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**REPORT FOR: CABINET**

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<b>Date of Meeting:</b>	15 February 2018
<b>Subject:</b>	Housing Revenue Account Budget 2018-19 and Medium Term Financial Strategy 2018-19 to 2020-21
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance, Paul Walker, Corporate Director of Community
<b>Portfolio Holder:</b>	Councillor Glen Hearnden, Portfolio Holder for Housing and Employment Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	Yes, except where the decision is reserved to Council
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1 – HRA Budget 2018-19 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 2018-19 and Medium Term Financial Strategy (“MTFS”) for 2019-20 to 2020-21.

### Recommendations:

Cabinet is requested to:

- 1) Approve proposed average rent for non-sheltered accommodation of £114.73 per week for 2018-19, representing a decrease of 1% in average rent from the 2017-18 figure;
- 2) Approve proposed average rent for sheltered accommodation of £94.54 per week for 2018-19, representing a decrease of 1% in average rent from the 2017-18 figure;
- 3) Approve overall average rent for whole stock of £112.38 per week for 2018-19, representing an overall decrease of 1%
- 4) Approve an average tenant service charge of £3.15 per week, an increase of 4%, as set out in appendix 2;
- 6) Approve proposed increases in facility charges set out in Appendix 4, and Community Centre hire charges in Appendix 6; as well as maintaining water charges at present rates as set out in appendix 5.
- 7) Approve the three year capital programme set out in Appendix 7 including an increase in the Homes-4-Harrow capital budget of £17,735,550 reflecting increased investment requirements for the Grange Farm Regeneration Scheme £15,688,670 and Infill scheme £2,046,880.
- 8) Note reductions in both revenue and capital expenditure assumed to ensure the budget and MTFS produce a viable and sustainable HRA in line with assumptions set out in HRA Business Plan update reported to Cabinet 16<sup>th</sup> November 2017.
- 9) Note the Risk Management Implications which require prudent financial reserves given the absence of borrowing capacity and probability of sustained and significant reforms in the housing sector.
- 10) Cabinet recommends Council approve:
  - a. HRA Budget for 2018-19;
  - b. HRA capital programme (as detailed in appendix 7)

### Reason: (For recommendation)

To recommend the HRA budget for 2018-19 and MTFS

## **Section 2 – Report**

### **Introduction**

The Council has a statutory obligation to agree and publish the HRA budget for 2018-19, and approval for this will be sought in February 2018. This report sets out the draft budget proposals along with the draft MTFS to 2020-21, which sets out the indicative income and expenditure for the HRA for this period and shows how the income collected will be spent in the management and maintenance of the Council's stock and in meeting its landlord obligations.

The budget and MTFS have been set within the framework set out in the HRA Business Plan update, reported to Cabinet 16 November 2017, including impact of legislation contained in the Welfare Reform & Work Act 2016 and Housing & Planning Act 2016 including the statutory rent reduction of 1% for each of the four years 2016/17 – 2019/20. The Business plan update also included assumptions around inflation and interest rates as well as savings in revenue and capital expenditure required to produce a sustainable and financial position for the Council's HRA. Revenue savings assumed in the Business Plan are now £1.90m, an increase of £750k over the £1.15m approved by Council in setting the 2017-18 budget and MTFS, and investment in HRA stock has been reduced to £5.45m, a reduction of £3.15m from £8.6m per annum.

The Council is also in active discussions with the Department of Communities & Local Government (DCLG) aimed at gaining flexibilities on some aspects of the legislation although these are predicated on the assumption of achieving permanent reductions in revenue and capital expenditure to produce a viable Business Plan. Council is also proceeding with phase 1 of the Grange Farm Estate Regeneration Scheme for which there is a separate report on this agenda, and funding assumptions are included in this report.

### **Options considered**

Statutory rent reductions have removed any discretion the Council had in respect of rent setting and the Housing Department has implemented a systematic review of all HRA services with the aim of reducing costs and maximising income, as set out below.

