Harrow COUNCIL
LONDON

REPORT FOR:	**CABINET**
Date of Meeting:	18 February 2016
Subject:	Housing Revenue Account Budget and Medium Term Financial Strategy 2016-17 to 2019-20
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance Tom McCourt, Corporate Director of Community Lynne Pennington, Divisional Director of Housing
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 where the decision is reserved to Council
Wards affected:	All
Enclosures:	Appendix 1 – HRA Budget 2016-17 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

Section 1 – Summary and Recommendations

This report sets out the Housing Revenue Account ("HRA") Budget for 2016-17 and Medium Term Financial Strategy ("MTFS") for 2017-18 to 2019-20.

Recommendations:

Cabinet is requested to:

1) Approve:

a. the Medium Term Financial Strategy for the HRA as attached in Appendix 1;

b. The proposed average rent for non-sheltered accommodation of £116.33 per week for 2016-17, representing a decrease of 1% in average rent from the 2015-16 figure in line with the proposed Welfare Reform and Work bill

c. The proposed average rent for sheltered accommodation of £96.46 per week for 2016-17, representing an increase of 0.9% in average rent from the 2015-16 figure. This follows the Government's decision to delay the implementation of the 1% rent cut for sheltered accommodation for one year in order to permit the Government to give adequate consideration to the Supported Housing sector.

d. and note the overall average rent for the whole stock of £114.05 per week for 2016-17, representing an overall decrease of 0.82%

e. an average tenant service charge of £2.94 per week, an increase of 1%, as set out in appendix 2;

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

g. an increase in energy [heating] charges of 5% from 1 April 2015 as detailed in Appendix 4;

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

i. increases in Community Centre hire charges of 4% as set out in Appendix 6;

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

2) That cabinet recommends Council approve:

a. The HRA Budget for 2016-17;

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 2016-17

Section 2 – Report

Introduction

The Council has a statutory obligation to agree and publish the HRA budget for 2016-17. This report sets out the budget proposals along with the MTFS to 2019-20, 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.

Since the commencement of HRA self-financing, the MTFS has typically been set so as to be consistent with the Council's 30-year HRA business plan, as adjusted for known variations in inflation or other factors out of Housing's control. This year, however, proposals contained within the Welfare Reform and Work Bill and the Housing and Planning Bill were announced as part of the Government's Summer Budget, and some of these proposals, particularly the one relating to a statutory rent reduction of 1% for each of the next four years, with the exception of sheltered accommodation for which this proposal is effective from 2017-18, has meant that the assumptions underlying the business plan have had to be significantly revised for the purposes of constructing the HRA budget and MTFS.

The figures shown in this report therefore reflect the start of a process to trim costs within the HRA to ensure a sustainable position in the medium term. Over the longer term, it is likely that further savings will be required to partially counter the effects of the government's proposals, but the outlook is very different from what it was at this time last year, with the longer term plans necessarily being scaled back due to lower levels of resources now being projected.

Options considered

As part of the budget-setting process, alternative rent options are generally considered and consulted on at a meeting of the Tenants, Leaseholders and Residents' Consultative Forum (TLRCF). The government's proposals in respect of rent reductions would, however, become statutory when the Welfare Reform and Work Bill, assuming it remains unchanged in this respect, passes into law, and this would remove any discretion the Council currently has in respect of rent setting. For this reason, the meeting of the TLRCF in October was used to raise awareness of the changes in the Summer Budget, and to invite residents to engage in a process to identify savings to be made to balance the budget.

The process is only just starting and is unlikely to identify any significant savings in time for this budget, but will be developed over the coming few months with a view to being in place for next year's budget and MTFS.

