REPORT FOR: CABINET

Date of Meeting:	13 February 2014
Subject:	Housing Revenue Account Budget 2014-15 and Medium Term Financial Strategy 2015-16 to 2017-18
Key Decision:	Yes
Responsible Officer:	Simon George, Director of Finance and Assurance Paul Najsarek, Corporate Director of Community, Health and Wellbeing
Portfolio Holder:	Councillor Barry Macleod-Cullinane, Deputy Leader of the Council and Portfolio Holder for Adults and Housing Councillor Tony Ferrari, Portfolio Holder for Finance
Exempt:	No
Decision subject to Call-in:	Yes, except for the Recommendation to Council
Enclosures:	Appendix 1 – HRA Budget 2014-15 Appendix 2 – Average Rents & Service Charges (Tenants) Appendix 3 – Garage & Parking Space Charges Appendix 4 – Facility Charges Appendix 5 – Water charges Appendix 6 – Community Centre Charges Appendix 7 – Capital Programme Appendix 8 – Performance data Appendix 9 – Recommendation from TLRCF

Section 1 – Summary and Recommendations

This report sets out the Housing Revenue Account (“HRA”) Budget for 2014-15 and Medium Term Financial Strategy (“MTFS”) for 2015-16 to 2017-18.

Recommendations:

1) That Cabinet approves:
    a. the Medium Term Financial Strategy (“MTFS”) for the HRA as detailed in Appendix 1;

    b. the proposed increase of 5.1% to housing rent charges for 2014-15, resulting in an average rent of £112.43 per week for 2014-15;

    c. A service charge increase of 3.7% (an average of £0.10) resulting in an average weekly service charge of £2.85;

    d. In accordance with the policy recommended by TLRCF in January 2012, that garage and car parking rents be frozen pending finalisation of the garage strategy (Appendix 3);

    e. an increase in energy [heating] charges of 10% from 1 April 2014 as detailed in Appendix 4;

    f. an increase in annual water charges of 4% as detailed in Appendix 5;

    g. increases in Community Centre charges as set out in Appendix 6;

    h. The four year capital programme set out in Appendix 7

2) That Cabinet notes the government’s proposals to change national rent policy from 2015-16 onwards.

3) That Cabinet recommends Council approve:

a) The HRA Budget for 2014-15;

b) The HRA capital programme (as detailed in Appendix 7)

Reason: (For recommendation)
To publish the final HRA budget and set Council rents and other charges for 2014-15

Section 2 – Report

Introductory paragraph

The Council has a statutory obligation to agree and publish the HRA budget for 2014-15. This report sets out the budget proposals along with the MTFS to 2017-18, which sets out the indicative income and expenditure for the HRA for this period and shows how the income collected will be spent in the management and maintenance of the Council's stock and in meeting its landlord obligations. The MTFS indicates a sustainable position in the medium term, consistent with the 30 year HRA business plan approved by Cabinet in June 2013.

Background

1. Cabinet received a report in June 2013 that set out the 30-year business plan for the HRA. The business plan was supported by a draft Asset Management Strategy and an Affordable Housing strategy, and set out a 30-year forecast of the income and expenditure anticipated to occur within the HRA, based on an agreed set of assumptions.

2. The starting point for the business plan was the HRA budget and MTFS approved by Cabinet in February 2013, and the first four years of the plan mirrored the MTFS. Thereafter, a set of fairly prudent assumptions were used to project income and expenditure for the remainder of the 30-year period. The cash flows resulting from the projections indicated that the HRA was in a very sound position and was forecast to generate significant balances over the life of the business plan. Following a review of options available to the Council to deliver new affordable housing, in the light of the forecasts a decision was therefore taken to commence a modest development programme of new housing within the HRA.

3. The business plan was intended to form a framework within which future budgets would be set, and the budget and MTFS information contained within this report are largely in line with the forecasts contained within the business plan approved in June. Some minor variations have resulted from changes in inflation used to calculate rent increases, additional Right-to-Buy sales above the levels previously assumed (resulting from significantly increased discounts), and from pressures within some of the budgets. This is to be expected, as the business plan should be a guide to future budgets, and must retain the ability to flex to meet changing requirements.

4. A further change that has the potential to impact on the HRA is the government consultation currently underway in respect of proposed changes to national rent-setting policy. The proposals were first announced as part of the 2013 Spending Review, and the consultation papers were published on 31st October 2013. The proposals are to change the basis of the annual rent increase from Retail Prices Index (RPI) + 0.5% + £2 to Consumer Prices Index (CPI) + 1% from 2015-16 onwards. This has a two-fold effect:

   - Firstly it means that the rent convergence process that has been going on since 2001 will cease after the 2014-15 increase. For Harrow this will mean that we will be collecting less money than would otherwise have been the case over the short to medium term as we will not be able to complete our convergence process which was assumed to continue in the business plan.