- Revenue cost reductions – the Housing Senior Management Team has set up a Programme Board, operating within stated terms of reference, charged with identifying cost reductions across the HRA without adversely impacting front line services and taking advantage of synergies and joined up working to achieve efficiencies. Early cost reductions have already been identified which will be delivered in 2017-18; these are assumed to have a full year effect from 2018-19
- Additional income – unregulated income streams are being reviewed against the cost of services to ensure full cost recovery is being achieved; this includes service charges to tenants and leaseholders

which will be reviewed in consultation with stakeholders to ensure all key services, are fully funded moving forward.

- Capital expenditure on HRA stock – investment in HRA owned properties is being refocused to prioritise legislative and Health & Safety requirements; this review has identified expenditure which, given the reduced financial resources and limitation in borrowing imposed by the Self Financing settlement, is now considered unnecessary in meeting the core requirement in consultation with resident representatives.
- Government engagement – the Council is in active discussion with the Department of Communities & Local Government (“DCLG”) in requesting flexibilities around the reinvestment of RTB receipts in new build, reversal technical accounting adjustments and new potential funding for the Grange Farm Regeneration scheme.

## Background

1. Government reforms have continued to place unprecedented financial pressures on the Council’s HRA and the main impacts are set out below.
  - **Rental income** - 1% rent cut to continue in respect of all social housing tenants to end of 2019-20 although the Government has permitted a reversion to CPI + 1 % from 2020-21 for five years; however there are no guarantees beyond 2025;
  - **Universal Credit and benefits cuts** – the roll out of Universal Credit in the first wards in Harrow is expected in February 2018; this plus the on-going impact of other welfare reforms are expected to generate significant increases in HRA rent arrears; evidence from other Authorities nationally indicates the impact on bad debt provision is difficult to contain despite preventative measures being applied.
  - **Right to buy (“RTB”) receipts** – Council entered into a retention agreement with Government in 2012 which permitted the HRA to retain an increased share of RTB receipts on proviso they are reinvested within three years in line with certain criteria. Like most London Councils which have limited land Harrow has found it difficult to invest these receipts and has been required to return some receipts with interest to DCLG, although discussions are continuing with Registered Providers to fund additional social housing in return for nomination rights to new build schemes which could also benefit the General Fund’s Homelessness position.
2. The Business Plan update has identified a requirement to introduce permanent reductions in revenue and capital expenditure to balance the budget. Social rent increases will be permitted for five years from 2020-21, and the Business Plan has assumed annual increases based on the same formula will be permitted for 25 years thereafter; however it should be noted that there has been no information yet from Government to confirm this assumption or otherwise. Combined with the impact of Welfare Reforms and absence of revenue provisions to fund the service

reviews, it is considered necessary to introduce a savings line in order to balance the budget to the assumptions underpinning the HRA Business Plan update.

3. Although the Service Reviews have generated early and significant reductions in both revenue and capital expenditure of £880k and £3m respectively, further reductions in net revenue expenditure are required in order to produce a viable and sustainable budget and MTFS in line with the framework set out in the HRA Business Plan update. This is essential given the high probability of sustained and significant reforms in the housing sector which will require adequate financial reserves, especially important given the lack of borrowing capacity, on-going stock losses through right to buy sales and resources required to support new build and regeneration plans.

## **Consultation**

4. Under s.105 of the Housing Act 1985, the Council is required to maintain such arrangements as it considers appropriate to enable secure tenants to be informed and consulted about housing management matters which substantially affect them. However, rent 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 residents on proposed changes via representative groups such as the Value for Money group and the quarterly residents' drop in meeting (Housing Matters), formerly TLRCF (the Tenants', Leaseholders and Residents' Consultative Forum). Following a review of the Harrow resident involvement framework it is proposed that a Residents' Board will be set up in early 2018 and one of its functions will be to act as a consultative body on matters of housing management.
5. Further consultation in respect of the budget will be undertaken via the framework described above.
6. A review of tenant and leaseholder service charges is also under way to ensure all costs incurred in the provision of services are properly being recovered and a series of consultation events is planned to take the views of residents on this initiative. This review will inform service charges from 1 April 2019 and will be reported at that stage.

## **Balances**

7. HRA Balances were £6.9m as at 31 March 2017 and these are expected to be £5.4m at the end of 2020-21 which are above the minimum balances considered prudent, 5% to 7% of gross income so £2.4m

## **Income**

### Dwelling rents

8. 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.
9. The average rent for Council housing stock for 2018-19 will therefore be £112.38 per week (2017-18 current average £113.03). Average rents and service charges under the existing strategy are detailed in Appendix 2.
10. For the purposes of the next version of the business plan, scenarios will be modelled around future rent increases as, whilst Government have stated rent increases will revert to CPI + 1% for five years from 2020-21, it seems prudent to model alternatives to ensure the HRA can remain viable should this position be changed again.

### Right-to-Buy sales

11. There have been twenty five sales under Right-to-Buy so far in 2017-18 (Q3) and a further five are anticipated by the year end. A stock level of 4,810 at the start of April 2018 is assumed after taking into account property purchases and new builds. 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.

### Service charges: Tenants & Leaseholders

12. Tenants who benefit from specific estate based services pay a charge to the Council on a weekly basis in addition to their weekly rent charge. This service charge was £3.01 in 2017-18 and will increase by 4% on average resulting in an average weekly charge of £3.15. The proposed increase is from April 2018 and there is an on-going review of the cost of providing services which will be used to review service charges from 2019 and onwards
13. 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 September to 31st August rather than financial year 1st April - 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 2018-19 (excluding s20 income for capital schemes) is £636k and reflects the recovery of costs associated with estate based costs, communal lighting, repairs, ground maintenance, insurance premiums and administration charges.

## Other income

14. 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 increasing rents would be counter-productive. Progress on implementing other aspects of the review has been slow due to the limited funding available and poor condition of much of the garage stock. A pilot storage project is underway targeted at making good use of some existing garage sites, and generating income.
15. 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

16. The HRA budgets are based on the staffing establishment, and assume a pay, National Insurance & superannuation increase of 2.30% reflecting the overall increase expected for 2018-19 and subsequent years.
17. Post reductions already included in the Service Review and approved by the Programme Board have been included in the establishment for 2018-19 onwards.

### Utility Costs

18. These budgets have not been uplifted by inflation as there are no contractual obligations in place requiring this.

### Central Recharges

19. Costs of support services are allocated to service users in the Council using suitable bases of apportionment (e.g. number of staff, estimated time allocation, gross budget) so recharges reflect the full cost of all services and permit transparency and challenge with the aim of securing value for money.

### Repairs

20. Expenditure on repairs has been driven by a focus on legislative and Health & Safety requirements with due regard to the cost reductions identified by the Service Reviews and approved by the Programme Board.

### Charges for Capital

21. Capital charges to the HRA are assumed to continue to be charged at the rate of 4.132% of the HRA borrowing from the General Fund of £6.325m, which includes additional borrowing of £5.242m to help fund the development of new affordable housing.

## Capital Investment

22. HRA general capital programme has been reduced from £8.6m to £5.45m with the focus being on Health & Safety and statutory requirements as part of the wider service review aimed at restricting expenditure to essential works only; Grants to Move capital expenditure of £555k has also been diverted to support the general capital programme; further details are shown in Appendix 7.
23. Internal works are expected to deliver
- 380 kitchens and/or bathrooms
  - 150 boiler & heating systems
  - 10 electrical re-wires
24. External works are being targeted to ensure only essential works are carried out, including
- Block infrastructure works to update pipework and plant boilers
  - Communal door entry system upgrades, incorporating block fire risk assessment recommendations, upgrading emergency lighting and revamping block common part areas.
  - Legionella remedial action including plumbing upgrade works
25. Of the larger general needs blocks, 2018-19 will commence with communal door and fire safety improvement works and roof improvements.
26. 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 the programme can be maximised. As is currently the case, the HRA Capital programme will 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.

## Homes for Harrow

27. Phase 1 (fifty) and Phase 2 (thirty) of the Infill programme was to deliver 80 new homes. Six family homes were completed in September 2017, nineteen homes are being built completing February to September 2018. Thirty more homes have secured planning consent and are at procurement stage. Designs have been worked up and residents consulted on other sites making up the balance of eighty homes within the programme. Subject to planning and funding it is envisaged up to seventy further homes could be built.
28. A range of proposals are being discussed with Government, detailed in paragraph 37, aimed at providing Council with additional capital resources and flexibilities in return for new build proposals which address the



Government's stated objectives. These will, it is envisaged, support the Grange Farm Regeneration scheme and progress on this scheme will be reported to Cabinet in January 2018.

29. A separate Cabinet report on this agenda requesting approval to proceed with Phase 1 of the Grange Farm Estate Regeneration Scheme includes the cost and funding assumptions below, which have been assumed in the revenue and capital budgets and MTFS set out in this report :

<b>Item</b>	<b>Amount</b>
Estimated cost	£22,938,900
Already spent and approved for phase 1	£7,250,230
<b>Additional budget required</b>	<b>£15,688,670</b>
GLA grant	£4,668,000
HIF	£5,000,000
Capital receipts	£4,532,570
Borrowing	£1,488,100
<b>Total funding</b>	<b>£15,688,670</b>

30. Both GLA and HIF funding of £4.668m and £5m respectively has been approved.

### Risks

31. A number of risks have been identified, listed below which, if they materialise individually or collectively, can expose the HRA to risks which could impede delivery of core services or raise questions about its continued financial viability.
- **Rent increases** – Government has permitted rent increases for five years from 2020-21 to 2024-25, although the current Business Plan assumes rent increases beyond this; the next Business Plan update include alternative scenarios so potential impact on revenue balances can be modelled.
  - **Infill financing** - £5.242m was originally approved for the council's Infill programme; a request to re-profile part of this debt to 2018-19 and 2019-20 has been submitted to Government but not yet approved; if not approved this will add pressure onto HRA Capital resources.
  - **Redundancy costs** – HRA has no provision set aside for the payment of redundancy costs which are possible as part of the Service Review programme aimed at securing permanent revenue cost savings (see below); these redundancy costs will therefore have to be contained within existing budget provision or be met by additional cost reductions.
  - **Welfare reforms** – Government's reform of welfare and benefits is likely to impact rent collection and cash balances; these are being assessed by a dedicated working group, the results of which will be reported during in year monitoring.

- **Additional borrowing** – as part of the engagement with DCLG, additional borrowing has been requested to support new build initiatives; if adequate borrowing is not secured this will compromise the Council’s ability to proceed with new home provision; scenarios will be included in the next Business Plan update.

32. It is therefore essential the permanent cost reductions are achieved in line with the budget and MTFs contained in this report; if these are not achieved the impact of the above risks will be significant.

Impairment Allowance

33. 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 have been exhausted. Whilst a number of payment arrangements are in place in respect of the remaining former tenant arrears, provision should be made for non-recovery of the majority of these arrears via an impairment allowance.

Hardship Fund

34. £100k has been set aside in 2018-19 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

35. 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 or in service development initiatives.

Cost reductions

36. Reductions in net revenue expenditure and capital expenditure have been assumed in the draft budget and MTFs to ensure the HRA remains viable and sustainable in line with the framework set out in the HRA Business Plan update.

37. The HRA Business Plan update, submitted to Cabinet on 16<sup>th</sup> November, assumed a permanent reduction in net revenue expenditure of £1.020m, phased as £640k in 2019-20 then a further £380k in 2020-21.

38. On-going Service Reviews will result in these cost reductions being allocated to specific services within the HRA. The table below summarises the main initiatives and estimated timelines :

Description	Estimated completion
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<b>Service reviews</b> : systematic review of all services to identify efficiencies and synergies resulting in cost reductions in both revenue and capital expenditure	March 2020
<b>Asset Management Strategy</b> : review of all assets to identify investment needs and secure optimum financial advantage	March 2019
<b>Income generation</b> : review of tenant & leasehold service charges, facilities and other income to ensure legitimate recovery of all appropriate costs	March 2019
<b>IT improvement &amp; efficiencies</b> : secure efficiencies through targeted investment in IT systems and infrastructure to deliver cashable savings and improve working practices in conjunction with service reviews.	March 2020

### Proposals to Government

39. The Council has been in active discussion with Government with the aim of winning flexibilities in return for new build housing in line with stated Government objectives. As these proposals are still under consideration these have not been incorporated in to the budget and MTFS, although adjustments will be reported when appropriate. The range of proposals can deliver between 188 and 622 new homes in return for combinations of the following flexibilities :

- Reinvestment of Right-to-buy receipts – relaxation of criteria set out in the retention agreement which will permit Council to utilise more this restricted earmarked capital receipts reserve
- Limitation in borrowing – increase in the borrowing limit for specific new build schemes with agreed repayments
- Impairment reversals – technical adjustment which reverses out adjustments made in prior financial years in respect of HRA non-dwelling assets; the original adjustments were required by a statutory instrument which has since been revised to prevent such adjustments being made prospectively from April 2017, but offers no retrospective relief

### Variation to MTFS 2018-19

40. The MTFS approved by Cabinet and Council in March 2017 estimated an in year deficit of £2.904m for 2018-19. Proposed budget changes result in a deficit of £1.099m. Reduction in deficit of £1.805m is explained below :

- Capital financing -£1.182m, reduction in capital programme resulting in no contribution from revenue to finance expenditure
- Repairs -£718k, reduction in repairs expenditure with focus on statutory and health & safety works
- Depreciation & other +£95k, increase in estimated depreciation charges based on estimated stock trajectory offset by other variations.

## Summary

41. The HRA Budget and MTFs detailed in Appendix 1 reflects the impact of the 1% per annum rent reduction and sits within the framework set out by the HRA Business Plan update. To ensure a viable and sustainable HRA and given the risks identified in the report, permanent cost reductions are required to be achieved as indicated in the body of the report and supporting appendices. Delay or failure to achieve these reductions in the amounts and phasing indicated will compromise the viability of the HRA thereby impacting on the corporate priorities of Council.

## 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. The statutory requirement to make rent reductions continues to have a significant impact on the HRA. Combined with the limitation on borrowing, Welfare Reforms, restrictions in the use of Right-to-Buy receipts and the impact of sustained and significant Government Reforms affecting the housing sector, it is critical prudent financial reserves are maintained and measures are put in place to achieve cost reductions in a timely way.

These risks are detailed on the Housing risk register.

## Legal Implications

Under section 103 of the Housing Act 1985 the terms of a secure tenancy which is a periodic tenancy may be varied by the landlord by a notice of variation served on the tenant. The landlord authority is required to serve a preliminary notice on the secure tenant giving them advance notification of any change proposed to be made to the terms of their tenancy and inviting their comments. A preliminary notice is not required for variation of rent or payments in respect of services or facilities provided by the landlord. Although a preliminary notice is not required in respect of a variation to the rent (or services/facilities) charge, a notice of variation is needed and this must set out what the change is and the date on which it takes effect. The period between the date on which the notice is served and the date on which it takes effect must be at least four weeks or the rental period, whichever is the longer.

Section 105 of the Housing Act 1985 requires a landlord authority to maintain such arrangements as it considers appropriate to enable those secure tenants who are likely to be substantially affected by matters of housing management, to be informed and consulted about the proposals, and before deciding on the matter, the landlord authority has to consider any representations made. The legislation sets out what matters of housing management relate to but this does not extend to the rent payable under a secure tenancy or to charges for services or facilities provided by the authority.

Under section 23 of the Welfare Reform and Work Act 2016 registered providers of social housing are obliged 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.

Under section 74 of the Local Government & Housing Act 1989 Council, as a local housing Authority, must maintain a Housing Revenue Account (HRA) which includes sums falling to be credited or debited in accordance with the category of properties listed within s74(1), which consists primarily of Council housing stock. HRA must include any capital expenditure on housing stock which a Local Authority has decided to charge to revenue. Save in accordance with a direction of the Secretary of State, sums may not be transferred between HRA or General Fund, therefore HRA is ring-fenced and cannot be used to subsidise a budget deficit within General Fund, neither can General Fund be used to subsidise a budget deficit in HRA. s76 of 1989 Act requires Local Authorities to formulate and implement proposals to secure HRA for each financial year does not show a debit balance. If a debit occurs, this must be carried forward to next financial year.

## **Financial Implications**

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, the Residents’ meetings in in 2016 and 2017, and is anticipated to continue during 2018.

## **Council Priorities**

The Council’s vision:

**Working Together to Make a Difference for Harrow**

42. 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: Tasleem Kazmi	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 15 January 2018		
Name: Sarah Wilson	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 18 January 2018		

<b>Ward Councillors notified:</b>	<b>NO, as it impacts on all Wards</b>
<b>EqIA carried out:</b>	NO
<b>EqIA cleared by:</b>	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, Background Papers**

### **Contact:**

Milan Joshi, Service Accountant – Housing & Regeneration  
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, except where the decision is reserved to Council]*

## HRA Budget 2018-19 and MTFS 2019-20 to 2020-21 – Expenditure

All figures in £s	Budget 2018-19	Budget 2019-20	Budget 2020-21
Employee Costs	2,640,410	2,701,140	2,763,270
Supplies & Services	1,114,770	1,189,800	1,349,400
Utility cost	410,640	417,730	425,090
Estate & Sheltered Services	3,167,720	3,197,410	3,227,990
Central Recharges	3,785,380	3,872,440	3,961,500
<b>Operating Expenditure</b>	<b>11,118,920</b>	<b>11,378,520</b>	<b>11,727,250</b>
Repairs - Voids	1,125,990	1,125,990	1,125,990
Repairs - Responsive	3,487,040	3,487,040	3,487,040
Repairs – Other	2,116,640	2,146,170	2,176,710
<b>Repairs Expenditure</b>	<b>6,729,670</b>	<b>6,759,200</b>	<b>6,789,740</b>
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	300,000	-	-
Affordable Housing	274,430	275,000	275,560
Charges for Capital	6,361,480	6,429,830	6,462,870
Depreciation	7,676,120	7,747,720	7,812,310
Hardship Fund	100,000	100,000	100,000
Savings	0	(640,000)	(1,020,000)
<b>Other Expenditure</b>	<b>15,362,030</b>	<b>14,562,550</b>	<b>14,280,740</b>
<b>Total Expenditure</b>	<b>33,210,620</b>	<b>32,700,270</b>	<b>32,797,730</b>



## HRA Budget 2018-19 and MTFS 2019-20 to 2020-21 – Income

All figures in £s	Budget 2018-19	Budget 2019-20	Budget 2020-21
Rent Income – Dwellings	(28,242,430)	(28,665,280)	(29,238,790)
Rent Income – Non Dwellings	(588,080)	(590,300)	(592,580)
Service Charges - Tenants	(1,696,710)	(1,726,430)	(1,730,220)
Service Charges – Leaseholders	(613,540)	(613,540)	(599,290)
Facility Charges	(696,110)	(716,990)	(738,500)
Interest	(3,100)	(3,100)	(3,100)
Other Income	(106,000)	(106,000)	(106,000)
Recharge to General Fund	(165,650)	(165,650)	(165,650)
<b>Total Income</b>	<b>(32,111,620)</b>	<b>(32,587,290)</b>	<b>(33,174,130)</b>
<b>In Year Deficit / (Surplus)</b>	<b>1,099,000</b>	<b>112,980</b>	<b>(376,400)</b>
<b>BALANCE brought forward</b>	<b>(6,272,380)</b>	<b>(5,173,380)</b>	<b>(5,060,400)</b>
<b>BALANCE carried forward</b>	<b>(5,173,380)</b>	<b>(5,060,400)</b>	<b>(5,436,800)</b>

