Harrow COUNCIL
LONDON

REPORT FOR:	**CABINET**

Date of Meeting:	6 December 2018
Subject:	Draft Housing Revenue Account Budget 2019-20 & Medium Term Financial Strategy 2020-21 to 2021-22
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance, Paul Walker, Corporate Director, Community
Portfolio Holder:	Councillor Phillip O'Dell, Portfolio Holder for Housing Councillor Adam Swersky, Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – HRA Budget 2019-20 Appendix 2 – Average Rents & Service Charges (Tenants) Appendix 3 – Garage & Parking 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 2019-20 and Medium Term Financial Strategy ("MTFS") for 2020-21 to 2021-22.

Recommendations:

Cabinet is requested to:

1) Approve proposed average rent for non-sheltered accommodation of £113.09 per week for 2019-20, representing a decrease of 1% in average rent from the 2018-19 figure;
2) Approve proposed average rent for sheltered accommodation of £93.66 per week for 2019-20, representing a decrease of 1% in average rent from the 2018-19 figure;
3) Approve an average tenant service charge of £3.15 per week, unchanged from 2018-19 pending outcome of review.
4) Approve rents for new build units under affordable rent of £198.91 reflecting the statutory 1% rent reduction
5) Approve rents for the shared ownership units of £212.04 reflecting 75% equity share held by Council, on the proviso that Cabinet approve the shared ownership report which will form part of a separate Cabinet report on the same agenda.
6) Approve proposed increases in facility charges set out in Appendix 4, and note charges for Community Centres, Water and Garages remain unchanged.
7) Approve policy of repayment of HRA debt on new RTB disposals using a proportion of right to buy receipts as part of a policy to reduce interest exposure on the revenue account with due regard to borrowing requirements for new build
8) Note the assumptions made in construction of budget and likely changes to be made in final budget to be submitted to Cabinet 21st February 2019.
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.

(Final approval for the budget and MTFS will be sought from Cabinet and Council in February 2019)

Reason: To recommend the draft HRA budget and capital programme for 2019-20 and the MTFS for 2020-21 to 2021-22

Section 2 – Report

Introductory paragraph

1. The Council has a statutory obligation to agree and publish the HRA budget for 2019-20, and approval for this will be sought 21st February 2019. This report sets out the draft budget proposals along with draft MTFS to 2021-22, which sets out indicative income and expenditure for this period and shows how income collected will be spent in the management and maintenance of Council's stock and in meeting its landlord obligations.

2. The budget and MTFS have been set within the framework set out in the HRA Business Plan update, reported to Cabinet 15th November 2018, including impact of legislation contained in the Welfare Reform & Work Act 2016, Housing & Planning Act 2016 including the statutory rent reduction of 1% for each of the four years 2016-17 – 2019-20 and subsequent increase by CPI +1% from 2020-21. The Business Plan update also included assumptions around inflation and interest rates as well as cost reductions in revenue expenditure required to produce a sustainable financial position for the Council's HRA. Revenue cost reductions assumed at £1.90m will be phased in fully by 2021 and investment in HRA stock will be increased from £5.45m to £7.5m based on latest stock condition survey results with focus on essential health & safety, compliance and statutory requirements.

3. Council has been in active discussion with the Ministry of Housing, Communities & Local Government ("MHCLG") regarding support for new build initiatives and recent announcements by the MHCLG and the Greater London Authority ("GLA") have confirmed the Council will now receive additional grant funding and borrowing capacity to expedite these projects in line with the Mayor of London's "Building Council Homes for Londoners" programme.

4. Although the draft budget is based on the same assumptions as the Business Plan update, it also includes results of a staffing review together with a more detailed review of all expenditure and income items lead by the Service. Assumptions together with items which are likely to change for the final version of the budget which will be submitted to Cabinet 21st February 2019 are given later in the report.

5. In line with the Business Plan update it has been assumed :

    - Grange Farm phase 1 continues and is expected to provide a total of 89 units, 68 affordable rented and 21 shared ownership with grant funding from GLA and Housing Infrastructure Fund ("HIF") although HIF funding has yet to be confirmed

    - Infill phase1 continues with 23 units expected to be delivered using RTB receipts and other internal resources only; remaining units from phase 1 expected to continue following relaxation of borrowing constraints and this will be submitted to Cabinet for approval as part of the final budget report February 2019.

Options considered

6. The HRA was in a unique position as one of only two in London at its borrowing cap. However MHCLG has recently lifted this cap which, combined with Council's successful bid for £32.144m grant funding from GLA in accordance with the Mayor's "Building Council Homes for Londoners" programme, will enable an additional 618 units to be built

7. As well as significantly reversing the impact of historic RTB losses, these additional units will also improve the capacity to provide accommodation for homeless families thereby mitigating pressures on General Fund by potentially increasing social units available to permanently house homeless tenants.

8. This report assumes the base case scenario described below, until the monitoring framework, allocation and timing of additional borrowing are clarified to maximise the benefit and flexibility for the Council.

9. It should be noted the programme of cost reductions which requires permanent reductions of £1.9m on the revenue account must be achieved to ensure the additional debt can be serviced thereby ensuring continued viability of the HRA.

   Base case, complete 112 units comprising Infill phase 1, 23 units and Grange Farm phase 1, 89 units; the base case does not allow for acquisition of 72 Gayton Road units into HRA, not proceeding with further Infill phases and Grange Farm phases 2 and 3.

10. Although this would increase HRA stock and maintain short term capacity to alleviate homelessness pressures, the likely impact of right to buy sales will continue to deplete stock ultimately leading to the HRA becoming unviable.

11. A joint arrangement with another Registered Provider to ensure continued provision of social housing in line with Council stated priorities whilst safeguarding the interests of all residents would therefore become necessary

    GLA bid, build additional 529 units to make total of 641 units utilising GLA funding and additional borrowing

12. The final HRA Budget 2019-20 & MTFS 2020-21 to 2021-22 will set out the revenue and capital budgets which will provide a total of 641 additional units using newly approved GLA grant £32.144m and additional borrowing . following the removal of the HRA Borrowing cap requirement.

13. The programme and financing will be constructed to maximise flexibility and advantage to Council whilst utilising retained RTB receipts in line with

current arrangements although increased flexibilities in this are possible (see consultation papers below).

14. Although criteria for additional borrowing have yet to be clarified, it has been assumed these will be based on existing Prudential Indicators therefore the final budget will be based on the assumptions the new schemes will be fully financed and rental income yields will be sufficient to service the additional debt.

15. To limit Council's exposure it is proposed any new build schemes are implemented in phases so borrowing exposure is limited only to committed expenditure permitting scaling back of expenditure where shortfalls in resources are anticipated.

16. A key part of all options is full achievement of permanent revenue cost reductions of £1.9m.

Background

17. Statutory rent reductions spanning 2016-17 to 2019-20 imposed by Government removed any discretion for rent setting and the resulting impact on the HRA required service reviews across the HRA to reduce costs and maximise income.

- **Rental income -** 1% rent cut continues to March 2020 with rent increases CPI plus 1% from April 2020 for five years; although there is no information beyond March 2025 the Business Plan update assumes these annual increases will be permitted indefinitely; this is considered reasonable in the absence of further information as this was the approved formula prior to introduction of rent reductions. Rents for new build have been assumed at London Affordable Rent for Infill although rents for Grange Farm have been restricted to Affordable rent as the scheme is part funded by GLA grant.

- **Universal Credit and benefits cuts –** the roll out of Universal Credit resulting in reductions in benefits for some residents is substantially completed and is expected to generate increases in HRA rent arrears; the bad debt provision is kept at its current level and will be kept under review as the reforms take hold.

- **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 MHCLG although there is possibility of reforms in this area (see consultation papers below)

Consultation

18. 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.

19. Further consultation in respect of the budget will be undertaken via the framework described above.

20. 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 have taken place to obtain view of residents. This review, which is ongoing, will inform a revision of service charges and will be reported to Cabinet when complete.

Balances

21. HRA Balances were £7.5m as at 31 March 2018 and these are expected to be £5.5m at the end of 2021-22 which are above the minimum balances considered prudent.

Income

Dwelling rents

22. As indicated above, rents are assumed to reduce by 1% each year until March 2020 then increase by CPI plus 1% from April 2020.

23. The average rent for Council housing stock for 2019-20 will therefore be £110.84 per week on average (2018-19 current average £111.96). Average rents and service charges under the existing strategy are detailed in Appendix 2.

24. Rents for new build homes are governed by different criteria depending on funding source. For non-granted funded homes these are estimated to be £198.91 per week on average under affordable rent arrangements, reflecting statutory rent reduction of 1%.

25. Rents for shared ownership units, assuming Council retains 75% equity share, are estimated at £212.04 per week on average.

Right-to-Buy sales

26. There have been seven sales under Right-to-Buy ("RTB") so far in 2018-19 (Q2) and a further eighteen are assumed by the year end. A stock level of 4,802 at the start of April 2019 is assumed after taking into account property purchases and new builds. RTB sales are assumed 23 p.a.

2019-20 then 22 p.a. from 2020-21. 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

27. 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 £3.15 in 2018-19 and there is no proposed increase until the results of a review, aimed at ensuring all appropriate costs are recovered, is completed.

28. Leaseholders are invoiced annually by the end of September for the previous financial year, based on actual costs. Income expected from leaseholders in 2019-20 (excluding s20 income for capital schemes) is £640k and reflects the recovery of costs from leaseholders of estate based costs, communal lighting, repairs, ground maintenance, insurance premiums and administration charges.

Other income

29. Historically other rental income from garages, car parking, 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.

30. Rents for shops and commercial units situated on HRA land are reviewed in accordance with leases and their renewal dated with due regard to the economic climate.

31. 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

32. The HRA budgets are based on the staffing establishment, and assume a pay, National Insurance & superannuation increase of 3.14% reflecting the overall increase expected for 2019-20 and subsequent years.

33. Post reductions already included in the Service Review and approved by the Service Review Programme Board have been included in the establishment for 2019-20 onwards.

34. An estimate of redundancy and pension strain costs associated with these reductions is also included; it is anticipated these will be funded from the HRA transformation reserve as there is no specific provision set aside for these.

Utility Costs

35. These have been reviewed against historic trends and estimates constructed in line with anticipated usage.

Central Recharges

36. 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

37. 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. These have been reviewed in conjunction with the capital programme which is driven by the latest stock condition survey.

Charges for Capital

38. Interest payable to General Fund relating to HRA borrowing at 4.132% assumed to be at the Government imposed limit of £150.683m.

39. It is proposed a proportion of sale proceeds from Right to buy disposals from April 2019 be used to repay HRA debt as this would eventually provide additional borrowing capacity for future investments as well as reduce interest exposure on the revenue account.

40. Repayments of debt would be made without compromising the ability to complete new build schemes.

Capital Investment

41. HRA general capital programme was previously reduced from £8.6m to £5.45m with focus on Health & Safety and statutory works; based on latest stock condition survey results, investment now assumed at around £7.6m p.a. Further details shown in Appendix 7.

42. In line with last year, