
REPORT FOR: CABINET

Date of Meeting:	8 December 2016
Subject:	Draft Housing Revenue Account Budget and Medium Term Financial Strategy 2017-18 to 2019-20
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance, Tom McCourt, Corporate Director of Community
Portfolio Holder:	Councillor Glen Hearnden, Portfolio Holder for Housing and Employment Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – HRA Budget 2017-18 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 Draft Housing Revenue Account (“HRA”) Budget for 2017-18 and Medium Term Financial Strategy (“MTFS”) for 2018-19 to 2019-20.

Recommendations:

Cabinet is requested to:

- 1) Approve the draft HRA Budget for consultation;
- 2) Note the proposed average rent for non-sheltered accommodation of £115.27 per week for 2017-18, representing a decrease of 1% in average rent from the 2016-17 figure;
- 3) Note the proposed average rent for sheltered accommodation of £95.43 per week for 2017-18, representing a decrease of 1% in average rent from the 2016-17 figure;
- 4) Note the overall average rent for the whole stock of £112.99 per week for 2017-18, representing an overall decrease of 1%
- 5) Approve for consultation an average tenant service charge of £3.01 per week, an increase of 2%, as set out in appendix 2;
- 6) Approve, for consultation, the proposed increases in facility and water charges set out in Appendix 4 and 5, and Community Centre hire charges set out in Appendix 6;
- 7) Approve, for consultation, the three year capital programme set out in Appendix 7.

Final approval for the budget and MTFS will be sought from Cabinet and Council in February following consultation.

Reason: (For recommendation)

To publish the draft HRA budget and capital programme for consultation.

Section 2 – Report

Introduction

The Council has a statutory obligation to agree and publish the HRA budget for 2017-18, and approval for this will be sought in February 2017. This report sets out the draft budget proposals along with the draft 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. Last 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 four years

2016/17 – 2019/20, meant that the assumptions underlying the business plan had to be significantly revised for the purposes of constructing the HRA budget and MTFS. Both Bills were passed into law in 2016 (although neither is fully in force at this time), and a number of the proposals announced last year were contained within the respective Acts, but no detail has yet been published in respect of how they will operate in practice. Due to the lack of details, it has not been possible to quantify the potential financial impact of these proposals for the purposes of establishing the draft budget.

In response to the significantly reduced resources projected to be available within the HRA as a result of reduced rental income, the figures shown in last year's budget report reflected the start of a process to trim costs within the HRA, and by prudent forecasting it was possible to agree a sustainable budget over the MTFS period. Over the last year, a further process has been undertaken to try to identify savings in both capital and revenue budgets with a view to countering the effects of the government's proposals, and as a result it has been possible to trim some areas of expenditure relatively easily, as well as identifying several areas where commercialisation propositions may be possible to help ensure a sustainable HRA. These are currently being investigated to determine whether they may be able to generate more significant savings and/or income generation towards the end of the MTFS period, though it is clear that further savings in some form will be required over the next few years.

Additionally, there are some new charges in the HRA as from this year which had not been anticipated, and these have increased the overall level of savings required to make the account sustainable. Work to identify further savings will carry on over the next year, but at this stage it is necessary to assume a level of savings within the modelling from 2018/19 onwards to maintain balances at a safe level. It is critical that these savings be identified and implemented as otherwise the HRA will be at significant risk of going into a deficit position, which is not legally permissible. Given that there are potential financial implications likely to arise from those areas of new policy for which no details are available, there is a real imperative to deliver on the savings targets.

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 became statutory when the Welfare Reform and Work Act 2016 passed into law, and this removed any discretion the Council previously had in respect of rent setting. For this reason, the two meetings of the TLRCF in November were used to raise awareness of the savings proposals to be incorporated into the budget, and to invite residents to become more involved in future decision-making.

Background

1. In February of this year, Cabinet approved what was badged as being a 'holding budget' in respect of the HRA. This was in response to the range of proposals introduced by the Government as part of the Summer Budget that were likely to 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 each of the next three years

Of these proposals, only the rent cut and the cut to the benefit cap have actually been implemented to date, with benefit cap reduction being so recent that it is not possible to assess the likely impact of this.