- Secondly, there could be a long-term impact depending on the differential between RPI and CPI. The government is basing its assumptions on a differential of 0.5%, but historically the differential has been more along the lines of 0.8%. The government has commissioned some work to review the respective calculations of RPI and CPI with a view to removing any elements that would otherwise skew the indices, but until the outcome of this is clear there is a risk that this could impact on our projections

It should be noted that we had already assumed that some form of reduction in the long-term inflation uplift would in all probability be implemented by the government and so had used fairly pessimistic assumptions in constructing the business plan. In addition, we had assumed an RPI figure of 2.5% for 2014-15 whereas the actual figure to be used is 3.2%. The combined impact of these this is that we are not nearly as badly affected as we might otherwise be, and the HRA remains in a sound position. For the purposes of this budget, we have however used the least-favourable of the alternative rent scenarios modelled so far, but will be consulting on which of the various scenarios currently modelled, or indeed any alternatives should be used in our forecasts.

5. As a result of the improvement in the annual finances, it has been possible to invest more than £2m to date in delivering the following benefits to tenants:

- Further investment in operational services
- Further investment in the stock
- Works to improve the energy efficiency of the Council's stock
- The ability to maintain safe balances
- To commence a development programme of new affordable Housing within the HRA
- Over the longer term, to consider the repayment of HRA debt.

6. The HRA budget and MTFS detailed in Appendix 1, is based on these principles, and is consistent with the approved 30 year business plan for the HRA approved by Cabinet in June 2013. The HRA budget reflects the costs of delivering services at current levels and takes account of areas of identified pressures and savings.

7. The key assumptions that continue to underpin the financial strategy are set out in the following sections.

Consultation

8. Under s.105 of the Housing Act 1985, the Council is required to maintain arrangements as it considers appropriate to enable secure tenants to be informed and consulted about housing management matters which substantially affect them. However, rent and other charges for facilities 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 through the Tenants Leaseholders and Residents Consultative Forum (TLRCF).

9. The Tenants' Leaseholders and Residents Consultative Forum (TLRCF) have the remit to consider and submit observations to Cabinet on the annual HRA budget and in particular on the consequent rent implications. We therefore submitted a report to TLRCF in December 2013 setting out the draft budget and proposals for rents to seek their views. The recommendations from the meeting were:

   (1) That the proposed strategy for setting rents for 2014-15 be agreed by Cabinet;

   (2) That Cabinet note the proposal to introduce a pilot scheme in which estate residents and voluntary groups pay a reduced rate for hire of community halls.

   The second recommendation was in response to a joint member/HFTRA (Harrow Federation of Tenant and Resident Associations) proposal to reduce letting rates for residents and groups local to particular halls to make them more affordable, whilst at the same time trying to generate increased usage so as not to lose income. The pilot is currently being worked up, but at this stage the outcome remains uncertain so no impact has been assumed in the budget or MTFS.

Balances

10. HRA Balances are currently forecast to be £3.5m at the end of March 2014. The budget estimates that balances in the region of £4.5m will remain at the end of March 2015, partly due to the assumed use of receipts from RTB sales to fund capital expenditure, which has resulted in a reduced need for contributions from revenue. In addition, increased depreciation charges in the last two years have already had the effect of moving resources out of the revenue account and into the Major Repair Reserve for capital funding purposes, meaning less contributions from revenue are now required.

11. Over the period of the MTFS, balances are estimated to increase to around £6.0m, or just under 20% of gross annual income. Decisions regarding future levels of balances need to be taken in conjunction with considerations around future levels of capital investment, availability of Right-to-Buy receipts for use in the HRA, the Council's plans for new affordable housing as these become more developed, and the potential impact of welfare reform as the proposals are phased in. It is felt that a prudent minimum level of balances would be in the region of 5-7% of gross income, approximately £1.5 - £2.0m in today's prices, though this will depend on the level of risk at any given point and will need to be reviewed periodically.

Income

Dwelling rents

12. Current Government policy intends that by the end of 2015-16 similar properties in the same area will have similar rents even if owned by different social landlords. The aim is to deliver fairer rents, and greater transparency and choice for tenants. This is generally referred to as rent convergence. The government, however, is currently consulting on proposals to change national rent policy from 2015-16 onwards, and therefore 2014-15 may be the last year that rents continue to be set on the current basis.

13. The rental strategy approved by Cabinet and Council in March 2011, was based on a continuation of Government rent policy which assumes individual rents will increase annually by no more than RPI + 0.5% + £2, and we have assumed that this would apply for 2014-15, though this will be subject to consultation. At the time that this year's budget was set, it was assumed that RPI would be 2.5%, but the September 2013 RPI figure which must be used to set 2014-15 rents was actually 3.2%.

14. As indicated above, we have assumed that current rent policy would be followed for 2014-15, i.e. rent convergence. This results in an average rent increase of 5.1% in 2014-15, meaning an average rent of £112.43 per week (the 2013-14 current average is £107.00). Average rents and service charges under the existing strategy are detailed in appendix 2.

