REPORT FOR: CABINET

Date of Meeting:	19 February 2015
Subject:	Housing Revenue Account Budget 2015-16 and Medium Term Financial Strategy 2016-17 to 2018-19
Key Decision:	Yes
Responsible Officer:	Simon George, Director of Finance and Assurance Paul Najsarek, Corporate Director of Community, Health and Wellbeing
Portfolio Holder:	Councillor Glen Hearnden, Portfolio Holder for Housing Councillor Sachin Shah, Portfolio Holder for Finance and Major Contracts
Exempt:	No
Decision subject to Call-in:	Yes, except for the Recommendations to Council
Wards affected:	All
Enclosures:	Appendix 1 – HRA Budget 2015-16 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 – HRA Growth Fund Bid

Section 1 – Summary and Recommendations

This report sets out the Housing Revenue Account ("HRA") Budget for 2015-16 and Medium Term Financial Strategy ("MTFS") for 2016-17 to 2018-19.

Recommendations:

1) That Cabinet approves:
   a. the Medium Term Financial Strategy for the HRA as attached in Appendix 1;

   b. the proposed increase of 2.2% to housing rent charges for 2015-16, resulting in an average rent of £114.97 per week for 2015-16;

   c. a service charge increase of 2.2% (an average of £0.06) resulting in an average tenant service charge of £2.91 per week;

   d. that garage and car parking rents be frozen for a further year pending development of a usage and differential charging policy (Appendix 3);

   e. an increase in energy [heating] charges of 5% 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 of 4% as set out in Appendix 6;

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

2) That Cabinet recommends Council approve:

   a. The HRA Budget for 2015-16;

   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 2015-16

Section 2 – Report

Introductory paragraph

The Council has a statutory obligation to agree and publish the HRA budget for 2015-16. This report sets out the budget proposals along with the MTFS to 2018-19, 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 updated 30 year HRA business plan approved by Cabinet in July 2014.

Options considered

Alternative rent options were considered during the preparation of this report and were consulted on at a meeting of the Tenants, Leaseholders and Residents' Consultative Forum on 7th October 2014. The view expressed was not to change from the current rent-setting policy.

Background

1. Cabinet received a report in July 2014 that set out the updated 30-year business plan for the HRA. This report updated the HRA element of the Housing business plan approved in June 2013, 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 updated business plan was the HRA budget and MTFS approved by Cabinet in February 2014, 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 remained in a very sound position and was forecast to generate significant balances over the life of the business plan.

3. Further work has been undertaken regarding the options available to the Council to deliver new affordable housing, and to deliver estate regeneration within the HRA. This has resulted in approval being granted to commence work on developing a comprehensive set of proposals to regenerate the Grange Farm estate, as well as further proposals for a modest Purchase and Repair programme and phase 2 of the HRA development programme being developed. Phase 1 of the HRA development programme is anticipated to be on site towards the end of 2014-15.

4. The business plan is intended to form a framework within which future budgets are 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 July. Some minor variations have resulted from changes in inflation used to calculate rent increases, changes to the assumed levels of Right-to-Buy sales, 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.

5. A further change that has impacted on the HRA is the changes to national rent-setting policy proposed last year and subsequently confirmed in 2014. These changes mean that the rent convergence process that has been going on since 2001 has now ceased following the 2014-15 increase, and that the basis for rent increases from 2015-16 onwards is now the Consumer Prices Index (CPI) plus 1% each year, rather than the Retail Prices Index (RPI) plus 0.5% plus £2 each year until convergence was reached. As previously the inflation figure is as at September of the previous year.

   The inflation figures we had used in constructing the MTFS and Business Plan had already assumed that the government would seek to implement some form of reduction in the long-term inflation uplift, and so the HRA was not badly affected by this change, and remains in a sound position. For the purposes of this budget, we are assuming increases based on CPI + 1%, but have considered and modelled several alternative rent scenarios based on varying rates of CPI, as well as whether rent policy is likely to change further following the end of the government's 10-year "guarantee" period.

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 July 2014. The HRA budget proposed 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 TLRCF has the remit to consider and submit observations to Cabinet on the annual HRA budget and in particular on the consequent rent implications. At the TLRCF meeting held on 7th October 2014, a report was presented outlining several rent options that the Council could potentially adopt for 2015-16, and seeking guidance from the meeting as to whether there was any wish to consider an option other than compliance with national policy (the Council's existing strategy). There was no evidence at the meeting of any desire to change the current policy, so this has been assumed to continue for the purposes of this report.

Balances

10. HRA Balances are currently forecast to be £4.4m at the end of March 2015. The budget estimates that balances in the region of £5.0m will remain at the end of March 2016. 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 £7.5m, or around 21% 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 4.5-6% 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

<u>Dwelling rents</u>

12. As indicated above, TLRCF considered several options for setting rents in 2015-16 at its meeting in October 2014, but there was no suggestion that there should be any change from current rent policy for setting rents, i.e. in line with the national social rent policy increase of CPI + 1%. We have therefore assumed that this approach would be followed. The CPI figure to be used for rent setting is the September figure, which was 1.2%. This then results in an average rent increase of 2.2% in 2015-16, meaning an average rent of £114.97 per week (the 2014-15 current average is £112.45). Average rents and service charges under the existing strategy are detailed in Appendix 2.

Alternative Rent Options

13. The HRA business plan approved by Cabinet on 19th July 2014 was formulated on the basis of prudent long term inflation figures for both income and expenditure, with rents being forecast to increase by CPI + 1% throughout. Our working assumption was that the long term CPI figure would be 1.5%, which is below the government's long term assumption of 2.0%.

14. For the purposes of the four-year MTFS projections, the proposal is to continue with this assumption for rent increases. Over the longer term, however, it is appropriate to consider both alternative long-term CPI figures and also whether the government may decide to make further changes to national policy following the end of the 10-year "guarantee period", and these could significantly impact on the level of resources generated by the HRA over the long- term.

15. Whilst these alternatives do not affect the MTFS position, they are an important factor in determining the long-term health of the HRA, and so the resources likely to be available for future investment in new affordable housing. We will therefore model a range of scenarios for the next version of the HRA Business Plan based on the approved budget and MTFS to illustrate the sensitivity of the Plan to changes in future levels of rent increase and to assist in decision-making around further new build/acquisition.

Right-to-Buy sales

16. There have been thirty-one sales under Right-to-Buy so far in 2014-15 as a result of the increased discounts and a further four sales are anticipated by the year end. A stock level of 4,880 at the start of April 2015 is therefore assumed. 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.

17. To assist with managing this risk, and to provide immediate assistance to ease homelessness pressures, a policy has been developed to enable the buy-back of ex Local Authority properties.

18. During the consultation on the feasibility for regeneration and/or redevelopment of a number of council estates between January and March 2014, a number of leaseholders expressed concern that the sale of their properties may have been blighted by potential proposals to develop some of our estates. There is no evidence to justify these concerns and all of the council's communications made clear we were only considering options and no firm decisions had been made. However, a number of

leaseholders have expressed interest in selling their property back to the council.

19. In July 2014, Cabinet made the decision to proceed with the regeneration of the Grange Farm estate and approved the early buy backs of leasehold properties on the estate which would then be used as either temporary accommodation for homeless households or for decants during the Grange Farm regeneration before demolition.

20. There is a continuing demand for both permanent and temporary affordable housing within Harrow. We continue to see an increase in demand from homeless households. Whilst the vast majority are offered a private sector housing solution either in Harrow or beyond, the number of families housed in expensive temporary Bed and Breakfast accommodation has increased significantly.

21. A bid was therefore submitted for additional HRA borrowing to the HRA Growth Fund which included proposals to purchase 20 properties which would then be refurbished and let as permanent accommodation. Purchasing existing homes provides a quicker solution to increasing the supply of affordable housing than new build and offers an interim solution pending the completion of our infill new build programme. Unfortunately this element of the bid was unsuccessful, but there are sufficient resources available elsewhere to enable this programme to proceed without additional borrowing. The buy-back of ex-Harrow property could be included within this programme.