Background

1. Cabinet received a report in July 2015 that set out the updated 30-year business plan for the HRA. This report updated the HRA element of the Housing business plan first 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 2015, and the first four years of the plan mirrored the MTFS. Thereafter, a set of what were felt to be 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. During the preparation of the Business Plan however, the government announced a range of proposals as part of the Summer Budget that would adversely impact on both the HRA and the General Fund, in some cases significantly. These included:

    - Extension of Right-to-Buy to Housing Association tenants
    - Forced sale of high-value properties by local authorities to fund this RTB extension
    - Further cuts to the benefit cap
    - Universal Credit to finally be rolled out
    - Pay to Stay for High Income Social Tenants
    - 1% rent cut for all social tenants in non-sheltered accommodation in each of the next four years
    - 1% rent cut for social tenants in sheltered accommodation from 2017-18 and each of the next three years

4. The impact of many of these proposals is as yet unknown as the details have not yet been published, and at this stage they have not been built into the projections. The proposal with the greatest single financial impact is the 1% rent reduction each year for the next four years, which effectively takes £10m from the HRA over the period, but over the 30-year life of the business plan removes in the region of £140m from the projected figures. The impact of this is not only that future programmes of new build and regeneration are now not forecast to be possible, but that savings will need to be made in existing revenue and capital budgets as these are no longer affordable and there is a need to balance the HRA and avoid a deficit, which is not legally permissible.

5. The proposal to reduce rents effectively undermines the self-financing agreement put in place in April 2012, and the 10-year rent guarantee that was supposed to have been in place following the last review of national rent policy. The ultimate effect is that, whilst under self-financing the Council was required to take on an additional £90m of debt, it could at least afford to pay that debt back over the life of the business plan should

it choose to do so. With the proposed changes to rents, this is no longer possible.

6. Further work has therefore been undertaken regarding the options available to the Council to deliver the required savings and an approach has been developed as being a “holding position” pending work with officers and residents to formulate a more coherent strategy which will enable the HRA to be placed on a more stable footing again. As a general rule this approach requires any growth to be balanced by savings elsewhere, no general inflation cost increases other than salary-related or contractual, and given the sustained level of RTB sales, forecasts of significant elements of the expenditure budget are to be more closely linked to stock numbers.

7. The HRA budget and MTFS detailed in Appendix 1, is based on these principles, and takes account of the challenges posed by the Summer Budget proposals. As indicated above, however, a process to develop initiatives to make further savings is continuing, and the outcomes from this process will inform budget setting in future years.

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

Consultation

9. 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).

10. 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 6th October 2015, it was the original intention to present a report outlining rent options that the Council could potentially adopt for 2016-17 and to seek 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). The proposals in the Summer Budget mean that the government would be able to control rents via statute, thus removing any discretion authorities had to set rents at an appropriate level, and because of this the meeting was used to raise awareness of the proposed changes, to outline the potential financial implications of the proposals and to invite residents to engage in a process to develop savings over the next few months.

11. Further consultation in respect of the budget was undertaken via the Harrow Federation of Tenants and Residents Associations in November 2015, and at the TLRCF meeting in early February 2016. As indicated above, the Council has traditionally consulted the Tenants Leaseholders and Residents Consultative Forum (TLRCF) in respect of rent charges,

and would have done so again had the Government not removed local authority discretion to set rents under the proposed Welfare Reform and Work Bill.

Balances

12. HRA Balances are currently forecast to be £5.3m at the end of March 2016. The budget estimates that balances in the region of £5.5m will remain at the end of March 2017.

13. Over the period of the MTFS, balances are estimated to reduce to around £1.3m, or around 4% of gross annual income, below the level deemed prudent. 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

14. As indicated above, rents for non-sheltered accommodation are assumed to reduce by 1% each year over the MTFS period, in line with the proposals contained within the Summer Budget and likely to be enacted in the Welfare Reform & Work Bill. A rent increase in line with national social rent policy (Consumer Prices Index + 1%) would have resulted in an increase of 0.9% as CPI was -0.1% in September 2015, meaning rents will now be 1.9% lower than they would otherwise have been in 2016-17 if we had set rents in line with national policy.

15. Rents for sheltered accommodation are assumed to increase by CPI + 1%, or 0.9%, for 2016-17 only, followed by 1% reduction for each subsequent year over the MTFS to permit the Government to give adequate consideration to the Supported Housing sector.