Alternative Rent Options

15. Given that the government is consulting on proposals to change the way in which rent increases are calculated in the future, and to stop rent convergence before all properties have achieved rent convergence (but allow re-lets to be at target rent), alternative options for rent setting in 2014-15 have not yet been considered as we have been focusing on 2015-16 and beyond.

16. As indicated above, the HRA business plan approved by Cabinet on 20th June 2013 was formulated on the basis of a prudent long term inflation figure, which was 2%, with rents being forecast to continue convergence, but then to increase by this lower figure plus 0.5%. On this basis the HRA was forecast to generate cumulative balances of £168m by year 30 of the plan.

17. In the light of the consultation, it is clear that, subject to whether the government is successful in closing the RPI/CPI differential to 0.5%, we could now potentially afford to be less pessimistic in our rental inflation assumptions. We have therefore modelled a range of scenarios based on the approved business plan to illustrate the potential financial impact of changes to national rent policy as follows:

- Continuation of current rent policy, i.e. convergence with target rents using an updated September 2013 RPI figure of 3.2% (previously 2.5%), and assuming a long-term RPI figure of 2.5% instead of the 2% used previously;

- Cessation of rent convergence after 2014-15, but assuming long term increases of RPI + 0.5%;

- Full implementation of the proposed rent policy, assuming the RPI/CPI differential is reduced to 0.5%; and

- Full implementation of the proposed rent policy assuming it is not possible to reduce the RPI/CPI differential to 0.5%, i.e. assuming a figure of 0.8%.

The potential impact of the above changes is set out in the table below:

Rental assumptions	HRA balance at year 5	HRA balance at year 10	HRA balance at year 30	Variance to 20 June balance	Variance to revised balance
Business plan 20 June 2013	£6.4m	£16.8m	£167.8m	Nil	Nil
Continue current policy: Sept RPI = 3.2% Long-term RPI = 2.5%	£7.6m	£22.8m	£268.8m	+£101.0m	Nil
Cease rent convergence Long-term RPI 2.5%	£6.3m	£19.0m	£254.2m	+£86.4m	-£14.6m*
Implement proposed rent policy Wedge = 0.5%	£6.3m	£18.9m	£251.7m	+£83.9m	-£17.1m*
Implement proposed rent policy Wedge = 0.8%	£5.7m	£15.2m	£189.1m	+£21.3m	-£79.7m*

* variance relative to scenario 1 – continuation of current policy with revised inflation assumptions

18. It should be noted that the figures above are illustrative and have been included here to demonstrate the potential impact of the government's proposals. The business plan will be re-stated once the budget is more certain and the final impact on the plan can then be assessed. It should, however, not differ significantly from the figures shown above.

19. It can be seen from the above that relatively small variations in inflation assumptions, if they are sustained, can have a significant impact on balances over the life of the business plan. Indeed, just revising our original business plan assumptions for the September 2013 RPI figure and a 0.5% higher RPI figure is projected to increase the year-30 balance by £101m.

20. Removing rent convergence but assuming a continuation of rent increases at RPI + 0.5% would lead to a reduction in the year-30 balance in the region of £14.6m from the above position, due to the cumulative effect of being unable to achieve rent convergence.

21. Implementation of the full terms of the proposed new rent policy would reduce year 30 balances by £17.1m if we assume that the government was

successful in reducing the CPI/RPI differential from its long-term historic average of 0.8% to 0.5%. If, however, it was unsuccessful in reducing the wedge, the year 30 balance would be reduced by just under £80m.

22. It is clear that HRA is still in a very healthy state, and would be even after the proposed changes to rent policy, assuming they are implemented. The consultation ended on 24th December 2013 but the responses have not yet been published, and so we do not currently know the final outcome. We therefore need to make a decision about the strategy we should adopt pending the outcome of the consultation.

23. Whilst some on the scenarios are projected to have a significant impact on the business plan, because of the assumptions we had previously used, we are not projected to be any worse off over the long-term, and only slightly worse off over the short term if we assume the most pessimistic of the scenarios. Even under this scenario we would still be able to deliver on the new-build proposals currently in development.

24. For the purposes of producing a budget, the recommendation is that we use the most pessimistic of the above scenarios (new policy, RPI/CPI differential = 0.8%) as a starting point for further discussion and consultation around rental strategies as this effectively represents a worst-case scenario.

Right-to-Buy sales

25. There have been twenty-two sales under Right-to-Buy so far in 2013-14 as a result of new discounts and a further eight sales are anticipated by the year end. A stock level of 4,921 at the start of April 2014 is therefore assumed, and some thirty-five sales per annum from 2014-15. It is envisaged the HRA will continue to be viable if Right-to-Buy sales continue at these levels. There is potentially a risk issue if we experience a sustained increase in sales and this is referenced in the risk section at paragraph 50.

Service charges: Tenants & Leaseholders

26. Tenants who benefit from specific estate based services will pay a charge to the Council on a weekly basis in addition to their weekly rent charge. This service charge will increase by 3.7% on average resulting in an average weekly charge of £2.85 (2013-14 current service charge £2.75), an increase of £0.10 on the current weekly charge.