22. The Capital provision to enable buy backs is currently included in the Purchase & Repair element of the Growth fund bid, and is included in the Capital Programme. Further provision may need to be made from within HRA resources should the scheme prove successful, and a bid would be made in that event in accordance with Financial Regulations.

Service charges: Tenants & Leaseholders

23. 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 2.2% on average resulting in an average weekly charge of £2.91 (2014-15 current service charge £2.85), an increase of £0.06 on the current weekly charge.

24. 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 1st September 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 2015-16 (excluding s20 income in relation to capital schemes) is £566k and reflects the recovery of costs associated with estate based costs, communal lighting, repairs, ground maintenance, insurance premiums and administration charges.

Other income

25. 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. Progress on the review has been slow as there are some complex issues to address, garages are no longer in demand and individual consultation with residents locally is necessary on the future of each site. A pilot storage project is also being considered that could make good use of existing garage sites, whilst still generating an income to the HRA. Given the work that is in progress, and evidence from a recent marketing exercise for some refurbished garages that letting garages at existing rent levels is now proving problematic, let alone at higher rents, we are proposing to continue this policy by freezing rents for HRA garages and car parking for a further year. We anticipate that once it is clear how many garages will be retained there may be a proposal for including alternative pricing strategies for garages and car parking, and that a further report will be presented following completion of this work.

26. 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

27. The HRA budgets are based on the staffing establishment, and assume a pay & superannuation increase of 3.07% reflecting the overall increase expected for 2014-15 and 2015-16, then 2% thereafter.

28. Salary allocations between the HRA and the General Fund have been reviewed and a small amount of additional salaries (in the region of £40,000) in respect of more recent staff members currently charged to the General Fund were found to be attributable to HRA. These have therefore been adjusted.

29. Given the increasing focus on the delivery of new housing going forward, it has been necessary to develop proposals to restructure the way that services are delivered for Housing as a whole in order to ensure that we have the capacity in the appropriate areas to ensure we can meet the ever-increasing demand. The proposed new structure is anticipated to be in place for 2015-16 financial year, and will include additional support for delivering the new build and regeneration proposals, the majority the cost of which will be chargeable to the capital schemes being supported.

Utility Costs

30. These budgets have been uplifted by 5% in 2015-16 and subsequent years, as this is the corporate assumption on the general level of increases for utilities costs.

Support Service Charges

31. The costs of Support Service Charges (SSCs) have been assumed to increase by 2.6%, comprising an inflationary uplift of 1.3% and a reallocation of expenditure from recharges to SSCs although this reallocation has a neutral effect in the HRA overall as recharges are reduced by the same amount.

Repairs

32. Increased provision for response and void repairs to reflect enhanced standards and works required for temporary accommodation partially offset by reduction in the external decorations programme as this is now delivered largely through the capital programme. Additional costs arising from use of HRA property as temporary accommodation are anticipated to be recovered via enhanced service charges.

Charges for Capital

33. 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. This figure is £149.6m at the start of 2015-16, but during the year it is anticipated that additional borrowing of £1.736m will be made following the successful bid to the Local Growth Fund for additional HRA borrowing capacity to help fund the development of new affordable housing. A further bid for additional borrowing capacity of £5.6m to help fund property purchases and additional new build was made in October 2014, of which £3.6m was successful and assumed to apply in 2016-17. This amount has therefore been assumed within the HRA capital charges assumptions. Any additional borrowing is assumed to be at the same rate of interest as that charged for the original HRA debt.

34. 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.

35. Interest on HRA balances, including the Major Repairs Reserve are expected to be earned at a rate of 0.5% for 2015-16. Interest is also earned at this rate on the s106 Affordable Housing reserve.

<u>Capital Investment</u>

36. In February 2014 Cabinet agreed the first 4 year Capital Programme for Housing, and since then officers have been working on improving the delivery of the capital programme from 2015-16 onwards in two ways:

  - Developing a broader “Better Homes Standard” that will enable us to include in future programmes some works we were not able to do under the government imposed Decent Homes standard. The new standard will include more works to the exterior of properties, communal areas and the environment surrounding homes as well as doing more inside homes when we upgrade kitchens and bathrooms to “future proof” these works

  - Developing the detailed four year programme that will enable contractors to be procured over a longer term, reducing the lead in time to starting the programme of works each year

37. Due to a combination of the progress already made in respect of internal improvement works to properties, and because we continue to be proactive in achieving value for money through procurement, annual programmes are projected to be smaller than they have been over recent years. The result of this is that it will be possible to deliver this enhanced standard of investment from within existing levels of budget.

38. The details of the new standard have been consulted on, both informally with a group of residents who have been assisting us in identifying priorities for the future and formally at the Tenants’, Leaseholders’ and Residents’ Consultative Forum meeting on 10th December 2014. The HRA capital programmes for 2015-16 to 2018-19 are in line with those previously approved in the business plan, with the addition of further budgets for the purchase of properties and phase 2 of the HRA new build programme as set out in the Homes for Harrow section below. These additional budgets represent the

maximum cost of the proposals. The four-year capital programme is attached as Appendix 7.

39. The programme as it is currently constructed is anticipated to deliver in the region of:

- 500 kitchens and/or bathrooms
- 200 heating systems
- 90 electrical re-wires

As indicated above, these numbers have fallen from those in previous years as the significant investment we have been able to deliver in those years means that we have caught up with backlog repairs and are now able to invest more in a broader range of areas from within the same level of resources. To this end we are targeting investment towards improving the environment in which our residents live by undertaking:

- Enveloping works
- Replacing door entry systems
- Environmental works
- Works to communal areas

40. In line with the approach taken last year, 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.

<u>Homes for Harrow</u>

41. As a result of the additional resources retained within the HRA following the introduction of self-financing in April 2012, it has been possible to commence planning for a programme to deliver new housing within the HRA for the first time in decades, initially largely on infill plots or vacant/underused garage sites. The first sites in phase 1 are currently being worked up for the purposes of gaining planning permission, and are likely to commence on site at the end of 2014/15 with the remaining sites coming on stream in 2015 and completions from 2016 onwards. This will deliver a minimum of new 50 homes, of which 10 are anticipated to be shared ownership, and the remainder let at affordable rents. The capital budgets for the development of these homes have already been approved, and additional borrowing capacity of £1.74m was secured from the Local Growth Fund earlier this year to assist in funding the new homes.

42. Following the outcome of the bidding process used to allocate the additional borrowing (above), it was apparent that there was still a significant proportion of additional borrowing capacity that remained unallocated, and so the deadline for bids was extended. Following discussions with the Greater London Authority, it was determined that a further bid should be submitted, and that the amounts bid for per unit should be increased from those assumed in the first round. A bid was therefore submitted comprising two strands. The first was in respect of a 20-property purchase and repair programme, whereby properties would be purchased on the open market and which could include buy back of ex LA council properties, repaired to Harrow's letting standards and then let at affordable rents. This was intended to supplement the phase 1 new build programme and assist in relieving pressure on homelessness budgets within the General Fund. Unfortunately this element of the bid was unsuccessful. The second strand of the round 2 bid was a phase 2 new build programme, with the additional borrowing enabling previously-identified sites to be brought forward quicker than had previously been anticipated. This element of the bid was successful, with £3.6m having been allocated to the Council. Outline scheme costs and indicative funding sources are set out in Appendix 8, and are summarised below:

Additional Growth bid					
	Total Costs	HRA Borrowing	Other Affordable Housing Resources	**Total Funding**	No Of Units
Purchase & Repair	6,232,000		6,232,000	6,232,000	20
Phase 2 new build	6,901,000	3,600,000	3,301,000	6,901,000	30
	13,133,000	**3,600,000**	**9,533,000**	**13,133,000**	**50**

43. In addition to starting to build new homes within the HRA, proposals are currently being developed to completely regenerate Grange Farm, one of the worst condition estates within the Borough. This is likely to involve some land assembly to maximise the development opportunities, and a design-led proposal to significantly increase density and make best use of the available land to generate cross subsidy from market sales necessary to enable the scheme to proceed. It is envisaged that there will be no net loss of affordable housing, and that the replacement affordable homes will be retained and managed within the HRA. Housing has previously been given approval to engage architects to develop a viable proposal for Grange Farm based on the previous study by PRP, and in addition has approval to commence the buying back of properties on the estate as they become available. This has the two-fold effect of reducing the requirement to use compulsory purchase to

facilitate the regeneration, and providing additional properties for use as temporary accommodation in the meantime, which helps to reduce the cost of homelessness in the General Fund. Further reports will be made in respect of this scheme as proposals are developed.

44. Within the Grange Farm Estate a number of tenants have already indicated that a permanent move off the estate would be their preference rather than potentially moving twice before becoming settled in a new property. Where we are able to facilitate an early move of this nature, it would be desirable to progress it now and in the process make the necessary Home Loss disturbance payments. Currently Home Loss payments are set nationally at £4,900, and disturbance costs cover the associated costs of removal. These costs can initially be met from within the existing budgets approved to progress the Grange Farm proposals.

45. The final strand of the Homes for Harrow current proposals is firmly linked to the Council's wider regeneration proposals, and will follow on from a wholesale review of HRA and non-HRA assets and land not currently included in any other programme, with a view to assessing whether there is any potential for future use/development for housing purposes, either within or outside the HRA. This is currently referred to as phase 3 of the Homes for Harrow programme, but in reality will be the start of several more phases of work to maximise the ability for the Council to develop properties for rent, and to ensure that resources are identified and allocated appropriately to maximise numbers of homes delivered, whether this be within or outside of the HRA. As yet this strand is unquantifiable, but resources are anticipated to be available within the HRA to progress further development opportunities in years to come.

46. The Phase 1 and Phase 2 new build programmes, along with the Purchase & Repair scheme will require a significant investment from Housing resources to complement the additional borrowing. This will use the majority of the capital resources available of the period, although some is currently being held in reserve to cover risks around build-cost inflation, as well as to provide resources to help deliver the Grange Farm regeneration project, should this not achieve a break-even position.

Impairment Allowance

47. Current tenant arrears continue to remain under control, and action has been taken to write off a significant amount of former tenant arrears where all options for recovery of the debts have been exhausted. Whilst a number of payment arrangements are in place in respect of the remaining former tenant arrears, prudence dictates that provision should be made for the non-recovery of the majority of these arrears via an impairment allowance. The ongoing impact of welfare benefit changes are

likely to continue to have an impact on arrears, although it is difficult to quantify at this stage. The annual provision has reduced from the £400k allowed for in 2014-15 and is budgeted at £300k for 2015-16 per annum and subsequent years. The Council is, however, setting aside further funding to mitigate the impacts of welfare reforms by the establishment of a hardship fund.

Hardship Fund

48. £100k will be set aside in 2015-16 and subsequent years to mitigate the worst impacts of benefit changes arising from the continuing welfare reforms.

General Contingency

49. In addition to the HRA balances, an annual amount of £200k is set aside to cover unforeseen expenditure that may arise in the management and maintenance of the housing stock.

Variation to MTFS 2015-16

50. The MTFS approved by Cabinet and Council in March 2014 estimated an in year surplus of £1.565m for 2015-16. The proposed budget changes result in a surplus of £0.567m. The decrease in surplus of £0.998m is explained below :

- +£0.348m – Depreciation & capital charges, a transfer of resources from revenue to capital reserves to fund future capital expenditure therefore no overall impact on financial resources

- +£0.178m – Repairs, increase in budget for responsive and void repairs, reflecting new standards and works on properties used for temporary accommodation to alleviate General Fund pressures; partially offset by reduction in external decorations delivered largely through capital programme

- +£0.128m – Affordable Housing, mainly revenue costs relating to Grange Farm redevelopment approved by Cabinet in 17 July 2014

- +£0.100m – Hardship Fund, resources set aside to mitigate impact of ongoing Welfare Reforms on tenants in line with Corporate priorities

- +£0.085m – Revisions in dwelling and non-dwelling income estimates

- +£0.074m – Supplies & Services, manly tenant expenses associated with removals and decants resulting from the impact of Welfare Reforms

- +£0.171m – Employee costs, reallocation of staff time reflecting a shift in work to the Council's landlord function

- -£0.086m – Central service & other charges, central charges, pending a comprehensive review, are expected to reduce by £0.038m and other costs by £0.048m

Summary

51. 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 July 2014 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 plan. Current forecasts suggest that significant balances are still 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.

Performance Issues

During Q2 of 2014/15 we have successfully sustained, and in many areas improved performance despite the continued impacts of welfare reform. 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 and affordable housing-related services is shown below.

Housing Scorecard No	Reporting frequency	**Measure** (cumulative for the year unless stated otherwise)	Corporate scorecard	Corporate priority	Corporate Equalities Objective	Polarity - good to be high (low	Q1 actual 2014/15	RAG	Q1 target 2014/15	Q2 actual 2014/15	RAG	direction of travel since Q1 (applic	Q2 Target 2013/14	Q4 / year end target	Current Assessment	Measure owner
1	qtrly	Tenant satisfaction with responsive repairs service (telephone survey carried out by Access Harrow)	yes	E&E		high	82%	HR	95%	**98.96**	LG	↑	**95%**	96%	This is the first time, following a resident led audit of contractors KPI's that we have relied on data produced by the contractorss for this figure, rather than a much smaller sample from surveys undertaken by Access Harrow. As it is a much larger sample it is a more robust assessment of the true figure for customer satisfaction.	M Challoner
2	qtrly	Council adaptations: average time from assessment to completion of work (weeks) quarterly performance	yes	V		low	22	HG	30	**20**	HG	↑	**30**	30	Performance continues within target	M Challoner
4	annual	To support the local economy Responsive Repairs contractors to employ **5** apprentices by March 2015		-	yes	high	-	-	-	**-**	-		**-**	5		M Challoner
5	annual	Number of Council homes retrieved by anti-fraud action (annual)	yes	F, V & C		high	0	-	-	**2**	-		**-**	10	2 properties recovered this quarter to provide homes for families in need of 2 bedroomed properties.	T Burke
6	qtrly	100 most vulnerable tenants have bespoke action plans in place with named housing officer to co-ordinate in each case by March **2016**. (Yr 1 - 45, Yr 2 - 55)		-	yes	high	-	-	0	**25**	HG	↑	**10**	45	Extremely good achievement by this new housing post. On track to exceed annual target	T Burke
7	annual	Assist a minimum of 15 tenants move to more affordable accommodation by March 2015		-	yes	high	-	-	-	**-**			**-**	15		T Burke
8	qtrly	90% of Housing anti social behaviour cases resolved per quarter.		-	yes	high	93%	LG	90%	**100%**	HG	↑	**90%**	90%	Good performance but on limited number of cases	T Burke
9	qtrly	Number of cases where positive action is taken to prevent homelessness		-	yes	high	383	HG	300	**678**	HG	↑	**625**	1300	Still being very successful in preventing homelessness	J Dalton
10	qtrly	Total no of households to whom we have accepted a full homeless housing duty (eligible and priority need)	yes	F		low	46	HG	55	**145**	HR	↓	**105**	220	We anticipated a significant increase in acceptances due to the housing market and welfare reform	J Dalton
14	qtrly	Number of affordable homes delivered (gross)	yes	F	yes	high	13	HG	0	**25**	LG	↑	**25**	140	Currently projecting to exceed 140 Q4 target with 157 units. Slippage into next year is a risk which is being monitored.	A Pegg
15	qtrly	No of affordable family sized rented homes completed	yes	F	yes	high	3	HG	0	**15**	A	↑	**18**	18	3 more family sized units projected to complete by Q4 to meet 18 target. Slippage risk as above.	A Pegg
17	qtrly	Total no of social housing homes freed up - grants2move (including all downsizing)	yes	F & LB		high	16	HG	14	**28**	LG	↑	**28**	56	In Q2 GTM, 3 to Home ownership and 2 to private rented sector. 7 Under occupiers moved. Currently on target.	J Fernley