16. The average rent for the whole of the Council's housing stock for 2016-17 will therefore be £114.05 per week (the 2015-16 current average is £114.97). Average rents and service charges under the existing strategy are detailed in Appendix 2.

17. For the purposes of the next version of the business plan, scenarios will be modelled around future rent increases as, whilst the government have stated that rent increases will revert to CPI + 1% following the four years of rent cuts, it seems prudent to model alternatives to ensure the HRA can remain viable should this position be changed again.

Right-to-Buy sales

18. There have been twenty-two sales under Right-to-Buy so far in 2015-16 (Q3) as a result of new discounts and a further thirteen sales are anticipated by the year end. A stock level of 4,849 at the start of April 2016 is therefore assumed after taking into account property purchases. 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 of the report. The proposed requirement to dispose of property to fund Housing Association RTB has the potential to increase this risk factor.

19. 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.

20. During the consultation on the feasibility forregeneration/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 known 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.

21. In June 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.

22. 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.

23. The HRA capital budget includes provision for the purchase of 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. The buy-back of ex-Harrow property could be included within this programme if the bid is successful.

Service charges: Tenants & Leaseholders

24. 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 1% on average resulting in an

average weekly charge of £2.94 (2015-16 current service charge £2.91), an increase of £0.03 on the current weekly charge.

25. 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 2016-17 (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

26. 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 alternative pricing strategies for garages and car parking, and that a further report will be presented following completion of this work.

27. 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

28. The HRA budgets are based on the staffing establishment, and assume a pay, National Insurance & superannuation increase of 3.0% reflecting the overall increase expected for 2016-17, then 1.6% in each of 2017-18 and 2018-19 and 2.6% in 2019-20.

29. There are no significant changes to staffing assumed within the projections.

Utility Costs

30. These budgets have not been uplifted in 2016-17 and subsequent years, as there is no evidence of increases required.

Central Recharges

31. The costs of central recharges have currently been assumed to increase in line with pay inflation pending finalisation of the recharge figure.

Repairs

32. Increased provision for cyclical, response and void repairs to reflect enhanced standards and works required for temporary accommodation and compliance with health & safety requirements. Additional costs arising from use of HRA property as temporary accommodation are being 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 4.241% of the HRA borrowing from the General Fund of £154.8m which includes additional borrowing of £3.6m following the successful bid to the Local Growth Fund for additional HRA borrowing capacity to help fund the development of new affordable housing.

34. As part of the ongoing business planning activity, consideration is typically given to the ability to repay debt, and to reduce capital charges to the HRA. Projections carried out to assess the potential impact of the Summer Budget proposals suggest that debt repayment will not be possible over the life of the business plan. 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 0.471% for 2016-17. Interest is also earned at this rate on the s106 Affordable Housing reserve.

Capital Investment

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’s 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. The HRA general capital programmes for 2016-17 to 2018-19 are currently in line with those previously approved last February, and the budget for 2019-20 is assumed to remain at the 2018-19 cash level, i.e. no inflation. The budgets for Homes for Harrow remain at the levels previously approved, although increasing construction costs may require some adjustment over the course of the programme.

38. The general works 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

    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

39. 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.

40. As indicated above, the proposals contained within the Summer Budget are likely to adversely affect the level of resources within the HRA, including those previously projected to be available for investment in the Council's existing housing stock. Savings are therefore likely to be required in future years to enable the programmed works to be funded from within projected resources, and work is underway to assess the extent to which savings can be delivered without compromising the higher levels of investment being delivered under the Better Homes Standard.

<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 2015/16 with the remaining sites coming on stream in 2016 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 in 2014-15 to assist in funding the new homes.

42. Further borrowing capacity of £3.6m was secured in respect of the phase 2 new build programme for an additional 30 units, with the borrowing enabling previously-identified sites to be brought forward quicker than had previously been anticipated.

43. In addition to the new build programmes, HRA capital resources are being used for 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 would supplement the phase 1 new build programme and assist in relieving pressure on homelessness budgets within the General Fund.