27. Leaseholders are no longer charged an estimated service charge but are invoiced annually by the end of September for the previous financial year, based on actual recovery of costs (resulting in the leasehold financial year spanning the 30th Sept to 31st August rather than the financial year of 1st April to 31st March) Leaseholders are required to settle these invoices within 30 days, but in practice the challenge process and the payment options available to leaseholders results in some leaseholders not settling their accounts until well into the following financial year. The total income expected to be recovered from leaseholders in 2014-15 (excluding s20 income in relation to capital schemes) is £489k and reflects the recovery of costs associated with estate based costs, communal lighting, repairs, ground maintenance, insurance premiums and administration charges.

Other income

28. Historically other rental income from garages, car parking, and facilities charges are recommended to increase by an annual percentage, consistent with fees & charges across the Council. The charge for garage rents has been held since 2011-12 pending finalisation of the Garage Strategy Review. Given that the review has been stalled for some time (with the exception of developing infill opportunities), we are proposing to continue this policy by freezing rents for HRA garages and car parking pending finalisation of the review. We anticipate that the outcome of the Garage Strategy Review may include alternative pricing strategies for garages and car parking, and that a further report will be presented following completion of this work.

29. Details of the proposed rents for garages and parking, facility charges and charges for community centres are set out in appendices 3, 4, 5 and 6 respectively.

Expenditure

Employee Costs

30. The HRA budgets are based on the staffing establishment, and assume a pay increase of 1% in 2014/15, and 2% annually thereafter.

31. Salary allocations between the HRA and the General Fund have been reviewed but no changes are currently necessary.

Utility Costs

32. These budgets have been uplifted in 2014-15 by 10%, and 5% subsequently, as this is the corporate assumption on the general level of increases for utilities costs.

Central Recharges

33. The costs of central recharges have currently been assumed to increase by 1.5% pending finalisation of the recharges figures.

Repairs

34. Repairs budgets are largely unchanged from the original estimates, with some minor virements between budgets.

Charges for Capital

35. Capital charges to the HRA are assumed to continue to be charged at the rate of 4.2978% of the HRA borrowing from the General Fund of £149.6m. This is the level of the HRA borrowing cap set by government, and means that the HRA is currently unable to borrow any more money to deliver new housing. In the Government's Autumn Statement, proposals were put forward to permit a further £300m borrowing nationally in addition to the national borrowing cap. Whilst this is a step in the right direction, in reality,

the fact that it will be subject to a competitive bidding process and will need to be match-funded by receipts from sales mean that it is not expected to significantly benefit Harrow.

36. As part of the ongoing business planning activity, consideration will be given to the ability to repay debt, and to reduce capital charges to the HRA. Interest rate risk is one of the key risks associated with the longer term planning of the HRA finances, and whilst the risk is relatively small as the loans pool is predominantly comprised of long-term fixed rate loans, the main risk will be as a result of the rates available as existing loans are re-financed on maturity.

37. Interest on HRA balances, including the Major Repairs Reserve are expected to be earned at a rate of 0.73% for 2014-15.

Capital Investment

38. The HRA capital programmes for 2014-15 to 2016-17 are as approved by Cabinet in February 2013, with the addition of the budgets for new affordable housing approved by Cabinet in June 2013. The capital programme for 2017-18 is as per the approved business plan (Cabinet June 2013), and the four-year programme is attached as Appendix 7.

39. To ensure an element of flexibility within the housing investment programme, Housing Services propose to use the scheme of delegation to implement variations to the HRA Capital programme within agreed limits and following appropriate consultation, to meet the requirements of the Housing Asset Management Strategy and ensure delivery against programme can be maximised. As is currently the case, the HRA Capital programme would continue to be funded from HRA revenue resources, and therefore any such variations would not affect the Council's borrowing position or General Fund resources.

Impairment Allowance

40. Current tenant arrears continue to reduce. However, whilst a number of payment arrangements have been agreed for former tenant arrears, former tenant arrears remain high and require a significant level of provision. The continuing welfare benefit changes are likely to have an impact on arrears, although it is difficult to quantify at this stage. The annual provision is budgeted to rise from its 2013-14 level of £300k to £400k in 2014-15 to reflect the expected impact of the welfare changes, then dropping to £300k per annum in subsequent years.

General Contingency

41. In addition to the HRA balances, an annual amount of £230k is set aside to cover unforeseen expenditure that may arise in the management and maintenance of the housing stock.

42. The MTFS approved by Cabinet and Council in March 2013 estimated an in year surplus of £0.300m for 2014-15. The proposed budget changes result in a surplus of £0.978m. The increase in surplus of £0.678m is explained below :

- -£0.117m - Dwelling rents & service charges increased, due largely to the application of the September RPI of 3.2% as opposed to the 2.5% assumed in the original estimate

- -£0.058m – SSCs reduced due largely to the reduction in recharges from the Council's anti-fraud unit as a result of changes in the way sub letting is combatted

- -£1.180m – revenue contributions to the capital programme have reduced from original estimates due to an increased capacity of the Major Repairs Reserve (MRR) to finance capital expenditure. This is largely the result of technical changes in the treatment of depreciation agreed with the Council's auditors which requires an increased depreciation charge which is transferred into the MRR.

- +0.461m – depreciation charge increased as a result of technical changes agreed with Council's auditors (see above).

- +0.100m – expenditure for affordable housing programme to be delivered over next two years expected to be higher than originally estimated.

- +0.081m – increased incentives for downsizing are required for 2014-15 to build in greater flexibility in the available dwelling stock for larger families

- +0.035m – increased expenditure on estates and sheltered accommodation as a result of increased utilities charges, grounds maintenance, caretaking and other costs.

Summary

43. The HRA Budget and MTFS detailed in Appendix 1 continues to reflect the significantly improved position reported in last year's budget as a result of HRA reform. The 30-year HRA business plan approved by Cabinet in June 2013 has been used as the framework within which this budget has been developed, and the outcome of the budget process will be used to re-state the business. Current forecasts suggest that significant balances are likely to be generated within the HRA over the period of the business plan, depending on expenditure and income decisions made in the future, with current levels of projected investment expenditure being fully funded over this period. This remains an extremely positive position for the Council to be able to report and will enable the Council to meet both the challenges faced by the service from the Government changes and the increasing expectations of its tenants and Members.

Legal Implications

44. 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 them, and before deciding on the matter, the landlord authority has to consider any representations made. However, rent and other charges for facilities are specifically excluded from the definition of housing management and therefore there is no statutory requirement to consult secure tenants on proposed rent changes. However, as noted earlier in this report, the Council has historically consulted the Tenants Leaseholders and Residents Consultative Forum (TLRCF) and has done so again in December 2013.

Equalities Implications

45. Pursuant to the Equality Act 2010 ("the Act"), 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 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. The duty also covers marriage and civil partnership, but to a limited extent.

46. The equality impacts in relation to the Housing Business Plan on which this budget is based were considered in the February 2013 Cabinet report which approved the HRA budget for 2013/14. The approved policy changes were considered to have an overall positive impact on protected groups. In addition, the Housing Strategy EQIA informed the development and adoption of the key objectives which underpin the Housing Business Plan. Overall there is no proposed change to current policy.

Financial Implications

47. Financial matters are integral to this report

Performance Implications

48. During Q2 of 2013/14 we have successfully sustained, and in many areas improved performance despite the impacts of welfare reform beginning to bite. We continue to proactively work with those most affected by the welfare reform changes to mitigate where possible, the impact and to manage budgetary demands arising from the reforms as well as customer needs and expectations. A snapshot of the Q2 performance data for HRA related services is attached as Appendix 8.

Environmental Impact

49. The HRA Budget 2014-15 includes investment in a number of areas that will improve the energy efficiency of the Council's housing stock and thus make a contribution towards delivering the Council's Climate Change Strategy. The Asset Management Strategy action plan that is being developed is intended to address elements of the "Delivering Warmer Homes" (HECA) strategy which was reported to DECC in March 2013.

Risk Management Implications

50. The key risks which should be highlighted, and which are referenced in the main body of the report, are those associated with the changes in the RTB arrangements and, for the longer HRA business plan, interest rate risk. Whilst these are real risks to the HRA these are not considered to be significant in the short term.

51. These risks are detailed on the Housing risk register.

Administration Priorities

The report is in line with the Administration Priorities.

Section 3 - Statutory Officer Clearance

Name: Simon George Date: 28 January 2014	X	Chief Financial Officer
Name: Paresh Mehta Date: 28 January 2014	X	on behalf of the Monitoring Officer

Section 4 – Performance Officer Clearance

Name: Martin Randall Date: 29 January 2014	X	on behalf of the Divisional Director Strategic Commissioning

Section 5 – Environmental Impact Officer Clearance

Name: Andrew Baker Date: 28 January 2014	X	on behalf of the Corporate Director (Environment & Enterprise)

Section 6 - Contact Details and Background Papers

Contact:
Dave Roberts, Finance Business Partner – Housing Services
Tel: 0208 420 9678 (Ext 5678)

Background Papers:

- Housing Business Plan Report to Cabinet June 2013

Call-In Waived by the Chairman of Overview and Scrutiny Committee	**NOT APPLICABLE** *[Call-in applies, except for the Recommendation to Council]*

