and Appendix 3.
- 12) Approve a 10% increase to the 2022/23 hourly hire charges applied to Community Halls as set out in Appendix 5.
- 13) Approve the use of S106 Affordable Housing contributions held by the Council for the purpose of providing affordable housing as part of the Council funding for the development of this 100% affordable housing scheme
- 14) Cabinet recommends that Council approve:
 - a. HRA Budgets for 2023-24; Appendix 1)
 - b. HRA capital programme (Appendix 6)

Reason (for the recommendation): To approve the recommendations herein to ensure the viability of the HRA and the proposed HRA capital programme for 2023-24 and the MTFs for 2024-25 to 2025-26. (The 30-year HRA business plan has been refreshed and updated to reflect the new budget and MTFs requirements).

Section 2 – Report

1. The Council has a statutory obligation to agree and publish the HRA budget for 2023-24, and approval for this will be sought by Council on 23 February 2023. This report sets out the budget proposals for 2023-24 along with the MTFs to 2025-26, and indicative income and expenditure for the HRA for this period. It sets out how the income collected will be invested in the priority areas identified for housing by the administration. It provides an update to the refreshed HRA Business Plan, along with highlighting the key assumptions required to reflect national policies and financial impacts to the HRA. It sets the rate for rent and service charges for the retained housing stock of around 4,800 homes currently available to let and 1,200 leasehold properties with approximately £33m in rent generated annually.
2. The HRA reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for local authority housing provision. It is a ring-fenced account, which records all revenue expenditure and income relating to the provision of council dwellings and related expenditure. The Council has a statutory responsibility to set a balanced HRA budget. The budgets for 2023-24 to 2025-26 show minimum reserves are maintained after factoring provisions for risk associated with development of new build programme in 2023-24 totalling £1.2m.
3. The HRA budget is set each year in the context of the 30-year business plan. The Business Plan is a statutory requirement used to assess the ongoing financial viability of the HRA and its ability to deliver the Council's housing priorities.
4. The business plan assumptions are reviewed annually to determine whether any aspects of the strategy need to be revised, allowing for horizon scanning and the

identification and mitigation of business risks in the short, medium, and long term. Sensitivity analysis is undertaken to ensure effective contingency plans are considered and that appropriate reserves are maintained regards any change in the business plan assumptions.

5. The business plan projections reflect the income and expenditure required to manage the Council's landlord functions and, at the same time, work towards the Council's objectives in investing in existing tenants' homes and creating capacity to fund the development of affordable homes for rent.
6. This report highlights areas to be noted of the HRA business plan and options considered for future budget strategy. The HRA business plan provides long-term financial forecasts resulting from the implications of the Council's spending, investment, and rent-setting decisions, based on the authority's current income, assumptions on how costs and income might change in the future to illustrate what the authority can reasonably expect to happen, using the best available information.
7. The HRA budget in 2023/24 establishes a strategic framework to invest in:
 - **Homes which are safe and secure for all residents:** It provides for investment in the properties so that the Council meets its statutory duties in relation to health and safety compliance and improves homes with over £8million per year provided for planned capital investment. The Council has made significant investment to date in its fire safety programme and this budget provides for this to continue and for investing in strengthening its approach regarding the issue of damp and mould.
 - **Reducing carbon emissions:** the Council is committed to reducing carbon emissions across the borough. The budget and business plan provides for investment in its properties to improve the thermal efficiency of its own housing stock and bid for government grant. Our strategy for investment seeks to maximise capital contribution through grants, we therefore plan with a view to deliver a strong business case that aligns with the prerequisites of the different external funding streams available on an annual basis. Where funding is not obtained, the base plan with 100% local authority investment is still in place to meet decarbonisation targets to 2030. The investment set out within the 5-year capital programme will enable the Council to provide match funding towards the government grants that become available and to achieve an Energy performance certificate (EPC) C target as an average by 2030.
 - **Improving Customer Service:** the budget will provide additional resources for phase 2 of the Housing IT systems transformation. £600k will be invested in this area in 2023-24. This will improve the way in which customers can report repairs and access their rent account.
 - **New affordable homes:** the HRA provides the basis on which the Council can increase the supply of new affordable housing in Harrow over the next 5 years. Given the current cost pressures in construction the Council has reviewed the programme to maximise the amount of new housing which the HRA can afford

to provide in line with its updated 30-year business plan. This investment will enable the Council to adopt a strategic approach to managing its housing asset. Over £96 million in borrowing will be provided through the HRA to fund this programme. The delivery of these new HRA homes through the HSDP will create an increase in revenue through rent. This increase in rent is factored into the HRA Business Plan.

Options considered

Rent charges, Service Charges, Facility and Heating Charges

8. In February 2019, following consultation, the government issued a direction on the Rent Standard from 1 April 2020 to the Regulator of Social Housing, to consider the government commitment to a five-year settlement of rent increases using the September CPI plus 1%. This direction brought local authority registered providers within the scope of the Regulator's Rent Standard.
9. However, Government in August 2022 consulted, to introduce a revised and temporary rent cap for 2023-24. The current policy of CPI plus 1% was set at a time when inflation was around 2%. However, CPI for September 2022 was running at 10.1%, which under the current rules would permit social housing rent increases of 11.1%. The Council responded to the consultation, supporting action to protect tenants with their rents, but with the proviso that the loss of rental income be fully reimbursed by government. The Chancellor in his Autumn statement on 17th November 2022 confirmed that a maximum rent cap of 7% would apply for 2023-24, which is designed to strike an appropriate balance between protecting social tenants from particularly high rent increases and ensuring that social landlords can continue to invest in new and existing social housing and provide decent homes and services to tenants.
10. There was no assurance received regarding the resources forgone by a rent increase below the level of inflation, thereby transferring the budget risk to local authorities. The budget is predicated on a rent increase of 7%, the maximum permissible for 2023-24, in order to sustain critical landlord services and deliver on Council priorities.
11. One exclusion announced in the Autumn Statement to the rent cap is in relation to supported housing which was exempted from the 7% cap in recognition of its specialist nature, the higher costs associated with the provision of this type of accommodation and the significant additional support needs of the clientele.
12. In line with Cabinet agreement in October 2018, Tenant service charges, across all tenures were reviewed to reflect the cost of the services. The review has resulted in greater transparency for service charges so that tenants who receive the service will pay the same weekly charge. This has resulted in an average weekly charge, across all tenures, of £9.61, 67% of these tenants are in receipt of housing benefit. Services charges to Sheltered residents include the cost of communal heating provided within their blocks and 88% of these residents are in receipt of housing benefit.

13. Facility charges to sheltered properties and heating charges to tenanted properties are proposed to increase to an average of £28.80 per week. The new charge recovers the increased cost of gas and electricity to the HRA which is estimated to be £1m in 2023-24. Failure to implement these charges would mean full cost recovery would not be achieved.

Alternative Option: Increase rents by less than the Government caps of 7%/11.1% and /or not apply full cost recovery to service and facility charges

14. Rents can be increased by 7% for non- sheltered tenants and for sheltered tenants up to CPI plus 1% (11.1%) under current regulations. Councils have a fiduciary duty to recover costs of services provided. Not doing so would result in the HRA falling below the minimum reserve requirement in MTFs in 2023-24. A reduction by 2% to 5% and 9.1% respectively would mean an estimated loss of income in 2023-24 of £652k and £29m over the 30-year HRA Business Plan. Failure to recover the cost base through service charges would mean the HRA is not sustainable.

Preferred Option:

15. Rents: Following Government guidance, preferred option is to apply rent increases of 7% for non- sheltered tenants and 11.1% (for sheltered tenants). Surpluses in the HRA will be used to support investment in stock and the new build development programme.
16. Services and facility charges: apply charges as set out in paragraphs 38-41 to ensure full cost recovery for services and facilities. This will ensure the HRA can afford to deliver the investment required in existing stock and the provision of New Build units.