## Average Rent & Service Charges

## Appendix 2

Description	No. units	2017-18 weekly charge	2018-19 rent	2018-19 service charge	2018-19 total	Decrease
Bedsit bungalow	19	£103.88	£101.27	£2.86	£104.13	£0.25
1 Bed bungalow	115	£114.74	£111.84	£2.37	£114.21	-£0.53
2 Bed bungalow	27	£131.90	£126.38	£3.75	£130.13	-£1.77
Bedsit flat	84	£90.09	£85.66	£4.23	£89.89	-£0.20
1 bed flat	1,186	£100.04	£95.99	£3.76	£99.75	-£0.29
2 bed flat	795	£113.95	£109.24	£4.31	£113.55	-£0.40
3 bed flat	42	£125.35	£120.04	£5.09	£125.13	-£0.22
1 bed Maisonette	6	£92.97	£92.50	£0.42	£92.93	-£0.04
2 bed Maisonette	49	£113.02	£108.73	£3.84	£112.57	-£0.45
3 bed Maisonette	45	£125.82	£120.93	£4.49	£125.43	-£0.39
4 bed Maisonette	1	£132.63	£131.96	£0.00	£131.96	-£0.67
2 bed Parlour House	34	£125.21	£123.33	£1.30	£124.63	-£0.58
3 bed Parlour House	525	£138.61	£136.31	£1.81	£138.12	-£0.49
4 bed Parlour House	55	£151.17	£148.37	£2.61	£150.98	-£0.19
5 & 6 bed Parlour House	10	£157.21	£153.17	£8.67	£161.83	£4.62
2 bed Non Parlour House	505	£122.06	£119.45	£2.12	£121.57	-£0.49
3 bed Non Parlour House	714	£133.83	£131.09	£2.26	£133.35	-£0.48
4 bed Non Parlour House	32	£148.42	£144.05	£3.25	£147.30	-£1.12
5,6 & 7 bed Non Parlour House	6	£159.97	£158.00	£1.22	£159.23	-£0.74
Sheltered bedsit	55	£91.99	£88.58	£2.80	£91.38	-£0.61
Sheltered – other units	500	£99.35	£95.22	£3.37	£98.58	-£0.77
<b>Total</b>	<b>4,805</b>	<b>£116.00</b>	<b>£112.38</b>	<b>£3.15</b>	<b>£115.53</b>	<b>-£0.47</b>

Average charge during 2017-18 was £116.55 per week comprising £113.53 rent, £3.01 service charge compared to budgeted £112.09 and £3.01 per week respectively.

Estimated average charge for 2018-19 is £115.53 per week comprising £112.38 rent, £3.15 service charge, a statutory reduction in rent of 1%.

Rents for new affordable rented & shared ownership dwellings not included in above.

**Garages & parking space charges****Appendix 3**

	<b>Current Weekly Rental</b>	<b>Proposed Weekly Rental</b>
	<b>2017-18</b>	<b>2018-19</b>
	<b>£</b>	<b>£</b>
Garages	14.05	14.05
Car Spaces	9.16	9.16

## Facility Charges

## Appendix 4

<b>Sheltered Block</b>	<b>No. of properties</b>	<b>Current average weekly facility charge (Heating) 2017-18</b>	<b>Proposed average weekly facility charge (Heating) 2018-19 4% increase</b>
Alma Court	30	15.23	15.84
Belmont Lodge	30	15.19	15.80
Boothman House	30	15.19	15.80
Cornell House	30	15.26	15.87
Durrant Court	27	15.19	15.80
Edwin Ware Court	30	12.77	13.28
Goddard Court	30	15.22	15.83
Grahame White House	30	15.22	15.83
Grange Court	30	12.72	13.23
Harkett Court	30	15.2	15.81
Harrow Weald Park 0 Bed	12	10.31	10.72
Harrow Weald Park 1 Bed	19	13.91	14.47
John Lamb Court	32	15.99	16.63
Meadfield	30	15.26	15.87
Sinclair House	27	15.22	15.83
Tapley Court	26	15.17	15.78
Thomas Hewlett House	30	15.27	15.88
Watkins House	43	15.99	16.63
William Allen House	29	13.82	14.37
Resident Warden Accommodation	11	21.31	22.16
<b>Other Non-Sheltered</b>	95	13.45	13.99