Appendix 1
HRA Budget 2014-15 and MTFS 2015-16 to 2017-18 – Expenditure

All figures in £s	**Budget 2014-15**	**Budget 2015-16**	**Budget 2016-17**	**Budget 2017-18**
Operating Expenditure:				
Employee Costs	2,435,160	2,461,850	2,489,060	2,516,800
Supplies & Services	913,260	844,020	858,900	874,080
Utility cost (Water & Gas)	642,000	669,550	698,380	728,560
Estate & Sheltered Services	2,744,290	2,870,650	2,934,640	3,000,300
Central Recharges	3,439,750	3,522,580	3,607,400	3,694,270
Operating Expenditure	**10,174,460**	**10,368,650**	**10,588,380**	**10,814,010**
Repairs Expenditure:				
Repairs - Voids	874,390	881,770	899,410	917,400
Repairs - Responsive	3,192,790	3,257,900	3,323,060	3,389,520
Repairs – Other	2,380,430	2,430,360	2,481,250	2,533,110
Repairs Expenditure	**6,447,610**	**6,570,030**	**6,703,720**	**6,840,030**
Other Expenditure:				
Contingency - General	236,280	233,310	234,170	238,850
Investment in Services	223,750	208,780	193,560	197,430
Impairment allowance	400,000	300,000	300,000	300,000
RCCO	-	-	1,871,930	2,437,360
Affordable Housing	100,000	-	-	-
Grants to Move	162,870	161,450	159,320	157,130
Charges for Capital	6,399,900	6,400,420	6,375,700	6,331,680
Depreciation	6,565,450	6,518,740	6,472,040	6,425,330
Other Expenditure	**14,088,250**	**13,822,700**	**15,606,720**	**16,087,780**
Total Expenditure	**30,710,320**	**30,761,380**	**32,898,820**	**33,741,820**

Appendix 1 (continued)
HRA Budget 2014-15 and MTFS 2015-16 to 2017-18 - Income

All figures in £s	Budget 2014-15	Budget 2015-16	Budget 2016-17	Budget 2017-18
Income				
Rent Income – Dwellings	(28,499,950)	(29,069,660)	(29,654,460)	(30,228,730)
Rent Income – Non Dwellings	(711,100)	(714,530)	(718,090)	(721,790)
Service Charges - Tenants	(1,169,670)	(1,194,110)	(1,219,210)	(1,230,090)
Service Charges – Leaseholders	(498,300)	(510,580)	(523,290)	(536,450)
Facility Charges (Water & Gas)	(561,840)	(588,390)	(616,200)	(645,330)
Interest	(3,600)	(3,600)	(3,600)	(3,600)
Other Income	(81,230)	(82,480)	(83,780)	(85,130)
Recharge to General Fund	(163,000)	(163,000)	(163,000)	(163,000)
Total Income	**(31,688,690)**	**(32,326,350)**	**(32,981,630)**	**(33,614,120)**
In Year Deficit / (Surplus)	**(978,370)**	**(1,564,970)**	**(82,810)**	**127,700**
BALANCE brought forward	**(3,533,036)**	**(4,511,406)**	**(6,076,376)**	**(6,159,186)**
BALANCE carried forward	**(4,511,406)**	**(6,076,376)**	**(6,159,186)**	**(6,031,486)**

Average Rent & Service Charges **Appendix 2**

Description	No. units	2013-14 Total Weekly Charge	2014-15 Rent	2014-15 Service Charge	2014-15 Total	Increase £
Bedsit bungalow	20	£98.36	£100.83	£2.57	£103.40	£5.04
1 Bed bungalow	116	£108.63	£111.97	£2.17	£114.14	£5.51
2 Bed bungalow	25	£124.22	£126.81	£3.38	£130.19	£5.97
Bedsit flat	84	£85.33	£85.67	£3.87	£89.54	£4.21
1 bed flat	1,222	£94.64	£95.98	£3.40	£99.38	£4.74
2 bed flat	819	£107.53	£109.36	£3.90	£113.26	£5.73
3 bed flat	45	£118.08	£119.77	£4.55	£124.32	£6.24
1 bed Maisonette	6	£88.62	£92.41	£0.39	£92.80	£4.18
2 bed Maisonette	53	£106.86	£108.94	£3.56	£112.50	£5.64
3 bed Maisonette	46	£118.74	£120.81	£4.08	£124.89	£6.15
4 bed Maisonette	1	£125.76	£132.41	£0.00	£132.41	£6.65
2 bed Parlour House	34	£118.75	£123.66	£1.19	£124.85	£6.10
3 bed Parlour House	543	£131.51	£136.47	£1.65	£138.12	£6.61
4 bed Parlour House	57	£142.39	£147.21	£2.31	£149.52	£7.13
5 & 6 bed Parlour House	10	£151.80	£158.05	£1.14	£159.19	£7.39
2 bed Non Parlour House	521	£115.74	£119.74	£1.94	£121.68	£5.94
3 bed Non Parlour House	745	£126.77	£131.25	£2.07	£133.32	£6.55
4 bed Non Parlour House	31	£140.60	£144.40	£2.92	£147.32	£6.72
5,6 & 7 bed Parlour House	6	£154.35	£158.74	£1.11	£159.85	£5.50
Sheltered bedsit	55	£86.32	£87.42	£2.56	£89.98	£3.66
Sheltered – other units	501	£93.08	£94.15	£3.08	£97.23	£4.15
Total	4,940	£109.75	£112.43	£2.85	£115.28	£5.53

The average charge during 2013-14 was £109.75 per week comprising £107.00 rent and £2.75 service charge compared to the budgeted £106.88 and £2.74 per week respectively.