Council House Building Programme:

17. The Council continuing with a council house building programme.

Option 1: Continue with new build programme within the HRA

18. This would provide up to 537 new homes across a mix of tenures including affordable rented and shared ownership accommodation as part of the BCHfL programme and Homes for Harrow-Phase 2 within the Council's HRA and partly in collaboration with the Harrow Strategic Development Partnership (**HSDP**).
19. Full utilisation of approved grant and borrowing, would be assumed and tested on an ongoing basis against a suite of assumptions using the HRA Business Plan.
20. Regular review and testing of assumptions would ensure continued viability given changing macro-economic and regulatory assumptions with appropriate mitigations against identified risks.

21. To ensure resources are not over extended and it remains affordable the programme will be expedited in phases with viability reviewed at each stage before starting on the next phase.

Option 2: Reduce the new build programme within the HRA

22. In the event risks around the HRA place core services and investment at risk the new build programme would be scaled back, reducing the number of homes to be built and the costs to be incurred or deferring them until such time as they are affordable to the HRA. In this option another Registered Provider would acquire the affordable homes being delivered by the HSDP and the council would rely on having nomination rights to these homes rather than owning and managing them itself. The council would deliver the already approved regeneration of Grange Farm and the small programme of new build homes within the HRA.

Preferred Option

23. Option 1 is the preferred option as it is currently affordable to the HRA and will provide much needed housing supply and securing the longer-term viability of the Council's HRA through an increase in rent.

Background

24. The current economic climate of high inflation has placed severe financial stress on the housing and construction sector. This is reflected in the figures within the MTFs and HRA Business Plan presented in Appendix 7b. The increases in material and labour costs for planned investment works and volatile gas and electricity price, have had to be addressed in the HRA business plan with fees charged to residents increased to reflect the rise in costs and maintain a sustainable position.
25. To ensure that the HRA can afford to deliver the investment required in existing stock and the 519 New Build units the cost of the additional services provided must be fully recovered where possible to ensure that HRA borrowing remains affordable and avoid the HRA falling into a deficit budget position.
26. Given the scale of the new build programme and associated risks the cost base of the HRA must now be kept under constant review to ensure continued viability of the HRA.

Consultation

27. Under s.105 of the Housing Act 1985, the Council is required to maintain such arrangements as it considers appropriate to enable secure tenants to be informed and consulted about housing management matters which substantially affect them. However, rent payable under a secure tenancy or to charges for services and facility provided by the authority are specifically excluded from the definition of housing management; therefore, there is no statutory requirement to consult secure tenants on proposed rent changes. The Council has however, always consulted residents on proposed changes via representative groups. On 26

January 2023 the Council consulted with its Residents Board and throughout February 2023 has undertaken consultation meetings at each Sheltered Housing scheme regards the proposed increase in rent and service charges.

28. The outcome of the review of tenanted service charges is now finalised and the impact included within the HRA MTFs and Business Plan refresh.

Balances

29. HRA revenue balances were £7.236m at 31 March 2022. These include general balances of £5.667m, required to mitigate against one off unforeseen events and are forecast to be £3.724m by March 2025 which is £554k above the minimum balances of 7% in the Business Plan based on 7% of rental income.
30. There are specific reserves to support IT investment and restructuring, repairs, tenants experiencing financial difficulties, and a regeneration reserve to support unexpected client-side costs and risks arising from new build developments. These specific reserves are all within the HRA and are estimated to total £1.319m as at the 31st of March 2023, as shown below:

| | 31/03/22 | 2022/23 Movements | 31/03/23 |
|----------------------------|--------------|----------------------|--------------|
| | £'000 | £'000 | £'000 |
| General Reserve | 5,677 | (2,443) | 3,234 |
| | | | |
| Transformation | 543 | (475) | 68 |
| Repairs and Maintenance | 278 | 0 | 278 |
| Hardship | 25 | 0 | 25 |
| Regeneration | 723 | 225 | 948 |
| Specific Reserves | 1,569 | (250) | 1,319 |
| Total Reserves | 7,246 | 2,693 | 4,553 |

31. The budgets for the financial years 2023-24 to 2025-26 remain above the minimum requirement of 7% of rental income for each year with expected balances, after a contribution to the regeneration reserve of £1.2m, of £3.059m by March 2026 (See -Appendix 1).

Income

Assumptions supporting main HRA income streams set out below:

Dwelling rents

32. The proposal is to follow the current government guidelines announced in the Autumn Statement to facilitate the investment in housing stock. Based on this, therefore, non-sheltered and sheltered dwelling rents will increase by an average 7% and 11.1% from April 2023 to £132.00 and £113.52 per week respectively.
33. Rents for new build homes are set at affordable rent and are governed by different criteria depending on funding source. The overall average weekly charges (rent

and service charges) are estimated to be £197.49 per week assuming a rent increase 7%.

34. The Government policy statement on rents for social housing, updated 14th December 2022, recognises that authorities should have some discretion over the rent set for individual properties to take account of local factors and concerns. The policy contains flexibility for authorities to set rents at up to 5 %above formula rent (10 % for supported housing and sheltered housing). This will not impact existing tenants only re-lets of social rented properties. In all circumstances, social rents will not be set higher than formula rent plus 5%/10%. The rent would still be subject to a rent cap set by the Rent Policy Statement, so properties remain affordable.
35. On 16 December 2022, the Department for Levelling Up, Housing and Communities (**DLUHC**) wrote to councils with shared ownership stock, in relation to the proposed rent increase for 2023-24. Shared ownership properties are not covered by the 7% rent increase cap but are generally permitted (by virtue of the lease agreement), to increase rents in line with the Retail Price Index (**RPI**) plus 0.5%, which would imply an increase of 13.1% based on the September 2022 RPI rate. Given the circumstances, the department is seeking a voluntary commitment from councils to limit the increase to 7%. On this basis, rents for shared ownership units, assuming the Council retains 65%/75% equity share, are estimated at £210.64 per week on average.

Right-to-Buy sales

36. There have been 11 sales under Right-to-Buy ("**RTB**") so far in 2022-23 and a further three are assumed this year with the same expected (14) for 2023-24, then reducing each year to 6 per annum from 2031-32 and the remainder of the Business Plan.
37. The Council continues to retain the capital receipts arising from the sale of Right to Buy properties. In line with the updated retention agreement signed with the Government, receipts must be used within five years to fund a maximum of 40% of spend on the supply of homes for: social rent, shared ownership, and sale as First Homes. It is not possible to combine GLA grant and RTB 1-4-1 receipts to fund new build projects. Failure to utilise these receipts will mean they will be paid to the Government with a high interest penalty. The Business Plan assumes the receipts are fully applied in the next ten years, to eligible projects, and repaid in the latter years.

Service charges: Tenants and Leaseholders

38. Tenants who benefit from specific estate-based services pay a charge to the Council on a weekly basis in addition to their weekly rent charge. Service charges are not subject to the rental increase of 7% and 11.1% but are based on full cost recovery. Following a review of services provided to all residents a shortfall of £1.4m was identified, thus not recovering the full cost of services. Also, we have reviewed the methodology for apportioning the cost to residents which has resulted in an average charge across all tenures of £9.61 (currently £3.70) per week for

tenants, as per Appendix 2. No changes are currently proposed for Leaseholders who are invoiced annually by the end of September for the previous financial year, based on actual costs.

Other Income

39. Rents for garages and parking, which have not been increased since April 2011, are proposed to rise by £1.50 and £1.00 per week respectively to an average of £15.55 and £10.16 per week respectively in 2023/24, as per Appendix 3.
40. We collect water rates on behalf of Affinity Water and Castle Water. This charge is added to some properties in sheltered scheme, in addition to their rent and other charges. The increases of up to 7.5% will be applied to their water charge as per Appendix 4 and is based on an anticipated increase. If actual increase, when known in April 2023, is lower than the anticipated increase being applied of 7.5%, then the lower rate will be charged.
41. Facility charges to sheltered properties are proposed to increase to an average of £30.77 per week from £16.72. These charges are in relation to electricity and heating charges. The charges proposed for these services are driven by the significant increases in gas and electricity prices that have risen by over 600% and 300% respectively over three years. We have factored in a reduction of 30% in consumption. A review is ongoing with other options to reduce consumption since we will be installing thermostat controls in boiler rooms and communal areas and provide energy awareness training to residents and sheltered wardens. Residents of all blocks are being visited to make them aware of the impact of the recent increase charges and actions by management to reduce the consumption. Facility and heating charges to general need properties are to increase by an average of £2.62 to £18.77 per week as per Appendix 3.
42. Charges for community halls hire are set out in Appendix 5 and due to Increase by 10%.

Expenditure

Assumptions supporting main HRA expenditure items set out below:

Employee Costs

43. The budget figures include an estimate of the pay award of 5% for 2023-24 after taking into account 2022-23 pressures, 4% for 2024-25 and 2% for 2025-26.
44. The management structures across housing will be reviewed to ensure that they are fit for purpose, enable the Council to meet its obligations as a responsible landlord and consistent with the wider council restructure. These are expected to deliver efficiencies to the HRA which will in turn improve the base position which will be presented in future revisions of the HRA business plan.
45. Several members of staff spend their time on both HRA and General Fund activities and as a result staff costs are split based on percentages of time relevant to services.

Utility Costs

46. At this time last year when charges were being reviewed, there was significant energy market volatility and uncertainty as to what would happen to prices, albeit some expectation that the market would stabilise over time and a 5% increase was built into the budgets for 2023/4 to be kept under review.
47. However, the situation in Ukraine has significantly exacerbated the position and led to historic energy price inflation not seen in recent times and far beyond earlier predictions. Given rates were set in February 2022, the exceptional circumstances that have emerged subsequently, could not have been foreseen at the time. The impact is that energy costs are running around £1m higher than set out in the budget in 2022-23 and that the current charge rates are significantly below the level required to cover the additional cost, requiring an increase of the order of 84% in facility charges from April 2023. The heating account will fall into deficit by year-end and needs to be managed back into balance over a period of 2 to 3 years.

Central Recharges

48. Costs of support services, which are estimated to increase by 5% p.a. in 2023-24.

Repairs

49. We have undertaken a comprehensive review of our repairs, voids, maintenance and compliance budgets to ensure they adequately reflect current and future needs. This shows an increase in budget requirement from previous years, the growth reflecting changing requirements, under budgeting in previous years and programmes moving from capital to revenue. Contractual inflation is included at 10%.
50. We have included sufficient monies to continue to address our compliance regimes, both to support our current approaches and to address the future requirements flowing from the Fire Safety Act 2020, and the Building Safety Act 2022 and Fire Safety (England) Regulations 2022, including the likely need for a bi-annual check of all fire doors and improved building safety information.
51. A high-quality housing repairs service is central to our commitment to providing good quality homes for our tenants and residents. The new repairs contract due in June 2024 coupled with the IT integration is crucial to the modernisation of the service. Running in parallel will be 3-year capital works programme and aligned with the new Asset Management strategy will move to a 60/40 planned to responsive spend ratio over the next 3-5 years.
52. Budgets have been included for the provision of additional cyclical programmes of work, including gutter and drain clearance and replacement and cyclical decorating programmes. These programmes will allow us to proactively manage our stock and move from a predominantly responsive service to a more planned approach, which will improve the service for our customers, and provide better long-term value for money.
53. The addition of pro-active cyclical programmes will also ensure we minimise legal disrepair claims, reduce the cost of both managing the claims and any compensation

and helping to reduce some of the inherent issues which arise when these programmes are stopped, such as leaks from guttering and damp issue. This in turn will help to reduce complaints from our customers.

54. These costs and the wider repairs budget will be reviewed in 23-24 in preparation for the new repairs' contracts.

Bad debt provision

55. Collection rates for current tenant arrears remain at close to 100%. This is reflected in the provision for rent arrears of £150k for former tenants being sufficient to cover any write off related to bad debts. Future years budgets have factored in future assumptions with rent changes.

General Contingency

56. In addition to HRA reserves, there is a contingency of £463k that is set aside to cover unforeseen expenditure that may arise in the management and maintenance of the housing stock or in-service development initiatives. This will also be used to meet any in year pay award for 2023-24.
57. Applications for support from this general contingency will be considered on a case-by-case basis with due regard to the position of the whole HRA.

Charges for Capital

58. HRA Borrowing is divided into historic and new borrowing:

- Historic debt – includes debt that Councils were required to raise at the time of Self Financing in 2012 in order to leave the subsidy system and resulted in the Council reaching the Government imposed cap of £150.683m; this is now being progressively reduced in line with RTB disposals thereby reducing interest exposure and providing capacity for future investment. As at the 31 March 2022 the balance was £148.546m. Interest on this historic debt, shared in a single loans pool with General Fund, averages at 4.05% and is assumed to continue at this level.
- New borrowing: Used to fund new development and planned investment programmes
 - BCHfL programme- is reprofiled to take account of delays and a new target date agreed with the Greater London Authority (GLA) for start on sites of March 2023. Additional borrowing is now estimated at £44.560m a reduction of £79.74m from the £124.3m approved in February 2022. This decrease is due to the downsizing of the BCHfL programme from delivering 659 units to 362 units. S106 contributions will also be applied against this programme.
 - Homes for Harrow-Phase 2- the next phase of proposed new council housing development, enabling an additional 175 units to be developed at a total development cost of £70.818m. This will be funded from a combination of HRA internal resources including 1-4-1 RTB retained receipts, GLA funding and new

borrowing of £47.049m. There will be no impact on General Fund as a result of this borrowing, with the HRA meeting the financing costs associated with the debt.

- This will result in total new borrowing requirement of £96.040m which is an overall reduction in the total borrowing originally approved in February 2022 by £28.26m Interest rate to be applied on the new borrowing requirement from 2023-24 has been assumed to be payable at a rate of 4% across the 5- year borrowing period, with 2023-24 being year 1.
- HRA rules do not require either debt to attract Minimum Revenue Provision (**MRP**), a mandatory charge in General Fund designed to ensure the cost of the asset is charged to revenue over its useful economic life. Depreciation in the HRA counts as a genuine charge against revenue and transfers resources to the HRA's Major Repairs Reserve which can be used to finance capital expenditure.

Capital Investment

Planned Investment Programme

59. This is based on the latest stock condition survey, and for the four years 2023-24 to 2026-27 is £10.073, then £12.073m in 2027-28. Investment in health and safety and compliance works will remain the main focus along with wider improvements including kitchens and bathroom, estate improvements, decarbonisation and the current and any future Decent Homes Standard.
60. The above includes Retrofit for carbon reduction measures, set at £1m per annum for years 2023-24 to 2026-27 then £3.0m in 2027-28 a total investment of £7m. It includes £600k set aside for phase 2 of the transformation of the Housing IT system.

Building Council Homes for Londoners (BCHfL)

61. The Grange Farm Regeneration scheme will demolish obsolete Council homes and re-provide around 274 new council homes within a mixed tenure estate totalling around 574 homes. Cabinet approved budget allocations on 13th February 2020 for Phase 1, which is now under construction and Phase 2 of the scheme.
62. Grange Farm phase 1, which is supported by Housing Infrastructure Fund (HIF) as well as Right to Buy Ring Fenced Offer (RTBRFO), will provide 89 homes, 69 at affordable rent and 20 shared ownership homes. The estimated remaining cost is £8.834m. Phase 1 has been delayed – reasons including changes to regulations, Covid, labour and supply problems and most recently utilities issues and the current handover date is June 2023.
63. In November 2021, Cabinet gave in principle approval to commissioning the HSDP to work up a Business Plan for Grange Farm and in November 2022 approved the initial business plan for Phase 2. This development is affordable to the HRA subject to further detailed design work and an open book approach to the agreement of all costs. Based on the initial Business Plan the cost of the affordable housing is broadly affordable within the HRA. Phase 2 is part of the BCHfL

programme, Phase 3 sits outside this programme. The 5- year HRA capital programme includes the budget for Phase 2 based on the initial HSDP business plan with the affordable housing being delivered under a Community Works Agreement and expenditure profiled on this basis. Budget for Phase 3 has been built in to take it up to planning. An indicative placeholder budget has been built into the HRA business plan for Grange Farm Phase 3 and the initial Business Plan for this scheme will be developed once Phase 2 is on site when a more accurate estimate of build costs is available.

64. The current BCHfL programme is coming to an end with all possible start on sites by end of March 2023 in place. Due to delays relating to Covid and the extraordinary increase in build costs the programme was scaled back, and the current programme is now £122.135m. The remaining schemes are at various stages of development and planning and are included in the capital programme at a total remaining estimated cost of £54.617m. 136 new homes have been completed under the BCHfL programme, a further 143 are on site and 83 (Grange Farm Phase 2) are in development. A total of 362 homes will therefore be delivered against the original 659 target.
65. A new council house building programme is proposed, Homes for Harrow Phase 2, which will enable the delivery of a further 175 homes utilising a combination of GLA grant and 1-4-1 RTB retained receipts. These properties will generate additional income through rent for the HRA which is factored into the business plan.

HRA 30 Year Business Plan

66. The Housing Revenue Account 30-year Business plan details how the Council uses tenants' rents, service charges, grants and borrowing to manage, maintain and develop properties.
67. The plan was refreshed in January 2023, reflecting the delivery of the new build programme; current policy and finances (including the 7% cap on rent increases for 2023/24); increased borrowing costs & inflation. It also outlines the Council's continued ambitions to build more council homes, invest in improving the quality of current stock and improve energy efficiency.
68. The objectives of the refreshed HRA business plan are to show sustainability of the Council's existing homes, demonstrate the viability of the Authority's plans into the longer term and identify & source funding for investment in new developments.
69. The refreshed business plan encompasses projected income and expenditure, including continued investment in the stock and the New Build & Acquisition programme, providing assurance that the HRA will retain adequate cash balances and achieve viable surpluses over the 30-year lifetime of the business plan.
70. There is insufficient funding available for the proposed programmes without taking on additional debt. The refreshed 30-year business plan is projecting borrowing totalling £96.040 million over years 2023-24 to 2026-27 to deliver the new developments and additional investment in the existing stock. The existing debt (CFR) is £157.439m.

71. This increased level of borrowing is considered affordable for the HRA and is dependent on what is sustainable under the current assumptions for the projected income and expenditure profiles. Should any projected assumptions such as inflation, interest rates, income or expenditure be less favourable than is currently modelled, proposals would need to be urgently sought to ensure the continued viability of the business plan.
72. The Business Plan makes provision for the repayment of some of treasury debt. It would be prudent, in future Business Plans, once projects have been completed, to make provision to reduce debt levels. This level of debt needs to be sustainable in the long term and supported through the Council's Treasury Management policy

HRA Business Plan Model – Key Assumptions

73. The HRA Business Plan was recently refreshed to reflect the latest assumptions on inflation and income and expenditure budgets. The updated plan includes the proposed investment and capital resources for existing stock and new build developments. A summary of the key assumptions that underpin the 30-year business plan is detailed in Appendix 7(a) below.
74. Attached at Appendix 7(b) are extracts from the HRA 30-year Business Plan financial model. Year 1 of the business plan is based on the 2023-24 budget.
75. The plan for the HRA is based on keeping a minimum of 7% of rental income in working balances and using reserves above this figure to invest in the major works programme. It has been assumed that all available resources over and above those required for revenue spend, payment of interest on debt and maintaining minimum reserves, are available for major works, including the use of s106 contributions available for affordable housing use, for as long as the Asset Management Strategy requires it.
76. The HRA is also exposed to interest rate fluctuations, which could have a significant impact on revenue budgets, future borrowings, and the overall business plan.

Consultation Papers, new developments, and challenges

78. Governments Decarbonisation agenda is the most significant challenge and costs are estimated at £17k per unit across the country, in LBH case this equate circa £81m for the Housing Revenue Account and remains unfunded.
79. The impact of the Social Housing White Paper implications is still to be felt and will include
 - Consultation in respect of electrical safety, installation of carbon monoxide monitors
 - A review of the Decent Homes Standard to support the decarbonisation and energy efficiency of social homes and include standards for communal and green space outside the home.

- Proposed introduction of Tenant Satisfaction measures that will be formally monitored including the introduction of a regular inspection regime for social landlords
- Increased regulations to improve responses to complaints
- Requirements to improve tenant engagement and empowerment
- There are also linked commitments with the Building Safety Act 2022 with regard to the management of tall buildings, for example the appointment of a Building Safety Manager.

Variation to MTFS 2022-23

80. The main changes in estimates approved by Cabinet on 10 February 2022 are
- Price inflation of £2.9m of which £1m is for utilities, £716k pay awards, £317k Depreciation Charges, £413k R&M contractual inflation, £253k support charges and £201k supplies and services
 - Net growth of £0.7686m of which £1.3m relates to R&M which has been offset by savings of £0.53m following a review of budgets.
 - Increase in services charge and facility income of £2m following review of charges to tenants and significant price changes.
 - Impact of Government Rent increase of £2.8m, capped at 7% for non-sheltered and 11.1% for sheltered.
 - Increases in capital charges of £530k due to increase in interest to 4% from 2% previously assumed in the MTFS.

Summary

81. HRA Budget and MTFS detailed in Appendix 1 include rent increases at 7% and 11.1% in line with the updated Government guidance following consultation.
82. Figures presented reflect significant price pressures and growth in the HRA to ensure compliance with legislation, in particular around the repairs service. Fees and charges to tenants have been increased to ensure full cost recovery and the HRA remains financially sustainable.
83. The budgets show in year surpluses of £424k for 2023-24, £454k for 2024-25 and £147k for 2025-26 and that revenue reserves are maintained above the minimum level of 7% of income required over the life of the MTFS. The HRA Business plan shows that this is after allowing a further £1.2m to the Regeneration Reserve.
84. The long-term viability of the Council's HRA is dependent on the completion of the new build programme within the budget envelope provided therefore continuous review of the cost base of the HRA and underlying assumptions are essential.
85. National housing policies and changes proposed by future Governments could have an adverse impact on the HRA business plan and could require additional resources to address any unexpected changes.

Environmental Implications

86. All new homes must meet high standards of energy efficiency to reduce CO2 emissions and reduce fuel poverty as required by the London Plan. We have already invested in some of our poorest performing energy efficient Council homes by installing external wall insulation and continue programmes to install double glazing and the most efficient gas condensing boilers. The proposed retrofit programme will enhance the energy performance Council properties and will contribute to Harrow's carbon reduction targets.

Data Protection Implications

87. There are no GDPR implications.

Risk Management Implications

- Risks included on corporate or directorate risk register? Yes
 - Separate risk register in place? No
The relevant risks contained in the register are attached/refreshed and
 - summarised below. Yes
88. If the identified risks materialise individually or collectively, they could impede delivery of core services, or impact the HRA's financial viability. The following key risks are:

| Risk Description | Mitigations | RAG Status |
|---|---|------------|
| <ul style="list-style-type: none"> • Rents are set too high breaching the government rent policy or too low causing the revenue account to generate further deficits | Rents set in accordance with government rent policy. Most tenants are in receipt of either Housing Benefit or Universal Credit which cover the proposed increase. | Green |
| <ul style="list-style-type: none"> • Service Charges – failure to set charges to residents at a level that reflect full cost recovery | Service Charge review completed charges based calculated on full cost recovery Most residents (some 90%) are on benefits and won't directly feel any increase There has been consultation with tenants on increases and realisation increases are overdue and awareness that charges were below the level of costs of providing the services. | Green |
| <ul style="list-style-type: none"> • Interest rates – an immediate and significant risk; these have been assumed at 4% for the 2023-24 budget and MTFS. Increases in excess of this over the life of the MTFS will put the BCHfL programme at risk as not all homes will be completed and generating sufficient rental streams to service the debt. | The Council is reviewing its borrowing strategy and consideration given to securing fixed rate deals at prevailing low rates. | Amber |

| | | |
|---|--|-------|
| <ul style="list-style-type: none"> • General Inflation rates- Inflation rates currently being experienced are unprecedentedly high which adversely impacts the HRA. Rental increases are based on September CPI plus 1% (11.1%). However, this has been capped by Government at 7%. | <ul style="list-style-type: none"> - The policy on full cost recovery for services provided is being enforced. - If inflation rises above that assumed in the budget generally or spikes as a result of macro-economic climate, reductions in spend made need to be made or growth recommended in the MTFS update removed | Amber |
| <ul style="list-style-type: none"> • Increases in Rents and Charges The increase in rents, service, heating and community charges does not cover the Council's costs | <ul style="list-style-type: none"> -Management plan in place to reduce energy consumption and linked costs -Awareness training and inspections in place to residents in efficiency and this is in progress to influence consumption and reduce costs -Area also subject regular risk register review | Amber |
| <p>Rising Energy Costs</p> <ul style="list-style-type: none"> • Rises in energy costs create significant cost over-runs and are unaffordable for the HRA and capital programme | <ul style="list-style-type: none"> -See measures above - Focusing is on sheltered housing as a key consumption location | Amber |
| <ul style="list-style-type: none"> • Change in Government Rent Policy. The business plan assumes that the rent will continue to increase in line with CPI +1%. Given the recent departure from the CPI + 1% policy there is great uncertainty over the future rent policy. | <ul style="list-style-type: none"> -Efficiency savings will need to be identified to address the shortfall of income, to maintain HRA reserves, which may impact the viability of the HRA. | Amber |
| <ul style="list-style-type: none"> • Construction costs increases continue longer term and are also not covered by reserves preventing the delivery of the new build programme and wider capital programme within the designated budget envelop | <p>To mitigate this position</p> <ul style="list-style-type: none"> - reprofiling and reprioritising of schemes to live within available resources. - secure materials and resources early in the contract - increase market testing - Contingencies in place on each individual capital scheme - Increase in the client-side ear-marked Regeneration Reserve (£2.1M by the end of next year) in place to address unforeseen costs. | Amber |
| <ul style="list-style-type: none"> • Delays to schemes - GLA grant funding and additional borrowing will be linked to successful delivery of additional housing supply in line with agreed targets for start on sites and completions. Failure to deliver new supply in line with these targets could result in withdrawal of funding and/or borrowing which would result in lower or delayed rental income streams and potential write off costs to the revenue account. | <p>In mitigation regular monitoring of new build schemes and update of the overarching HRA Business Plan will identify potential delays and appropriate action taken to substitute and expedite schemes ensuring full grant utilisation and keeping rental income in line with expectations. The Regeneration reserve can be deployed to offset unforeseen revenue costs if required.</p> | Amber |
| <ul style="list-style-type: none"> • Regular review and testing of assumptions underlying the HRA and Council house building programme and its wider cost base, are not undertaken leading to the programme becoming unviable and resources over extended | <ul style="list-style-type: none"> ▪ Every scheme has to be NPV positive before proceeding ▪ At any stage of the process a scheme can be aborted if rising costs are unacceptable ▪ Numbers of units can be scaled back to meet the funding envelop ▪ Each scheme must be viable under the 30-year HRA business plan which is scenario-tested on assumptions | Green |

| | | |
|---|--|-------|
| | <ul style="list-style-type: none"> ▪ There is regular challenge of the model by our external advisors and consultants ▪ Challenge is also affected internally by regular management meetings at the Council | |
| <ul style="list-style-type: none"> • Tenants cannot afford to pay the increases in rent, service and heating charges leading to complaints and opposition to the increases and an increase in tenants' arrears and debt | <ul style="list-style-type: none"> ▪ Most residents (some 90%) are on benefits and don't directly pay their rent (this deducted automatically) ▪ Government help is available for those on Universal Credit ▪ Advice and support given directly to tenants ▪ There has been consultation with tenants on increases and a realisation some increases are overdue | Amber |
| <ul style="list-style-type: none"> • The Council does not adequately engage with tenants on increases in rent and other charges leading to tenant opposition to the increases and reputational damage/challenges for the Council | <ul style="list-style-type: none"> ▪ There has been consultation in best practice terms with tenants on increases and a realisation from them some increases are overdue. This occurred throughout January and February 2023 | Green |
| <ul style="list-style-type: none"> • The higher costs of sheltered housing are not fully recovered leading to increased pressures on the HRA budget | <ul style="list-style-type: none"> ▪ Awareness training and inspections in place to sheltered residents energy consumption in efficiency terms and this is in progress to influence consumption and so to reduce costs | Amber |
| <ul style="list-style-type: none"> • S106 contributions are not used appropriately | <ul style="list-style-type: none"> ▪ We have a list from planning of Sect 106 relating to affordable housing which we use as a base for funding ▪ Cabinet approval required to use this resource ▪ Regular focus from external and internal audit in this area | Green |
| <ul style="list-style-type: none"> • RTB receipts are not fully applied to eligible projects over the next 10 years leading to these receipts being paid back to the government plus a penalty | <ul style="list-style-type: none"> ▪ RTB receipts are based on the HRA plan which is subject to regular review ▪ We have stand-by schemes to spend RTB receipts should other schemes not progress ▪ Regular review of capital schemes by Regeneration Board and also finance to make sure RTB funded schemes are on track | Green |
| <ul style="list-style-type: none"> • The introduction of a new repairs contract is not successful leading to increased costs on the HRA and to an increase the level of tenants' complaints and dissatisfaction | <ul style="list-style-type: none"> ▪ External consultant support being recruited to drive procurement of the contractor ▪ Quantity surveyor in place to scrutinise contractor bills on an expert basis | Green |
| <ul style="list-style-type: none"> • The introduction of new arrangements for IT systems investment and transformation are not successful leading to increased costs on the HRA and capital programme and to an increase the level of tenants complaints and dissatisfaction | <ul style="list-style-type: none"> ▪ We require a sound business case before any IT is commissioned ▪ Weaknesses of current system identified and a focus for revision ▪ All stakeholders have been mapped and their requirements carefully identified ▪ Extensive user involvement and consultation undertaken ▪ Package will be a standard package less prone to errors/malfunction ▪ Detailed user specifications being created | Amber |

| | | |
|---|---|-------|
| <ul style="list-style-type: none"> • Costs on the decarbonisation agenda are not funded and/or rise to an unaffordable level leading to significant financial pressures impacting on the Council | <ul style="list-style-type: none"> ▪ If decarbonisation is not affordable in terms of the HRA (and this includes being affordable with any government help/support) then we will not progress the works required | Green |
|---|---|-------|

Procurement Implications

89. All procurement that is required to be conducted as a result of the recommendations set out in this report will be done so compliant with the Public Contract Regulations 2015 and the Contract Procedure Rules.

Legal Implications

90. Under section 103 of the Housing Act 1985 the terms of a secure tenancy which is a periodic tenancy may be varied by the landlord by a notice of variation served on the tenant. The landlord authority is required to serve a preliminary notice on the secure tenant giving them advance notification of any change proposed to be made to the terms of their tenancy and inviting their comments. A preliminary notice is not required for variation of rent or payments in respect of services or facilities provided by the landlord. Although a preliminary notice is not required in respect of a variation to the rent (or services/facilities) charge, a notice of variation is needed, and this must set out what the change is and the date on which it takes effect. The period between the date on which the notice is served and the date on which it takes effect must be at least four weeks or the rental period, whichever is the longer.
91. Section 105 of the Housing Act 1985 requires a landlord authority to maintain such arrangements as it considers appropriate to enable those secure tenants who are likely to be substantially affected by matters of housing management, to be informed and consulted about the proposals, and before deciding on the matter, the landlord authority must consider any representations made. The legislation sets out what matters of housing management relate to, but this does not extend to the rent payable under a secure tenancy or to charges for services or facilities provided by the authority.
92. The rent reduction requirements brought in under section 23 of the Welfare Reform and Work Act 2016 has now ended and are replaced by the new rent standard, pursuant to a direction by the Secretary of State under section 197 of the Housing & Regeneration Act 2008, which permits Authorities to increase rents by CPI plus 1% for five years starting April 2020.
93. The Government's Autumn Statement in 2022 has capped increases in social rent housing to 7% for 2023-24. Supported housing is exempt from this cap and so increases can be set up to CPI plus 1% for 2023-24.
94. Under section 74 of the Local Government & Housing Act 1989 the Council, as a Local Housing Authority, must maintain a Housing Revenue Account (HRA) which includes sums falling to be credited or debited in accordance with the category of properties listed within s74(1) of the said Act, which consists primarily of Council

housing stock. HRA must include any capital expenditure on housing stock which a Local Authority has decided to charge to revenue. Save in accordance with a direction of the Secretary of State, sums may not be transferred between HRA or General Fund, therefore, HRA is ring-fenced and cannot be used to subsidise a budget deficit within General Fund, neither can General Fund be used to subsidise a budget deficit in HRA. Section 76 of 1989 Act requires Local Authorities to formulate and implement proposals to secure HRA for each financial year does not show a debit balance. If a debit occurs, this must be carried forward to next financial year.