## Water Charges

## Appendix 5

Sheltered Block	No.of flats	Current Range Water Charge 2017-2018		Proposed Range Charge at 0% increase for 2018-2019		Average Charge 2018-2019	Income per Week per Block 2018-2019
		Lower	Higher	Lower	Higher		
Alma Court	30	£5.87	£5.87	£5.87	£5.87	£5.87	£175.97
Belmont Lodge	30	£6.03	£6.03	£6.03	£6.03	£6.03	£180.96
Boothman House	30	£6.20	£6.20	£6.20	£6.20	£6.20	£185.95
Cornell House	30	£6.12	£6.12	£6.12	£6.12	£6.12	£183.46
Durrant Court	27	£5.87	£5.87	£5.87	£5.87	£5.87	£158.37
Edwin Ware Court	30	£4.99	£6.49	£4.99	£6.49	£5.74	£172.22
Goddard Court	30	£6.03	£6.03	£6.03	£6.03	£6.03	£180.96
Grahame White House	30	£6.20	£6.20	£6.20	£6.20	£6.20	£185.95
Grange Court	30	£4.99	£6.20	£4.99	£6.20	£5.60	£167.86
Harkett Court	30	£6.20	£6.20	£6.20	£6.20	£6.20	£185.95
Harrow Weald Park	31	£4.99	£6.20	£4.99	£6.20	£5.60	£173.45
John Lamb Court	32	£6.20	£6.20	£6.20	£6.20	£6.20	£198.35
Meadfield	30	£6.12	£6.12	£6.12	£6.12	£6.12	£183.46
Sinclair House	27	£5.87	£6.30	£5.87	£6.30	£6.08	£164.27
Tapley Court	26	£6.03	£6.20	£6.03	£6.20	£6.12	£159.00
Thomas Hewlett House	30	£6.12	£6.12	£6.12	£6.12	£6.12	£183.46
Watkins House	43	£4.99	£4.99	£4.99	£4.99	£4.99	£214.66
William Allen House	29	£4.99	£6.20	£4.99	£6.20	£5.60	£162.26
Total No.of Sheltered Flats	545						£3,216.54
Resident Warden Accommodation	11	£7.26	£7.26	£7.26	£7.26	£7.26	£79.85
Total Sheltered Flats incl Warden	556						£3,296.39
Other Non-Sheltered	95	£5.19	£5.19	£5.19	£5.19	£5.19	£493.01

Community Hall and Capacity	Current 2017-18			Proposed 2018-19		
	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]	24.34	12.17	36.50	25.31	12.66	37.96
Marsh Road Hall [max 30]	24.34	12.17	36.50	25.31	12.66	37.96
Brookside Hall [max 30]	24.34	12.17	36.50	25.31	12.66	37.96
Woodlands Hall [max 60]	36.50	18.24	49.83	37.96	18.97	51.82
Churchill Place [max 100]	48.66	21.88	60.83	50.61	22.76	63.26
Kenmore Park [max 100]	48.66	21.88	60.83	50.61	22.76	63.26
Pinner Hill Hall [max 100]	48.66	21.88	60.83	50.61	22.76	63.26
Northolt Road [max 100]	48.66	21.88	60.83	50.61	22.76	63.26

#### Terms & Conditions associated with Hall lets:

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

Of the 10 community 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:

- Stonegrove Gardens hall fully let to a nursery on a lease agreement of £10,000 rent pa
- Northolt Road hall partly let as nursery on lease agreement of £5,200 rent pa
- Churchill Place hall partly let as nursery on lease agreement of £10,000 rent pa

<b>Budget Description</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Internal Works	1,400,000	1,400,000	1,400,000
External Works	1,855,000	1,855,000	1,855,000
Mechanical & Electrical	2,930,000	1,000,000	1,000,000
Garages	60,000	60,000	60,000
Aids and Adaptations	615,000	615,000	615,000
Capitalisation Response Repairs	140,000	140,000	140,000
Capitalised Salaries	380,000	380,000	380,000
<b>HRA Capital Investment</b>	<b>7,380,000</b>	<b>5,450,000</b>	<b>5,450,000</b>
Grange Farm	6,540,350	6,012,300	8,386,250
Infill programme, phase 1	2,835,040	4,565,170	0
Affordable Housing Phase 2	3,176,010	3,855,030	0
<b>Total Homes for Harrow</b>	<b>12,551,400</b>	<b>14,432,500</b>	<b>8,386,250</b>
<b>Total HRA Capital Programme</b>	<b>19,931,400</b>	<b>19,882,500</b>	<b>13,836,250</b>

The 2018-19 budget for the main HRA Capital investment programme includes £1,930,000 re-phasing and diversion of Grants to Move budget to support the main investment programme.

Homes for Harrow capital budget 2018-19 to 2020-21 have increased by £17,735,550 reflecting increased investment requirements for the Grange Farm Regeneration Scheme £15,688,670 and Infill scheme £2,046,880.

Re-phasing of £15,260,600 is also included, Grange Farm £5,250,230 and Infill £10,010,370 reflecting delays experienced in the planning and procurement processes.