The rent increase for 2014-15 is based on the continuation of rent convergence, i.e. a maximum of Retail Prices Index (RPI) plus 0.5% plus £2 for any individual property. This yields an average rent of £112.43 and an average service charge of £2.85 per week, representing an average increase of 5.1% and 3.7% respectively.

Garages & parking space charges **Appendix 3**

	Current Weekly Rental 2013-14	Proposed Weekly Rental 2014-15
	£	£
Garages	14.05	14.05
Car Spaces	9.16	9.16

Facility Charges **Appendix 4**

Sheltered Block		**Current average weekly facility charge (Heating)**	**Proposed average weekly facility charge 10% increase (Heating)**
	No. of Properties	**2013-2014**	**2014-2015**
Alma Court	30	12.08	13.29
Belmont Lodge	30	12.05	13.26
Boothman House	30	12.05	13.26
Cornell House	30	12.10	13.31
Durrant Court	27	12.05	13.26
Edwin Ware Court	30	10.15	11.17
Goddard Court	30	12.10	13.31
Grahame White House	30	12.10	13.31
Grange Court	30	10.10	11.11
Harkett Court	30	12.05	13.26
Harrow Weald Park 0 Bed	12	8.20	9.02
Harrow Weald Park 1 Bed	19	11.00	12.10
John Lamb Court	32	12.70	13.97
Meadfield	30	12.10	13.31
Sinclair House	27	12.10	13.31
Tapley Court	26	12.05	13.26
Thomas Hewlett House	30	12.10	13.31
Watkins House	43	12.67	13.94
William Allen House	29	10.95	12.05
Resident Warden Accommodation	11	16.35	17.99
Other Non-Sheltered	95	10.65	11.72

Water Charges **Appendix 5**

Sheltered Block	No.of flats	Current Range Water Charge 2013-2014		Proposed Range Charge at 4% increase for 2014-2015		Amount of increase	Average Charge 2014-2015	% Increase	Income per Week per Block 2014-2015
		Lower	Higher	Lower	Higher				
Alma Court	30	£4.24	£4.24	£4.41	£4.41	£0.17	£4.41	4.00%	£132.30
Belmont Lodge	30	£4.36	£4.36	£4.53	£4.53	£0.17	£4.53	4.00%	£135.90
Boothman House	30	£4.50	£4.50	£4.68	£4.68	£0.18	£4.68	4.00%	£140.04
Cornell House	30	£4.44	£4.63	£4.62	£4.82	£0.19	£4.72	4.00%	£141.60
Durrant Court	27	£4.24	£4.69	£4.41	£4.88	£0.19	£4.65	4.00%	£125.55
Edwin Ware Court	30	£3.77	£4.69	£3.92	£4.88	£0.17	£4.40	4.00%	£132.00
Goddard Court	30	£4.36	£4.36	£4.53	£4.53	£0.17	£4.53	4.00%	£135.90
Grahame White House	30	£4.50	£4.50	£4.68	£4.68	£0.18	£4.68	4.00%	£140.40
Grange Court	30	£3.58	£4.50	£3.72	£4.68	£0.16	£4.20	4.00%	£126.00
Harkett Court	30	£4.50	£4.50	£4.68	£4.68	£0.18	£4.68	4.00%	£140.40
Harrow Weald Park	31	£3.58	£4.81	£3.72	£5.00	£0.17	£4.36	4.00%	£135.16
John Lamb Court	32	£4.50	£4.50	£4.68	£4.68	£0.18	£4.68	4.00%	£149.76
Meadfield	30	£4.44	£4.63	£4.62	£4.82	£0.19	£4.72	4.00%	£141.60
Sinclair House	27	£4.24	£4.24	£4.41	£4.41	£0.17	£4.41	4.00%	£119.07
Tapley Court	26	£4.24	£4.50	£4.41	£4.68	£0.18	£4.55	4.00%	£118.30
Thomas Hewlett House	30	£4.44	£4.44	£4.62	£4.62	£0.18	£4.62	4.00%	£138.60
Watkins House	43	£3.77	£3.77	£3.92	£3.92	£0.15	£3.92	4.00%	£168.56
William Allen House	29	£3.58	£4.50	£3.72	£4.68	£0.16	£4.20	4.00%	£121.80
Total No.of Sheltered Flats	545								£2,442.94
Resident Warden Accommodation	11	£6.20	£6.20	£6.45	£6.45	£0.25	£6.45	4.00%	£70.95
Total Sheltered Flats incl Warden	556								
Other Non-Sheltered	95	£4.44	£4.44	£4.62	£4.62	£0.18	£4.62	4.00%	£438.90