Corporate Priorities	
Making a difference for the Vulnerable	**V**
Making a difference for Communities	**C**
Making a difference for Local Businesses	**LB**
Making a difference for families	**F**
Efficient & effective organisation	**E&E**

R A G (Red, Amber, Green)	
High Green - excellent	**HG**
Low Green - good	**LG**
Amber - adequate	**A**
Low Red - poor	**LR**
High Red - needs prompt attention	**HR**

Environmental Implications

The HRA Budget 2015-16 includes investment in a number of areas such as new heating systems, enveloping and cladding of thermally inefficient properties 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 addresses elements of the "Delivering Warmer Homes" (HECA) strategy which was reported to the Department for Energy and Climate Change (DECC) in March 2013. We were successful in obtaining a grant from DECC to help reduce fuel poverty in the privately-owned stock within the Borough, and have contractors in place to deliver this important work. Resources are available within the HRA to supplement this investment in the private sector with similar works to the Council's own stock, subject to progress on delivery of the grant-funded scheme.

Risk Management Implications

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-term 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.

Current regulations require impairments of non-dwelling assets in excess of balances held on the revaluation reserves to be charged to revenue. These regulations are due to be extended to cover dwelling assets from April 2017 when transitional measures for self-financing are due to come to an end. This could result in significant charges to HRA revenue reserves which run counter to the Government's stated objectives of encouraging new build. This issue would have an impact on all Councils with housing stock and the Council has already requested the Department of Communities & Local Government to address this anomaly as a matter of urgency.

These risks are detailed on the Housing risk register.

Legal Implications

Under section 103 of the Housing Act 1985 (as amended) 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. However, rent and other charges for facilities are specifically excluded from this requirement.

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.

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 intends to do so again.

Financial Implications

Financial matters are integral to this report.

Equalities implications / Public Sector Equality Duty

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.

When making decisions, the Council must take account of the equality duty and in particular any potential impact on protected groups. There are no new equality impacts of the recommended rent increase option as this represents a continuation of existing rent policy, having consulted with our tenant, leaseholder and resident representative groups on the proposal. Overall there is no proposed change to the current rent policy.

Council Priorities

The Council's vision:

Working Together to Make a Difference for Harrow

52. This report incorporates the following council priorities:

    Making a difference for the vulnerable – through providing support in finding appropriate affordable housing solutions to meet need, and developing new housing to meet future assessed need.

    Making a difference for communities – through engaging residents in decisions around regeneration of estates and the wider communities, and delivering housing that people want to live in, in areas they are proud to call home.

    Making a difference for local businesses – through supporting the council-wide regeneration agenda, and maximising the contribution that new housing can make towards delivering the regeneration vision and objectives.

Making a difference for families – through providing good quality housing and safe neighbourhoods, and targeting our resources as best we can so that families can feel the full benefits of economic growth. Our priority for every family is to ensure that they can live in a neighbourhood which has a real sense of community, in a house they can be proud to call their home.

Section 3 - Statutory Officer Clearance

Name: Simon George Date: 3 February 2015	x	Chief Financial Officer
Name: Ian Goldsmith Date: 3 February 2015	x	on behalf of the Monitoring Officer

Ward Councillors notified:	**NO, as it impacts on all Wards**
EqIA carried out:	**NO** There are no new equality impacts of the recommended rent increase option as this represents a continuation of existing rent policy, having consulted with our tenant, leaseholder and resident representative groups on the proposal.

Section 4 - Contact Details and Background Papers

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

Background Papers:

- HRA Business Plan Update Report Cabinet July 2014

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