44. In addition to starting to build new homes within the HRA, proposals are progressing to completely regenerate Grange Farm, one of the estates most in need of regeneration within the Borough. This project involves some land assembly to maximise the development opportunities, and designs are currently being finalised to make best use of the available land to generate cross subsidy from market sales necessary to enable the scheme to proceed. It is currently 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 is working with the employer's agents and architects to develop a viable proposal for Grange Farm based on the previous study by PRP, and has commenced the buying back of properties on the estate as they become available. This has had 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.

45. 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 is desirable to progress it now and in the process make the necessary Home Loss disturbance payments. Currently Home Loss payments are set nationally at £5,300, and disturbance costs cover the associated costs of removal. These costs are being met from within the existing budgets approved to progress the Grange Farm proposals.

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 over 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.

47. The final strand of the Homes for Harrow current proposals was linked to the Council's wider regeneration proposals, and was intended to 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 was any potential for future use/development for housing purposes, either within or outside the HRA. This is currently being held in abeyance following the summer budget proposals, which will strip a significant amount of resources out of the HRA business plan and mean that there are insufficient resources to commit to any more significant projects within the HRA.

Impairment Allowance

48. 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 is budgeted at £300k for 2016-17 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

49. £100k has been set aside in 2016-17 and an annual budget in this amount continues to be available to mitigate the worst impacts of benefit changes arising from the continuing welfare reforms.

General Contingency

50. 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 2016-17

51. The MTFS approved by Cabinet and Council in March 2015 estimated an in year surplus of £1.354m for 2016-17. The proposed budget changes results in a surplus of £0.190m. The decrease in surplus of £1.164m is explained below :

- +£1.005m – Dwelling rents, impact of Government proposed reduction of 1% in non-sheltered dwelling rents from 2016-17 (sheltered from 2017-18)

- -£0.317m – Depreciation & capital charges, a transfer of resources from revenue to capital reserves to fund future capital expenditure therefore no overall impact on financial resources

- +£0.291 – Repairs, increase in budget to comply with health & safety legislation and tree works

- +£0.214m – Salaries, Central charges increases in line with Corporate assumptions

- -£0.029m – Utilities and Supplies & Services, capacities identified mainly in electricity, gas and tenant expenses, offset by increased spend on Affordable Housing

Summary

52. The HRA Budget and MTFS detailed in Appendix 1 reflects the impact of the 1% per annum rent reduction on non-sheltered stock set out in the Summer Budget, and as such represents a worse position than has been the case over recent years, with nearly £10m less rental income than had previously been anticipated over the MTFS period. HRA balances are forecast to significantly reduce over the period of the MTFS, and savings will be required to balance the HRA in future years. Current levels of programmed capital investment will be fully funded over this period, though the position in respect of future years is uncertain.

53. The changes proposed by the government in the Summer budget and contained within legislation currently making its way through the system will have a dramatic effect on the HRA, and will largely negate any benefits that have accrued as a result of self-financing. The programme of new build in the HRA will not be able to continue beyond the existing infill schemes, and no further regeneration of poor quality estates will be possible. In addition to this, savings will be required in the revenue account and in respect of the investment in existing housing due to a reduced level of resources.

Performance Issues

It should be noted that in respect of the penultimate performance indicator shown below, there were no new starters during Q2