Community Centres **Appendix 6**

Community Hall and Capacity	Current 2013-14 Charges per first 3 hours block booking then subsequent hourly rate			Proposed 2014-15 Charges per hour letting 4% Price Increase		
	Evening Rate	Daytime Rate	Weekend Rate	Evening Rate	Daytime Rate	Weekend Rate
	£	£	£	£	£	£
Augustine Road [max 30]	20.80	10.40	31.20	21.63	10.82	32.45
Marsh Road Hall [max 30]	20.80	10.40	31.20	21.63	10.82	32.45
Brookside Hall [max 30]	20.80	10.40	31.20	21.63	10.82	32.45
Woodlands Hall [max 60]	31.20	15.60	42.60	32.45	16.22	44.30
Churchill Place [max 100]	41.60	18.70	52.00	43.26	19.45	54.08
Kenmore Park [max 100]	41.60	18.70	52.00	43.26	19.45	54.08
Pinner Hill Hall [max 100]	41.60	18.70	52.00	43.26	19.45	54.08
Northolt Road [max 100]	41.60	18.70	52.00	43.26	19.45	54.08

Terms & Conditions associated with Hall lets:

- Lets to Tenants and Residents Associations are free, providing 4 weeks notice is 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.
- A refundable deposit of £100 against loss or damage will be required by all other users.

Of the 11 community centres, 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:

- Methuen Road community centre is fully let to Flash Musicals Youth Theatre group on a lease agreement of £25,000 rent per annum.
- Stone Gardens hall is fully let as a nursery on a lease agreement of £10,000 rent per annum.
- Northolt Road hall is partly let as a nursery on a lease agreement of £5,200 rent per annum.
- Churchill Place hall is partly let as a nursery on a lease agreement of £10,000 rent per annum.

HRA Capital Programme **Appendix 7**

Budget Description	**2014/15**	**2015/16**	**2016/17**	**2017/18**
	£	**£**	**£**	**£**
Internal Works	3,628,120	3,928,120	4,428,120	4,228,120
External Works	1,586,450	1,586,970	1,671,490	2,300,000
M & E	920,000	920,000	920,000	920,000
Garages	61,500	61,500	61,500	61,500
Aids and Adaptations	615,000	615,000	615,000	615,000
Capitalisation Responsive Repairs	142,500	142,500	142,500	142,500
Capitalised Salaries	317,000	317,000	317,000	317,000
Develop Wider Housing Initiatives Pot	256,240	256,240	256,240	555,000
HRA Capital Investment	**7,526,810**	**7,827,330**	**8,411,850**	**9,139,120**
Affordable Housing Programme	2,000,000	4,400,000		
Total HRA Capital Programme	**9,526,810**	**12,227,330**	**8,411,850**	**9,139,120**

Housing Scorecard 2013-14						
Indicator (cumulative for the year unless stated otherwise)	Sept actual / Q2	Q2 target	Dec actual / Q3	Q3 target	Red Amber Green	Current Assessment
Voids						
Average time taken to re-let LA housing (days) (excludes times taken for major works) - per quarter [VFM PI]	15.23 (for Q2)	18	14.88 (for Q3)	18	HG	Average relet time for the year is 18 days so far
Resident Services						
LA rent collection and arrears: proportion of rent collected. (includes current tenant arrears b/f)	97.72%	95.0%	99.41%	96.0%	LG	Performing well in difficult circumstances. Top quartile across London Boroughs and ALMOS
Current tenants arrears (£k)	496	440	523	440	HR	Ongoing analysis of Welfare Reform impacts ongoing. Working with Corporate colleagues to mitigate impacts. £100k DHF identified as a contributory payment once processed.(£423K)
All new tenants to be photographed	92%	90%	94%	90%	LG	Result above expectations
% of tenants photographed	38.85%	26%	42.3%	27%	HG	Result above expectations
Asset Management						
Repairs completed in Target Time - Priority 1 - emergency	98.5%	96%	98.5%	96%	LG	Result above expectations - monitoring regime in place to ensure compliance
Repairs completed in Target Time - Priority 2 - urgent	98.3%	96%	98.4%	96%	LG	Result above expectations - monitoring regime in place to ensure compliance
Repairs completed in Target Time - Priority 3 - non urgent	97.9%	96%	99.6%	96%	LG	Result above expectations - monitoring regime in place to ensure compliance
% of repairs completed at first visit	95.2%	90%	97.1%	80%	HG	Result above expectations - monitoring regime in place to ensure compliance
% of properties with current gas servicing certificates (CF12)	99.5%	100%	99.74%	100%	A	Result above expectations - monitoring regime in place to ensure compliance with RS CH
Council adaptations: average time from assessment to completion of work (weeks) quarterly performance	20	33	21	33	HG	Strong performance in delivery times maintained
DFGs: average time taken from assessment to DFG approval date (weeks) quarterly performance	8	30	12	30	HG	Strong performance in delivery times maintained
New Housing Initiatives						
Number of affordable homes delivered (gross)	74	68	74	85	HR	One scheme slipped in Q3 and is now due to complete in Q4. We anticipate meeting our year end target.
Number of affordable family sized rented homes completed	8	8	8	8	LG	Q4 target met. No further family unit completions due for this year
Total no of social housing homes freed up - grants2move	29	-	37	-		Consisting of 33 underoccupation and 4 grants2move (FSR) moves