2. As indicated above, 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 1% rent reduction, however, has had a significant effect on the HRA, meaning that current programmes of new build and regeneration may now need alternative funding sources to be completed, and future programmes are not forecast to be possible. In addition, savings need to be made in respect of 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.
3. The key principles of the "holding position" agreed last year remain in place for this year's budget, i.e. 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.
4. The draft HRA budget and MTFs detailed in Appendix 1, is based on these principles, but also takes account of the initial capital and revenue savings it has been possible to put in place over the past year. These are set out in the following sections. As indicated above, further savings will be required to ensure a sustainable HRA, and it may be possible to achieve these savings through the commercialisation proposals currently being developed. For the purposes of budget-setting, however, further unidentified savings have been included as a marker for what will be required to achieve a "safe" level of balances at the end of the MTFs period.

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

Consultation

6. 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).
7. 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. The Welfare Reform and Work Act 2016 has removed any discretion for local authorities to set rents at an appropriate level, and because of this recent TLRCF meetings have been used to consult on savings proposals.
8. Further consultation in respect of the budget will be undertaken via the TLRCF meeting in early February 2017. 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

9. HRA Balances are currently forecast to be £6.3m at the end of March 2017. The budget estimates that balances in the region of £4.9m will remain at the end of March 2018.
10. Over the period of the MTFs, balances are estimated to reduce to just over £1.0m, or around 3% of gross annual income, which is below the level deemed prudent, but is felt to be a "safe" level at this point. It should be noted that this assumes £750k unidentified savings can be made over the two years 2018/19 and 2019/20. 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

11. As indicated above, rents are assumed to reduce by 1% each year over the MTFs period, in line with the requirements of the Welfare Reform & Work Act 2016.
12. The average rent for the Council's housing stock for 2016-17 will therefore be £112.99 per week (the 2016-17 current average is £114.14). Average rents and service charges under the existing strategy are detailed in Appendix 2.
13. 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 from 1st April 2016, it seems prudent to model alternatives to ensure the HRA can remain viable should this position be changed again.

Right-to-Buy sales

14. There have been eighteen sales under Right-to-Buy so far in 2016-17 (Q2) and a further seventeen sales are anticipated by the year end. A stock level of 4,842 at the start of April 2017 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.
15. 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. 11 properties have now been purchased and the process continues.
16. There is a continuing demand for both permanent and temporary affordable housing within Harrow. Over the past year we have continued 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 risen significantly, although prevention activity is now producing results and Bed and Breakfast is beginning to reduce.

Service charges: Tenants & Leaseholders

17. 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% on average resulting in an

average weekly charge of £3.01 (2016-17 current service charge £2.95), an increase of £0.06 on the current weekly charge.

18. 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 2017-18 (excluding s20 income in relation to capital schemes) is £613k and reflects the recovery of costs associated with estate based costs, communal lighting, repairs, ground maintenance, insurance premiums and administration charges.

Other income

19. 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 as garages are not in high demand and the Garage Strategy Review concluded that increasing rents would be counter-productive. Progress on implementing the review has been slow due to the limited funding available and poor condition of many of the garage stock. A pilot storage project is also underway targeted at making good use of some 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.
20. 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

21. The HRA budgets are based on the staffing establishment, and assume a pay, National Insurance & superannuation increase of 1.82% reflecting the overall increase expected for 2017-18 and subsequent years.
22. There are no significant changes to staffing assumed within the projections.

Utility Costs

23. These budgets have been uplifted by 2% in 2017-18 and subsequent years.

Central Recharges

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

Repairs

25. Increased provision for cyclical, response and void repairs to reflect enhanced standards and works required for temporary accommodation and compliance with mandatory health & safety and legislative requirements. Additional costs arising from use of HRA property as temporary accommodation are being recovered via enhanced service charges.

Charges for Capital

26. 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 £154.9m which includes additional borrowing of £5.3m following the successful bid to the Local Growth Fund for additional HRA borrowing capacity to help fund the development of new affordable housing.
27. 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.

Capital Investment

28. The HRA general capital programmes for 2017-18 to 2019-20 have been reduced from those previously approved last February to reflect the capital savings requirement of £500k, 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.
29. 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

30. 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.
31. As indicated above, the proposals contained within the Housing & Planning Act 2016 have the potential to adversely affect the level of resources within the HRA, although some of the proposals appear to be on hold at present. Further savings may be required in future years should these be implemented.

Homes for Harrow

32. As a result of the additional resources retained within the HRA following the introduction of self-financing in April 2012, it was 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. Planning permission has been given for 49 units so far, and the first two sites are under construction, and will deliver 6 much needed family-sized homes. The approved programme was for 80 new rented homes, but indications are that the sites currently identified could deliver at least 100 homes.
33. Unfortunately there has been a significant increase in construction costs over recent years, and it is clear that the cost of building the approved programme will be higher than the available resources. We are currently reviewing the programme to assess how many new homes can be provided within the approved HRA budget, and the options for completing the programme. General fund borrowing could be an option for completing an extended infill programme as well as extending the property purchase initiative.
34. In addition to starting to build new homes within the HRA, proposals are still 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 the proposed scheme makes best use of the available land to

increase density and deliver the maximum amount of market sales to generate cross subsidy necessary to enable the scheme to proceed. The intention is to deliver a scheme with no net loss of affordable housing, and that the replacement affordable homes will be retained and managed within the HRA. Housing is working with its consultant team to deliver a viable proposal for Grange Farm taking into account the significant increase in build costs and our aspirations for a high quality scheme. The buy-back of leasehold properties continues with 11 now purchased and providing additional properties for use as temporary accommodation in the meantime, which helps to reduce the cost of homelessness in the General Fund.

35. We continue to decant existing tenants within the Grange Farm Estate to prepare a first phase for redevelopment. We have started by moving tenants who have already indicated that a permanent move off the estate would be their preference and are now working with tenants in the proposed Phase 1 of development. Tenants are made Home Loss and disturbance payments to compensate them for the cost of moving. Currently Home Loss payments are set nationally at £5,800, 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. Homes that are vacated are either being used as temporary accommodation or for decants within the estate pending the scheme being finalised and a developer being selected. Further separate reports will continue to be made in respect of Grange Farm.
36. The Phase 1 and Phase 2 new build programmes require a significant investment from Housing resources to complement the additional borrowing approval of £5.2m the Council has been awarded. As indicated above, however, rising build costs mean that even though this will use the majority of the capital resources available over the MTFs period, it will not now be possible to complete the programme from the resources available, and alternative delivery options are being considered.

Impairment Allowance

37. 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 £250k for 2017-18 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

38. £100k has been set aside in 2017-18 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

39. 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.

Savings

40. £165k savings have been included in the budgets comprising repairs and maintenance of £110k and £55k in administrative and support costs. In addition to this, unidentified savings have been included of £250k in 2018/19 and £500k in 2019/20 to act as a marker for the further savings required to deliver at least a “safe” level of balances, if not an ideal one. It is critical that these savings be achieved by the end of the MTFS period.

Variation to MTFS 2017-18

41. The MTFS approved by Cabinet and Council in March 2016 estimated an in year deficit of £1.251m for 2017-18. The proposed budget changes result in a deficit of £1.385m. The increase in deficit of £0.134m is explained below :

- +£0.547m – Repairs, increased expenditure for mandatory health & safety and legislative requirements
- +£0.245m – Income, reduced rents resulting mainly from diversion of resources from HRA Purchase & Repairs programme to Grange Farm Regeneration
- -£0.518m – Revenue Contribution to Capital Outlay (“RCCO”), reduction due to revised profile of Affordable Housing programme
- -£0.306m – Depreciation, reduced charge expected resulting from provisional review by Estates & Valuers
- +£0.166m – Estates & other, increased expenditure required for maintenance of estates and other expenditure

Summary

42. The HRA Budget and MTFS detailed in Appendix 1 reflects the impact of the 1% per annum rent reduction set out in the Welfare Reform and Work Act 2016, 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 it has been necessary to make savings in both capital and revenue budgets to balance the HRA. Further savings will be required in future years to ensure a sustainable HRA, and to meet the potential impact of the Housing & Planning Act proposals which have yet to be implemented.

Performance Issues

The in-year measurement of the Council is reported in the Strategic Performance Report. The Corporate Plan, which will be developed alongside the Budget Report, will have measures within it which will set out how Council delivery in 2016/17 will be measured and this again will be reported through the Strategic Performance Report.

Environmental Implications

The HRA Budget 2017-18 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.

Amongst the new initiatives to improve energy efficiency we have installed external wall insulation in a number of homes, moved to energy efficient LED lighting in communal areas and transformed a former warden's house at John Lamb Court in Wealdstone, into two new accessible flats. The new homes are the first to be fitted with the latest renewable technologies – and will not only provide the new residents with hot water and heating but also solar electricity to the neighbouring sheltered scheme.

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 related to the need to make savings to ensure a viable and sustainable HRA over the medium term. The requirement to make rent reductions is significantly impacting on the HRA, and with the effect of the latest welfare benefit changes yet to be felt, and the potential impact of several Government proposals still to come, should they eventually be implemented, it is critical that savings be put in place over the period of the MTFS to ensure a sustainable position.

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.

The Welfare Reform and Work Act and Housing and Planning Act 2016 have been passed in to law, although at this time both Acts are only partially in force and so the full implications of the Acts are not known at this stage.

Section 23(1) of the Welfare Reform and Work Act 2016 has imposed a statutory requirement on registered providers of social housing to reduce social rent by at least 1% from the rent payable by the tenant in the preceding 12 months for the years beginning 1st April 2016, 1st April 2017, 1st April 2018 and 1st April 2019.

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 now implemented via primary legislation. Consultation with our tenant, leaseholder and resident representative groups on the savings proposals has occurred throughout the year, including the Housing Summer Fair, TLRCF in November 2016 and is anticipated to continue in February 2016.

Council Priorities

The Council's vision:

Working Together to Make a Difference for Harrow

43. 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	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 25 November 2016		
Name: Baljeet Virdee	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 25 November 2016		

Ward Councillors notified:	NO, as it impacts on all Wards
EqIA carried out:	NO

EqIA cleared by:

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

None.

Call-In Waived by the Chairman of Overview and Scrutiny Committee

NOT APPLICABLE

[Call-in applies]

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

All figures in £s	Budget 2017-18	Budget 2018-19	Budget 2019-20
Employee Costs	2,685,530	2,723,700	2,762,570
Supplies & Services	973,690	862,870	862,870
Utility cost	550,860	561,870	573,110
Estate & Sheltered Services	3,111,840	3,141,240	3,171,780
Central Recharges	3,700,270	3,767,610	3,836,180
Operating Expenditure	11,022,190	11,057,290	11,206,510
Repairs - Voids	1,375,990	1,375,990	1,375,990
Repairs - Responsive	3,611,060	3,620,420	3,629,980
Repairs – Other	2,432,890	2,451,270	2,469,980
Repairs Expenditure	7,419,940	7,447,680	7,475,950
Contingency - General	200,000	200,000	200,000
Investment in Services	200,000	200,000	200,000
Bad debt provision	250,000	250,000	250,000
RCCO	0	1,481,510	0
Affordable Housing	250,740	254,570	258,470
Grants to Move	164,610	162,870	162,870
Charges for Capital	6,515,560	6,515,550	6,515,550
Depreciation	7,313,600	7,320,920	7,291,620
Hardship fund	100,000	100,000	100,000
Savings	0	(250,000)	(500,000)
Other Expenditure	14,994,510	16,235,420	14,478,510
Total Expenditure	33,436,640	34,740,390	33,160,970

Appendix 1 (continued)

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

All figures in £s	Budget 2017-18	Budget 2018-19	Budget 2019-20
Rent Income – Dwellings	(28,426,630)	(28,259,680)	(28,409,790)
Rent Income – Non Dwellings	(584,750)	(587,250)	(589,840)
Service Charges - Tenants	(1,499,530)	(1,515,200)	(1,543,790)
Service Charges – Leaseholders	(613,220)	(622,840)	(632,830)
Facility Charges	(656,800)	(683,070)	(710,400)
Interest	(3,100)	(2,600)	(2,100)
Other Income	(106,390)	(106,390)	(106,390)
Recharge to General Fund	(165,650)	(165,650)	(165,650)
Total Income	(32,056,070)	(31,942,680)	(32,160,790)
In Year Deficit	1,380,570	2,797,710	1,000,180
Balance brought forward	(6,249,630)	(4,869,060)	(2,071,350)
Balance carried forward	(4,869,060)	(2,071,350)	(1,071,170)

Average Rent & Service Charges

Appendix 2

Description	No. units	2016-17 weekly charge	2017-18 rent	2017-18 service charge	2017-18 total	Decrease
Bedsit bungalow	20	£104.79	£101.18	£2.70	£103.88	-£0.91
1 Bed bungalow	114	£115.74	£112.45	£2.29	£114.74	-£1.00
2 Bed bungalow	25	£131.48	£128.34	£3.56	£131.90	£0.42
Bedsit flat	84	£90.86	£86.02	£4.07	£90.09	-£0.77
1 bed flat	1,199	£100.76	£96.43	£3.61	£100.04	-£0.72
2 bed flat	806	£114.78	£109.82	£4.13	£113.95	-£0.83
3 bed flat	42	£126.19	£120.46	£4.89	£125.35	-£0.84
1 bed Maisonette	6	£93.90	£92.56	£0.41	£92.97	-£0.93
2 bed Maisonette	52	£113.99	£109.38	£3.64	£113.02	-£0.97
3 bed Maisonette	46	£126.82	£121.53	£4.29	£125.82	-£1.00
4 bed Maisonette	1	£133.97	£132.63	£0.00	£132.63	-£1.34
2 bed Parlour House	34	£126.44	£123.96	£1.25	£125.21	-£1.23
3 bed Parlour House	531	£139.88	£136.86	£1.75	£138.61	-£1.27
4 bed Parlour House	55	£152.49	£148.70	£2.47	£151.17	-£1.32
5 & 6 bed Parlour House	9	£158.76	£155.88	£1.33	£157.21	-£1.55
2 bed Non Parlour House	511	£123.18	£120.01	£2.05	£122.06	-£1.12
3 bed Non Parlour House	720	£135.01	£131.67	£2.16	£133.83	-£1.18
4 bed Non Parlour House	31	£149.45	£145.40	£3.02	£148.42	-£1.03
5,6 & 7 bed Non Parlour House	6	£157.37	£158.80	£1.17	£159.97	£2.60
Sheltered bedsit	55	£92.82	£89.30	£2.69	£91.99	-£0.83
Sheltered – other units	500	£100.33	£96.11	£3.24	£99.35	-£0.98
Total	4,847	£116.99	£112.99	£3.01	£116.00	-£0.99

The average charge during 2016-17 was £117.09 per week comprising £114.14 rent and £2.95 service charge compared to the budgeted £114.05 and £2.94 per week respectively.

The rent reduction for 2017-18 is based on Government proposals put forward as part the 2015 Summer budget which required rents to reduce by 1% (as opposed to increasing by CPI plus 1% as was previously the case). This yields an average rent of £112.99 and an average service charge of £3.01 per week, representing an average decrease of 0.93%. Rents for the new affordable rented & shared ownership dwellings are not included in above table.

Garages & parking space charges**Appendix 3**

	Current Weekly Rental	Proposed Weekly Rental
	2016-17	2017-18
	£	£
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) 2016-17	Proposed average weekly facility charge (Heating) 2017-18 4% increase
Alma Court	30	14.65	15.24
Belmont Lodge	30	14.62	15.20
Boothman House	30	14.62	15.20
Cornell House	30	14.68	15.27
Durrant Court	27	14.62	15.19
Edwin Ware Court	30	12.32	12.77
Goddard Court	30	14.68	15.23
Grahame White House	30	14.68	15.23
Grange Court	30	12.25	12.72
Harkett Court	30	14.62	15.20
Harrow Weald Park 0 Bed	12	9.94	10.31
Harrow Weald Park 1 Bed	19	13.35	13.90
John Lamb Court	32	15.40	15.98
Meadfield	30	14.68	15.26
Sinclair House	27	14.68	15.23
Tapley Court	26	14.62	15.17
Thomas Hewlett House	30	14.68	15.27
Watkins House	43	15.37	15.98
William Allen House	29	13.28	14.06
Resident Warden Accommodation	11	19.83	20.62
Other Non-Sheltered	95	12.93	13.45

Water Charges

Appendix 5

Sheltered Block	No.of flats	Current Range Water Charge 2016-2017		Proposed Range Charge at 4% increase for 2017-2018		Amount of increase	Average Charge 2017-2018	% Increase	Income per Week per Block 2017-2018
		Lower	Higher	Lower	Higher				
Alma Court	30	£5.64	£5.64	£5.87	£5.87	£0.23	£5.87	4.00%	£175.97
Belmont Lodge	30	£5.80	£5.80	£6.03	£6.03	£0.23	£6.03	4.00%	£180.96
Boothman House	30	£5.96	£5.96	£6.20	£6.20	£0.24	£6.20	4.00%	£185.95
Cornell House	30	£5.88	£5.88	£6.12	£6.12	£0.24	£6.12	4.00%	£183.46
Durrant Court	27	£5.64	£5.64	£5.87	£5.87	£0.23	£5.87	4.00%	£158.37
Edwin Ware Court	30	£4.80	£6.24	£4.99	£6.49	£0.22	£5.74	4.00%	£172.22
Goddard Court	30	£5.80	£5.80	£6.03	£6.03	£0.23	£6.03	4.00%	£180.96
Grahame White House	30	£5.96	£5.96	£6.20	£6.20	£0.24	£6.20	4.00%	£185.95
Grange Court	30	£4.80	£5.96	£4.99	£6.20	£0.22	£5.60	4.00%	£167.86
Harkett Court	30	£5.96	£5.96	£6.20	£6.20	£0.24	£6.20	4.00%	£185.95
Harrow Weald Park	31	£4.80	£5.96	£4.99	£6.20	£0.22	£5.60	4.00%	£173.45
John Lamb Court	32	£5.96	£5.96	£6.20	£6.20	£0.24	£6.20	4.00%	£198.35
Meadfield	30	£5.88	£5.88	£6.12	£6.12	£0.24	£6.12	4.00%	£183.46
Sinclair House	27	£5.64	£6.06	£5.87	£6.30	£0.23	£6.08	4.00%	£164.27
Tapley Court	26	£5.80	£5.96	£6.03	£6.20	£0.24	£6.12	4.00%	£159.00
Thomas Hewlett House	30	£5.88	£5.88	£6.12	£6.12	£0.24	£6.12	4.00%	£183.46
Watkins House	43	£4.80	£4.80	£4.99	£4.99	£0.19	£4.99	4.00%	£214.66
William Allen House	29	£4.80	£5.96	£4.99	£6.20	£0.22	£5.60	4.00%	£162.26
Total No.of Sheltered Flats	545								£3,216.54
Resident Warden Accommodation	11	£6.98	£6.98	£7.26	£7.26	£0.28	£7.26	4.00%	£79.85
Total Sheltered Flats incl Warden	556								£3,296.39
Other Non-Sheltered	95	£4.99	£4.99	£5.19	£5.19	£0.20	£5.19	4.00%	£493.01

Community Hall and Capacity	Current 2016-17			Proposed 2017-18		
	Charges per first 3 hours block booking then subsequent hourly rate			Charges per hour letting 4% Price Increase		
	Evening Rate	Daytime Rate	Weekend Rate	Evening Rate	Daytime Rate	Weekend Rate
	£	£	£	£	£	£
Augustine Road [max 30]	23.40	11.70	35.10	24.34	12.17	36.50
Marsh Road Hall [max 30]	23.40	11.70	35.10	24.34	12.17	36.50
Brookside Hall [max 30]	23.40	11.70	35.10	24.34	12.17	36.50
Woodlands Hall [max 60]	35.10	17.54	47.91	36.50	18.24	49.83
Churchill Place [max 100]	46.79	21.04	58.49	48.66	21.88	60.83
Kenmore Park [max 100]	46.79	21.04	58.49	48.66	21.88	60.83
Pinner Hill Hall [max 100]	46.79	21.04	58.49	48.66	21.88	60.83
Northolt Road [max 100]	46.79	21.04	58.49	48.66	21.88	60.83

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 10 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:

- 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.

Budget Description	2017/18	2018/19	2019/20
	£	£	£
Internal Works	3,000,000	3,000,000	3,000,000
External Works	5,864,120	3,028,120	3,028,120
M & E	920,000	920,000	920,000
Garages	61,500	61,500	61,500
Aids and Adaptations	615,000	615,000	615,000
Capitalisation Responsive Repairs	142,500	142,500	142,500
Capitalised Salaries	317,000	317,000	317,000
Develop Wider Housing Initiatives Pot	555,000	555,000	555,000
HRA Capital Investment	11,475,120	8,639,120	8,639,120
Grange Farm	4,297,750	-	-
Affordable Housing Phase 1	5,989,490	-	-
Affordable Housing Phase 2	3,724,130	2,374,000	-
Total Homes for Harrow	14,011,370	2,374,000	-
Total HRA Capital Programme	25,486,490	11,013,120	8,639,120

The 2017-18 budget for the main HRA Capital investment programme includes £2,336,000 re-phasings. The 2017-18 & 2018-19 budget for Homes-4-Harrow include re-phasings of £10,287,240 made up of £4,297,750 for Grange Farm regeneration scheme and £5,989,490 for the Infill programme.