Housing performance data Q2

measure	polarity	Q1 2015/16 target	Q1 2015/16 actual	RAG	direction of travel	Q2 2015/16 target	Q2 2015/16 actual	RAG	direction of travel	2016/17 target	2017/18 target	2018/19 target	comment
Number of vulnerable tenants who have a bespoke action plan in place with named housing officer to co-ordinate in each case	high	15	14	A	↑	30	22	HR	↑	35	30	30	The number of cases and the dedicated time required to manage and sustain these cases is increasing. Some good results of help and support to our tenants are being obtained.
Number of social housing homes freed up through Council intervention / Grants2Move	high	11	9	LG	-	24	24	LG	↑	49	49	49	Total number of social housing homes freed up by Grants 2 Move to date is 7 (4 private rented moves secured in Q1 plus 3 home ownership moves secured in Q2). 17 Underoccupier moves achieved. Pipeline of 5 home ownership cases that are likely to complete this year plus other cases actively being progressed.
No. of affordable homes delivered (gross)	high	80	113	HG	-	115	143	HG	↑	190	237	237	Q2 cumulative affordable housing completions is 143, including 2 Purchase and Repair properties purchased on the open market. 190 new build completions forecast and this will be augmented by additional Purchase and Repair properties
% of family-sized rented social homes completed as a proportion of total social housing	high	2%	2%	LR	-	2%	2%	HG	↓	35	20	not known	2 family sized (3 bed plus) units completed out of 79 social rented units.
Council adaptations: average time taken from assessment to completion of works (weeks) per quarter (Equalities measure)	low	26	25	LG	↓	26	24	HG	↑	25	24	23	Performance continues to exceed target
The number of apprentices employed by responsive repairs contractors	high	-	-	-	-	-	-	-	-	7	7	7	
Tenant satisfaction with the housing repair and maintenance service (%)	high	98.5%	100%	LG	↑	98.5%	99.9%	LG	↓	98	99	99	The new way of measuring customer satisfaction, validated by residents, continues to be a more accurate reflection of the true position and demonstrates how well our contractors perform consistently
% of new starters who completed the mandatory Equality matters training within the first 8 weeks of their employment (equalities measure)	high	100%	0%	HR	↓	100%	n/a	n/a	n/a	100	100	100	Zero new starters due to complete this training this quarter
% of existing staff (*as at April 2014*) who have completed the mandatory Equality Matters refresher training (equalities measure)	high	62%	32%	HR	↑	75%	34%	HR	↑				We plan to promote this now that the new learning POD is in place

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 are currently undertaking a pilot on 9 non-traditional houses within the Housing stock to install external wall insulation as well as replace new windows and doors where required. These works will significantly improve energy efficiency and reduce energy costs for the tenants. Lessons are being learnt from this pilot to inform decisions on future programmes of this nature

Risk Management Implications

Risk included on Directorate risk register? Yes
Separate risk register in place? Yes

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.

It should be noted that the Welfare Reform and Work Bill is progressing through the parliamentary process and has not yet been passed as an Act and so its exact implications are not known at this stage.

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, service charge and fees and charges proposals option as they represent a continuation of existing policy, with the exception of the rent reduction which is likely to be implemented via primary legislation. Consultation with our tenant, leaseholder and resident representative groups on the proposals happened in November 2015 and is anticipated to continue in February 2016.

Council Priorities

The Council’s vision:

Working Together to Make a Difference for Harrow

54. 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: Dave Roberts Date: 5 February 2016	x	on behalf of the Chief Financial Officer
Name: Paresh Mehta Date: 5 February 2016	x	on behalf of the Monitoring Officer

Ward Councillors notified:	**NO, as it impacts on all Wards**
EqIA carried out: **EqIA cleared by:**	NO EqIA is not required for Cabinet to take a decision because the HRA budget represents a continuation of existing policy supplemented by changes required as a result of impending legislation. Individual elements of the HRA budget have had EqIAs completed as part of specific decisions being made

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 Cabinet report – July 2015

http://moderngov:8080/documents/g62717/Public%20reports%20pack%20Tuesday%2014-Jul-2015%2018.30%20Cabinet.pdf?T=10

Call-In Waived by the Chairman of Overview and Scrutiny Committee	**NOT APPLICABLE** *[Call-in applies, except where the decision is reserved to Council]*