Financial Implications

95. Financial implications are included in the body of the report

Equalities implications / Public Sector Equality Duty

96. Pursuant to the Equality Act 2010, the Council, in the exercise of its functions, has to have 'due regard' to (i) eliminating discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; (ii) advancing equality of opportunity between those with a relevant Rent policy issued in 2020 allowed for social housing providers to increase all rents by the previous September Consumer Prices Index (CPI) rate +1% for a five-year period. For those with a protected characteristic and those without; and (iii) fostering good relations between those with a relevant protected characteristic and those without. The relevant protected characteristics are age, race, disability, gender reassignment, pregnancy and maternity, religion or belief, sex, and sexual orientation.
97. When making decisions, the Council must take account of the equality duty and any potential impact on protected groups.
98. A full equalities impact assessment has been carried out in relation to the proposed rents and other charges increases and capital build programme. Negative impacts of increased charges to vulnerable residents in sheltered accommodation were identified along with management actions to mitigate the increases. Consideration was also given to possible impact on residents from Black, Asian and Multi-Ethnic groups as they may be in the lower income bracket and therefore impact more on by the increases in charges.

Council Priorities

1. A council that puts residents first

Provision of additional housing will support health and social care of residents through high quality accommodation at affordable rents.

2. A borough that is clean and safe

The delivery of additional units of high- quality housing ensures that there is additional safe accommodation available to those in need.

3. A place where those in need are supported

The additional housing will be genuinely affordable thereby providing accommodation to the most vulnerable in the Borough. The wheelchair units will provide additional support for those needing that form of accommodation. The shared ownership units provide an opportunity for accessing home ownership for those unable to access full open market housing.

Section 3 - Statutory Officer Clearance

Statutory Officer: Tasleem Kazmi

Signed on behalf of Chief Financial Officer

Date: 6th February 2023

Statutory Officer: Baljeet Virdee

Signed on behalf of the Monitoring Officer

Date: 6th February 2023

Statutory Officer: Nimesh Mehta

Signed on by the Head of Procurement

Date: 6th February 2023

Statutory Officer: Dipti Patel

Signed by the Corporate Director

Date: 3rd February 2023

Statutory Officer: Neale Burns

Signed on behalf of the Head of Internal Audit

Date: 7th February 2023

Has the Portfolio Holder(s) been consulted? Yes

Mandatory Checks

Ward Councillors notified: NO- as it impacts on all Wards

EqlA carried out: YES

EqlA cleared by: Jennifer Rock

Section 4 - Contact Details and Background Papers

Contact: Tasleem Kazmi, Finance Business Partner – Housing & Regeneration, Tel 020 8416 5201, email tasleem.kazmi@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee - NO

Appendix 1

HRA Budget 2023-23 and MTF5 2024-25 to 2025-26 – Expenditure

| | Budget 2023-24 | Budget 2024-25 | Budget 2025-26 |
|----------------------------------|---------------------------|---------------------------|---------------------------|
| | £ | £ | £ |
| Employee Costs | 2,875,571 | 2,971,938 | 3,026,489 |
| Supplies & Services | 909,384 | 938,502 | 954,965 |
| Utility cost | 1,599,738 | 1,649,335 | 1,677,377 |
| Estate & Sheltered Services | 3,931,234 | 4,059,304 | 4,131,870 |
| Central Recharges | 3,789,320 | 3,932,279 | 4,014,119 |
| Operating Expenditure | 13,105,247 | 13,551,358 | 13,804,820 |
| Repairs – Responsive | 2,997,673 | 3,169,092 | 3,266,058 |
| Repairs – Voids | 1,050,615 | 1,110,162 | 1,143,466 |
| Repairs – Other | 3,941,539 | 4,064,937 | 4,189,885 |
| Planned Preventative Maintenance | 300,000 | 417,003 | 426,513 |
| Repairs Expenditure | 8,289,827 | 8,761,194 | 9,025,922 |
| Contingency | 463,099 | 477,918 | 486,297 |
| Bad debt provision | 150,000 | 157,500 | 161,438 |
| Affordable Housing | 378,066 | 390,164 | 397,004 |
| Charges for Capital | 7,123,766 | 7,780,302 | 8,862,953 |
| Depreciation | 8,711,965 | 8,931,014 | 9,214,110 |
| Other Expenditure | 16,826,896 | 17,736,898 | 19,121,802 |
| | | | |
| Total Expenditure | 38,221,970 | 40,049,450 | 41,952,544 |

Appendix 1 (continued)

HRA Budget 2023-24 and MTF5 2024-25 to 2025-26 – Income

| | Budget 2023-24 | Budget 2024-25 | Budget 2025-26 |
|---|---------------------------|---------------------------|---------------------------|
| | £ | £ | £ |
| Rent Income – Dwellings | (32,630,839) | (34,271,344) | (35,783,880) |
| Rent Income – Non- Dwellings | (562,999) | (585,287) | (591,380) |
| Service Charges – Tenants | (3,085,114) | (3,196,467) | (3,240,887) |
| Service Charges – Leaseholders | (1,069,220) | (1,108,383) | (1,120,396) |
| Facility Charges | (990,230) | (1,025,613) | (1,040,238) |
| Interest | (1,000) | (1,084) | (1,141) |
| Other Income | (132,024) | (136,731) | (138,688) |
| Recharge to General Fund | (173,927) | (179,493) | (182,640) |
| Total Income | (38,645,353) | (40,504,402) | (42,099,250) |
| In Year Deficit / (Surplus) | (423,383) | (454,952) | (146,706) |
| Transfer to Regeneration Reserve | 1,200,000 | - | - |
| BALANCE brought forward | (3,233,797) | (2,457,180) | (2,912,132) |
| BALANCE carried forward | (2,457,180) | (2,912,132) | (3,058,838) |
| Minimum Required Reserves 7% Rental Income | (2,284,159) | (2,398,994) | (2,504,872) |

Appendix 2 Average Rent & Service Charges – All properties

| Description | No. units | 2022-23 Total weekly Charge | 2023-24 Rent | 2023- 24 Service Charge | 2023-24 Total | Total Increase |
|-----------------------------|--------------|--------------------------------------|-----------------|----------------------------------|------------------|-------------------|
| | | £ | £ | £ | £ | £ |
| Social General Needs | | | | | | |
| Bedsit | 100 | 99.06 | 101.42 | 8.73 | 110.14 | 11.08 |
| 1 bed | 1249 | 108.46 | 111.90 | 8.53 | 120.43 | 11.98 |
| 2 beds | 1310 | 125.71 | 130.60 | 8.43 | 139.03 | 13.32 |
| 3 beds | 1310 | 144.38 | 151.89 | 7.75 | 159.63 | 15.25 |
| 4 beds | 91 | 159.74 | 167.78 | 7.57 | 175.35 | 15.61 |
| 5 beds | 12 | 170.51 | 173.96 | 8.91 | 182.87 | 12.35 |
| 6 beds | 2 | 180.62 | 191.54 | 8.20 | 199.74 | 19.12 |
| 7 beds | 1 | 192.30 | 204.13 | 8.91 | 213.04 | 20.74 |
| Total | 4,075 | 126.71 | 132.00 | 8.22 | 140.22 | 13.51 |
| Sheltered | | | | | | |
| Bed sits | 12 | 106.50 | 104.22 | 16.95 | 121.17 | 14.67 |
| Other units | 500 | 106.10 | 113.74 | 16.95 | 130.69 | 24.59 |
| Total | 512 | 106.11 | 113.52 | 16.95 | 129.95 | 23.84 |
| Affordable | | | | | | |
| 1 bed | 30 | 176.85 | 174.67 | 16.19 | 190.87 | 14.02 |
| 2 beds | 71 | 199.68 | 195.73 | 17.76 | 213.50 | 13.82 |
| 3 beds | 32 | 210.64 | 214.70 | 12.61 | 227.30 | 16.66 |
| 4 beds | 6 | 227.78 | 240.51 | 8.94 | 249.45 | 21.67 |
| Total | 139 | 198.49 | 197.49 | 15.86 | 213.34 | 14.85 |
| Shared Ownership | | | | | | |
| 3 | 5 | 196.86 | 210.64 | 8.91 | 219.55 | 22.91 |
| Total | 5 | 196.86 | 210.64 | 8.91 | 219.55 | 22.91 |
| Total Units | 4731 | 126.66 | 132.01 | 9.61 | 141.62 | 14.96 |

The service charges for Sheltered properties in 2023/24 includes a communal heating charge estimated at an average of £8.04 per week.

Appendix 3 Garages/ parking space and Facility Charges

| All in £s | Current Weekly Rental 2022-23 | Proposed Weekly Rental 2023-24 |
|------------|----------------------------------|-----------------------------------|
| Garages | 14.05 | 15.55 |
| Car Spaces | 9.16 | 10.16 |

Facility Charges

| | No. of properties | Current average weekly facility charge 2022/23 | Proposed average weekly facility charge 2023/24 | Increase |
|----------------------------|----------------------|--|---|--------------|
| | | £ | £ | £ |
| Sheltered | | | | |
| Bed Sit | 12 | 11.60 | 21.34 | 9.74 |
| 1 bed | 490 | 16.69 | 30.70 | 14.01 |
| 2 bed | 4 | 24.83 | 45.69 | 20.86 |
| 3 bed | 6 | 24.54 | 45.16 | 20.62 |
| Total Sheltered | 512 | 16.72 | 30.77 | 14.05 |
| General Needs | | | | |
| 1 bed | 97 | 15.84 | 17.93 | 2.09 |
| 2 bed | 1 | 24.83 | 45.69 | 20.86 |
| 3 bed | 2 | 24.83 | 45.69 | 20.86 |
| Total General Needs | 100 | 16.11 | 18.77 | 2.66 |
| Total | 612 | 16.62 | 28.80 | 12.18 |

Appendix 4 Water Charges

| Sheltered Block | No.of flats | Current Range Water Charge 2022-23 | | Proposed Range Charge at 7.5% increase for 2023-24 | |
|--|-------------|---------------------------------------|--------|---|--------|
| | | Lower | Higher | Lower | Higher |
| Alma Court | 30 | £5.87 | £5.87 | £6.31 | £6.31 |
| Edwin Ware Court | 30 | £4.99 | £6.49 | £5.36 | £6.98 |
| Grange Court | 30 | £4.99 | £6.20 | £5.36 | £6.67 |
| John Lamb Court | 32 | £6.20 | £6.20 | £6.67 | £6.67 |
| William Allen House | 29 | £4.99 | £6.20 | £5.36 | £6.67 |
| Total No of Sheltered Flats | 151 | | | | |
| Resident Warden Accommodation | 3 | £7.89 | £8.73 | £8.48 | £9.38 |
| Total Sheltered Flats incl Warden | 154 | | | | |

Responsibility for collection of water charges has been transferred for the majority of HRA properties to the water company. The Council collects water charges for remaining properties which have not yet been transferred to water company.

Appendix 5 Community Halls

| Community Hall and Capacity | Current 2022-23 | | | Proposed 2023-24 | | |
|---------------------------------------|---|--------------|--------------|---|--------------|--------------|
| | Charges per first 3 hours block booking then subsequent hourly rate | | | Charges per hour letting 10% Price Increase | | |
| | Evening Rate | Daytime Rate | Weekend Rate | Evening Rate | Daytime Rate | Weekend Rate |
| | £ | £ | £ | £ | £ | £ |
| Augustine Road [max 30] | 27.38 | 13.69 | 41.06 | £30.00 | £15.00 | £45.00 |
| Marsh Road Hall [max 30] | 27.38 | 13.69 | 41.06 | £30.00 | £15.00 | £45.00 |
| Brookside Hall [max 30] | 27.38 | 13.69 | 41.06 | £30.00 | £15.00 | £45.00 |
| Julie Cook Hall [max 30] | 27.38 | 13.69 | 41.06 | £30.00 | £15.00 | £45.00 |
| Grange Farm Community Centre [max 30] | 27.38 | 13.69 | 41.06 | £30.00 | £15.00 | £45.00 |
| Woodlands Hall [max 60] | 41.06 | 20.52 | 56.05 | £45.00 | £23.00 | £62.00 |
| Churchill Place [max 100] | 54.74 | 24.62 | 68.43 | £60.00 | £27.00 | £75.00 |
| Kenmore Park [max 100] | 54.74 | 24.62 | 68.43 | £60.00 | £27.00 | £75.00 |
| Pinner Hill Hall [max 100] | 54.74 | 24.62 | 68.43 | £60.00 | £27.00 | £75.00 |
| Northolt Road Hall [max 100] | 54.74 | 24.62 | 68.43 | £60.00 | £27.00 | £75.00 |

Terms & Conditions associated with Hall lets:

- Lets to Tenants & Residents Association free, providing 4 weeks' notice Provided.
- Charges shown are exclusive of VAT at 20% and Insurance Premium at 7%
- Day time rates are from 9.00am to 3.30pm
- Commercial lets will be charged at above hourly rates plus 20%.
- Registered Charities will receive a discount of 50% (9.00am to 3.30pm only).
- Block Bookings of 6 months minimum will receive a 25% discount.
- Refundable deposit of £100 against loss or damage required by all other users.

Of the 10 community halls, there are a number of premises that are fully let and supported by lease agreements and therefore charges not levied in accordance with the above schedule. These are:

- Stonegrove Gardens fully let to nursery on lease agreement £12,700 rent pa
- Northolt Road Hall partly let as nursery on lease agreement of £5,200 rent pa
- Churchill Place hall partly let as nursery on lease agreement of £13,000 rent pa

Appendix 6 HRA Capital Programme

| Budget including additions / re-profiling (£) | MTFS | | | Additional | | Total |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | Cumulative |
| Main Programme | 8,428,048 | 8,428,048 | 8,428,048 | 8,428,048 | 8,428,048 | 42,140,240 |
| Retrofit for energy efficiency | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 3,000,000 | 7,000,000 |
| Housing IT system | 600,000 | 0 | 0 | 0 | 0 | 600,000 |
| Aids & Adaptations | 645,000 | 645,000 | 645,000 | 645,000 | 645,000 | 3,225,000 |
| Planned investment | 10,673,048 | 10,073,048 | 10,073,048 | 10,073,048 | 12,073,048 | 52,965,240 |
| Grange Farm phase 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grange Farm phase 2 | 2,356,214 | 13,495,480 | 18,348,405 | 3,227,528 | 0 | 37,427,627 |
| Other schemes | 13,546,703 | 3,643,470 | 0 | 0 | 0 | 17,190,173 |
| Building Council Homes for Londoners (BCHfL) | 15,902,916 | 17,138,950 | 18,348,405 | 3,227,528 | 0 | 54,617,799 |
| Homes for Harrow Phase 2 | 1,079,389 | 15,985,680 | 25,738,088 | 24,728,242 | 3,286,527 | 70,817,926 |
| Grange Farm phase 3 | 212,249 | 0 | 0 | 0 | 0 | 212,249 |
| Grange Farm Infrastructure | 2,615,000 | 0 | 0 | 0 | 0 | 2,615,000 |
| Total HRA Capital Programme | 30,482,602 | 43,197,678 | 54,159,541 | 38,028,818 | 15,359,575 | 181,228,214 |

Additions /Reductions

| Additions included in programme above (£) | MTFS | | | Additional | | Total |
|---|--------------------|--------------------|--------------------|--------------------|-------------------|--------------------|
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | |
| Planned Investment | 400,000 | -200,000 | 800,000 | 800,000 | 12,073,048 | 13,873,048 |
| Grange Farm phase 2 | 632,114 | | | 2,395,433 | 0 | 3,027,547 |
| Other schemes | -34,299,945 | -16,524,940 | -12,558,000 | -12,558,000 | 0 | -75,940,885 |
| Building Council Homes for Londoners (BCHfL) | -33,667,831 | -16,524,940 | -12,558,000 | -10,162,567 | 0 | -72,913,339 |
| Grange Farm phase 3 | -99,597 | -428,422 | -6,008,017 | -16,588,596 | 0 | -23,124,632 |
| Grange Farm Infrastructure | 1,150,390 | -690,610 | -803,110 | -690,610 | 0 | -1,033,940 |
| Homes for Harrow Phase 2 | 1,079,389 | 15,985,680 | 25,738,088 | 24,728,242 | 3,286,527 | 70,817,926 |
| Total HRA Capital Programme | -31,137,650 | -1,858,292 | 7,168,961 | -1,913,531 | 15,359,575 | -12,380,937 |

Reprofiling

| Additions included in programme above (£) | MTFS | | | Additional | | Total |
|---|-------------------|----------------|------------------|----------------|----------|------------------|
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | Cumulative |
| Grange Farm ph 2 | -8,297,713 | 739,957 | 9,051,188 | 335,873 | 0 | 1,829,305 |
| Total HRA Capital Programme | -8,297,713 | 739,957 | 9,051,188 | 335,873 | 0 | 1,829,305 |

Appendix 7(a) HRA Business plan key assumptions

| Item | Assumption |
|---|--|
| Rents 2023/24 | Non-sheltered: average rent £132.00, service charge £8.22. |
| | Sheltered: average rent £113.52, service charge £16.95 |
| | Both Increased line with Government Policy (7% and 11.1%) |
| Rents 2024/25 onwards | CPI + 1% |
| Borrowing and interest | 4 % on new borrowing for all of the 30 year Business Plan |
| | Borrowing only from 2023/24 to 2026/27 - £96.04m (over 30 years) |
| | 0.01% on HRA balances |
| Debt Repayment | Policy of RTB sales to reduce CFR (Capital Financing Requirement) by provision each year. |
| CFR | Opening balance 2023/24 £167m Closing at 2026/27 £261m (after completion of new build programme) |
| Inflation | RPI 4%, 2024/25 then from 2% 2025/26 onwards CPI 5%, 2024/25 then 2% from 2025/26 onwards |
| Bad Debt Provision | £150k per annum increasing each year for rent increases |
| RTB sales | 14 disposals per annum 2023/24 reducing to 6 from 2031/32 Average valuation £363k, average discount £118k |
| HRA Central Support Chargers | 2023/24 £3.789m (5% increase) then increasing by RPI |
| Depreciation | Dwellings £8.378m based on 2021/22 outturn |
| | Non dwellings £333k |
| Capital investment expenditure - existing stock | £8.1m per annum first ten years, and £1.0m decarbonisation expenditure for 1st three years. |
| Repairs - | Total repairs budget £9.60m at 2023/24 then inflated |
| Pay award | 5% 2023/24, RPI - 4% 2024/25 future years 2% |
| Voids | 1% across all tenure types |
| HRA working balance | Set at 7% x Rental income |
| | Revenue account minimum balances not breached. |

Appendix 7 (b) HRA Business Plan Base Positions Revenue and Capital Projections

| Year | Income | | | Operating Expenditure | | | | | Surplus (Deficit) for the Year | Surplus (Deficit) b/fwd | Transfer from /(to) Reserves | RCCO | Surplus (Deficit) c/fwd |
|---------|-----------------|--------------|--------------|-----------------------|--------------|----------------------------|--------------------------|-----------------|--------------------------------|-------------------------|------------------------------|-------|-------------------------|
| | Net rent Income | Other income | Total Income | Management | Depreciation | Responsive & Cyclical +PPM | Total Operating expenses | Capital Charges | | | | | |
| | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | | £,000 | £,000 | £,000 | £,000 |
| 2023.24 | 34,875 | 3,580 | 38,455 | (12,624) | (8,712) | (9,572) | (30,908) | (7,124) | 423 | 3,234 | (1,200) | - | 2,457 |
| 2024.25 | 36,588 | 3,724 | 40,312 | (13,031) | (8,931) | (10,115) | (32,076) | (7,781) | 455 | 2,457 | - | - | 2,912 |
| 2025.26 | 38,141 | 3,761 | 41,902 | (13,260) | (9,214) | (10,418) | (32,892) | (8,863) | 147 | 2,912 | - | - | 3,059 |
| 2026.27 | 39,693 | 3,799 | 43,492 | (13,483) | (9,576) | (10,730) | (33,789) | (10,103) | (400) | 3,059 | - | - | 2,659 |
| 2027.28 | 41,918 | 3,837 | 45,755 | (13,684) | (9,910) | (11,052) | (34,646) | (10,585) | 524 | 2,659 | - | - | 3,183 |
| 2028.29 | 44,098 | 3,875 | 47,973 | (13,937) | (10,311) | (11,566) | (35,814) | (10,569) | 1,591 | 3,183 | - | - | 4,774 |
| 2029.30 | 45,431 | 3,914 | 49,345 | (14,135) | (10,599) | (12,026) | (36,760) | (10,555) | 2,030 | 4,774 | - | - | 6,804 |
| 2030.31 | 46,809 | 3,953 | 50,762 | (14,335) | (10,899) | (12,382) | (37,616) | (10,543) | 2,602 | 6,804 | - | - | 9,406 |
| 2031.32 | 48,233 | 3,992 | 52,226 | (14,539) | (11,208) | (12,749) | (38,496) | (10,534) | 3,196 | 9,406 | - | - | 12,602 |
| 2032.33 | 50,164 | 4,032 | 54,196 | (14,746) | (11,530) | (13,126) | (39,402) | (10,528) | 4,266 | 12,602 | - | - | 16,868 |

HRA Business Plan Base Capital Account Projections

| Year | Expenditure | | | | Financing | | | | | | |
|----------------------|--------------------|----------------------------------|-----------------------------|-------------------|---------------|------------------|--------------------|---------------|---------------|----------|-----------------|
| | Major Works & Imps | Works to promote Decarbonisation | New Build Development Costs | Total Expenditure | Borrowing | RTB 141 Receipts | Other RTB Receipts | Other | MRR | RCCO | Total Financing |
| | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 | £,000 |
| 2023.24 | 9,673 | 1,000 | 19,810 | 30,483 | 16,591 | 308 | 866 | 4,495 | 8,222 | 0 | 30,483 |
| 2024.25 | 9,073 | 1,000 | 33,125 | 43,198 | 16,998 | 4,323 | 798 | 12,571 | 8,508 | 0 | 43,198 |
| 2025.26 | 9,073 | 1,000 | 44,086 | 54,160 | 37,742 | 3,680 | 818 | 3,147 | 8,774 | 0 | 54,160 |
| 2026.27 | 9,073 | 1,000 | 27,956 | 38,029 | 24,710 | 1,710 | 720 | 1,658 | 9,231 | 0 | 38,029 |
| 2027.28 | 9,073 | 3,000 | 3,287 | 15,360 | 0 | 0 | 739 | 13,088 | 1,533 | 0 | 15,360 |
| 2028.29 | 8,759 | 0 | 312 | 9,070 | 0 | 125 | 757 | 5,923 | 2,266 | 0 | 9,070 |
| 2029.30 | 9,021 | 0 | 312 | 9,333 | 0 | 125 | 647 | 1,878 | 6,683 | 0 | 9,333 |
| 2030.31 | 9,292 | 0 | 428 | 9,720 | 0 | 171 | 663 | 1,621 | 7,265 | 0 | 9,720 |
| 2031.32 | 9,571 | 0 | 6,008 | 15,579 | 0 | 959 | 543 | 295 | 13,782 | 0 | 15,579 |
| 2032.33 | 7,976 | 0 | 16,589 | 24,565 | 0 | 1,023 | 556 | 315 | 22,670 | 0 | 24,565 |
| Total year 10 | 90,584 | 7,000 | 151,913 | 249,497 | 96,041 | 12,424 | 7,107 | 44,991 | 88,934 | 0 | 249,497 |