Appendix 1

HRA Budget 2016-17 and MTFS 2017-18 to 2019-20 – Expenditure

All figures in £s	Budget 2016-17	Budget 2017-18	Budget 2018-19	Budget 2019-20
Operating Expenditure:				
Employee Costs	2,778,700	2,792,370	2,806,170	2,832,520
Supplies & Services	833,090	833,090	833,090	833,090
Utility cost	568,500	568,500	568,500	568,500
Estate & Sheltered Services	2,879,160	2,894,750	2,910,480	2,940,460
Central Recharges	3,634,120	3,692,270	3,751,350	3,848,880
Operating Expenditure	**10,693,570**	**10,780,980**	**10,869,590**	**11,023,450**
Repairs Expenditure:				
Repairs - Voids	1,075,990	1,075,990	1,075,990	1,075,990
Repairs - Responsive	3,631,680	3,631,680	3,631,680	3,631,680
Repairs – Other	2,400,690	2,165,470	2,180,400	2,208,960
Repairs Expenditure	**7,108,360**	**6,873,140**	**6,888,070**	**6,916,630**
Other Expenditure:				
Contingency - General	200,000	200,000	200,000	200,000
Investment in Services	200,000	200,000	200,000	200,000
Bad debt provision	300,000	300,000	300,000	300,000
RCCO	0	518,210	406,930	0
Affordable Housing	305,760	308,390	311,050	316,190
Grants to Move	162,870	162,870	162,870	162,870
Charges for Capital	6,389,970	6,488,630	6,475,240	6,501,080
Depreciation	6,573,480	7,619,200	7,617,660	7,589,960
Hardship Fund	100,000	100,000	100,000	100,000
Other Expenditure	**14,232,080**	**15,897,300**	**15,773,750**	**15,370,100**
Total Expenditure	**32,034,010**	**33,551,420**	**33,531,410**	**33,310,180**

Appendix 1 (continued)

HRA Budget 2016-17 and MTFS 2017-18 to 2019-20 – Income

All figures in £s	**Budget 2016-17**	**Budget 2017-18**	**Budget 2018-19**	**Budget 2019-20**
Income				
Rent Income – Dwellings	(28,897,030)	(28,897,290)	(28,545,140)	(28,315,460)
Rent Income – Non Dwellings	(667,370)	(684,020)	(701,350)	(719,360)
Service Charges - Tenants	(1,188,760)	(1,223,670)	(1,259,890)	(1,296,430)
Service Charges – Leaseholders	(566,020)	(566,020)	(566,020)	(566,020)
Facility Charges	(631,540)	(656,800)	(683,080)	(710,400)
Interest	(3,600)	(3,600)	(3,600)	(3,600)
Other Income	(106,390)	(106,390)	(106,390)	(106,390)
Recharge to General Fund	(163,000)	(163,000)	(163,000)	(163,000)
Total Income	**(32,223,710)**	**(32,300,790)**	**(32,028,470)**	**(31,880,660)**
In Year Deficit / (Surplus)	**(189,700)**	**1,250,630**	**1,502,940**	**1,429,520**
BALANCE brought forward	**(5,296,350)**	**(5,486,050)**	**(4,235,420)**	**(2,732,480)**
BALANCE carried forward	**(5,486,050)**	**(4,235,420)**	**(2,732,480)**	**(1,302,960)**

Average Rent & Service Charges **Appendix 2**

Description	No. units	2015-16 weekly charge	2016-17 rent	2016-17 service charge	2016-17 total	Decrease
Bedsit bungalow	20	£105.80	£102.14	£2.65	£104.79	-£1.01
1 Bed bungalow	115	£116.87	£113.51	£2.24	£115.74	-£1.13
2 Bed bungalow	25	£132.74	£127.99	£3.49	£131.48	-£1.26
Bedsit flat	84	£91.71	£86.88	£3.99	£90.86	-£0.84
1 bed flat	1,202	£101.71	£97.25	£3.50	£100.76	-£0.95
2 bed flat	803	£115.86	£110.74	£4.04	£114.78	-£1.08
3 bed flat	43	£127.38	£121.40	£4.79	£126.19	-£1.18
1 bed Maisonette	6	£94.83	£93.49	£0.40	£93.90	-£0.94
2 bed Maisonette	51	£115.08	£110.35	£3.64	£113.99	-£1.08
3 bed Maisonette	46	£128.02	£122.61	£4.21	£126.82	-£1.20
4 bed Maisonette	1	£135.32	£133.97	£0.00	£133.97	-£1.35
2 bed Parlour House	34	£127.69	£125.21	£1.22	£126.44	-£1.25
3 bed Parlour House	533	£141.26	£138.17	£1.71	£139.88	-£1.38
4 bed Parlour House	55	£153.98	£150.06	£2.42	£152.49	-£1.49
5 & 6 bed Parlour House	9	£160.34	£157.45	£1.30	£158.76	-£1.58
2 bed Non Parlour House	511	£124.38	£121.17	£2.00	£123.18	-£1.21
3 bed Non Parlour House	728	£136.33	£132.88	£2.13	£135.01	-£1.32
4 bed Non Parlour House	30	£150.90	£146.40	£3.06	£149.45	-£1.45
5,6 & 7 bed Parlour House	5	£158.94	£156.25	£1.12	£157.37	-£1.57
Sheltered bedsit	55	£91.99	£90.18	£2.64	£92.82	+£0.83
Sheltered – other units	501	£99.43	£97.16	£3.17	£100.33	+£0.90
Total	4,857	£117.91	£114.05	£2.94	£116.99	-£0.92

The average charge during 2015-16 was £117.91 per week comprising £115.00 rent and £2.91 service charge compared to the budgeted £114.97 and £2.91 per week respectively.

The rent reduction for 2016-17 is based on Government proposals put forward as part the 2015 Summer budget which requires rents to reduce by 1% for non-sheltered accommodation (as opposed to increasing by CPI plus 1% as was previously the case). Rents for sheltered accomodation will increase by CPI + 1% for 2016-17 then follow the 1% reduction from 2017-18. This yields an average rent of £114.05 and an average service charge of £2.94 per week, representing an average decrease of 0.82%. Rents for the new affordable rented & shared ownership dwellings are not included in above table.

Garages & parking space charges **Appendix 3**

	Current Weekly Rental 2015-16	Proposed Weekly Rental 2016-17
	£	**£**
Garages	14.05	14.05
Car Spaces	9.16	9.16

Facility Charges **Appendix 4**

Sheltered Block	**No. of properties**	**Current average weekly facility charge (Heating) 2015-16**	**Proposed average weekly facility charge (Heating) 2016-17 5% increase**
Alma Court	30	13.95	14.65
Belmont Lodge	30	13.92	14.62
Boothman House	30	13.92	14.62
Cornell House	30	13.98	14.68
Durrant Court	27	13.92	14.62
Edwin Ware Court	30	11.73	12.32
Goddard Court	30	13.98	14.68
Grahame White House	30	13.98	14.68
Grange Court	30	11.67	12.25
Harkett Court	30	13.92	14.62
Harrow Weald Park 0 Bed	12	9.47	9.94
Harrow Weald Park 1 Bed	19	12.71	13.35
John Lamb Court	32	14.67	15.40
Meadfield	30	13.98	14.68
Sinclair House	27	13.98	14.68
Tapley Court	26	13.92	14.62
Thomas Hewlett House	30	13.98	14.68
Watkins House	43	14.64	15.37
William Allen House	29	12.65	13.28
Resident Warden Accommodation	11	18.89	19.83
Other Non-Sheltered	95	12.31	12.93

Water Charges **Appendix 5**

Sheltered Block	No.of flats	Current Range Water Charge 2015-2016		Proposed Range Charge at 4% increase for 2016-2017		Amount of increase	Average Charge 2016-2017	% Increase	Income per Week per Block 2016-2017
		Lower	Higher	Lower	Higher				
Alma Court	30	£4.59	£4.59	£4.77	£4.77	£0.18	£4.77	4.00%	£143.10
Belmont Lodge	30	£4.71	£4.71	£4.90	£4.90	£0.19	£4.90	4.00%	£146.95
Boothman House	30	£4.87	£4.87	£5.06	£5.06	£0.19	£5.06	4.00%	£151.94
Cornell House	30	£4.80	£5.01	£4.99	£5.21	£0.20	£5.10	4.00%	£153.00
Durrant Court	27	£4.59	£5.08	£4.77	£5.28	£0.20	£5.03	4.00%	£135.81
Edwin Ware Court	30	£4.08	£5.08	£4.24	£5.28	£0.20	£4.76	4.00%	£142.90
Goddard Court	30	£4.71	£4.71	£4.90	£4.90	£0.19	£4.90	4.00%	£146.95
Grahame White House	30	£4.87	£4.87	£5.06	£5.06	£0.19	£5.06	4.00%	£151.94
Grange Court	30	£3.87	£4.87	£4.02	£5.06	£0.19	£4.54	4.00%	£136.34
Harkett Court	30	£4.87	£4.87	£5.06	£5.06	£0.19	£5.06	4.00%	£151.94
Harrow Weald Park	31	£3.87	£5.20	£4.02	£5.41	£0.21	£4.71	4.00%	£146.01
John Lamb Court	32	£4.87	£4.87	£5.06	£5.06	£0.19	£5.06	4.00%	£162.07
Meadfield	30	£4.80	£5.01	£4.99	£5.21	£0.20	£5.10	4.00%	£153.00
Sinclair House	27	£4.59	£4.59	£4.77	£4.77	£0.18	£4.77	4.00%	£128.89
Tapley Court	26	£4.59	£4.87	£4.77	£5.06	£0.19	£4.92	4.00%	£127.90
Thomas Hewlett House	30	£4.80	£4.80	£4.99	£4.99	£0.19	£4.99	4.00%	£149.76
Watkins House	43	£4.08	£4.08	£4.24	£4.24	£0.16	£4.24	4.00%	£182.46
William Allen House	29	£3.87	£4.87	£4.02	£5.06	£0.19	£4.54	4.00%	£131.80
Total No.of Sheltered Flats	545								£2,642.77
Resident Warden Accommodation	11	£6.71	£6.71	£6.98	£6.98	£0.27	£6.98	4.00%	£76.76
Total Sheltered Flats incl Warden	556								£2,719.54
Other Non-Sheltered	95	£4.80	£4.80	£4.99	£4.99	£0.19	£4.99	4.00%	£474.24

Community Centres **Appendix 6**

Community Hall and Capacity	Current 2015-16 Charges per first 3 hours block booking then subsequent hourly rate			Proposed 2016-17 Charges per hour letting 4% Price Increase		
	Evening Rate	Daytime Rate	Weekend Rate	Evening Rate	Daytime Rate	Weekend Rate
	£	£	£	£	£	£
Augustine Road [max 30]	22.50	11.25	33.75	23.4	11.7	35.1
Marsh Road Hall [max 30]	22.50	11.25	33.75	23.4	11.7	35.1
Brookside Hall [max 30]	22.50	11.25	33.75	23.4	11.7	35.1
Woodlands Hall [max 60]	33.75	16.87	46.07	35.1	17.54	47.91
Churchill Place [max 100]	44.99	20.23	56.24	46.79	21.04	58.49
Kenmore Park [max 100]	44.99	20.23	56.24	46.79	21.04	58.49
Pinner Hill Hall [max 100]	44.99	20.23	56.24	46.79	21.04	58.49
Northolt Road [max 100]	44.99	20.23	56.24	46.79	21.04	58.49

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 £18,500 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	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
Internal Works	4,428,120	4,228,120	4,228,120	4,228,120
External Works	2,416,730	2,300,000	2,300,000	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	555,000	555,000	555,000	555,000
HRA Capital Investment	**9,455,850**	**9,139,120**	**9,139,120**	**9,139,120**
Grange Farm	3,523,160	-	-	-
Affordable Housing Phase 1	6,668,440	923,170	-	-
Purchase & Repair	3,576,000	-	-	-
Affordable Housing Phase 2	1,725,320	5,175,960	-	-
Total Homes for Harrow	**15,492,920**	**6,099,130**	**-**	**-**
Total HRA Capital Programme	**24,948,770**	**15,238,250**	**9,139,120**	**9,139,120**

The 2016-17 budget for the main HRA Capital investment programme includes £1,044,000 re-phasings. The 2016-17 and 2017-18 budgets for Homes-4-Harrow include re-phasings of £10,691,000 reflecting the additional budget approvals in respect of the Grange Farm regeneration scheme.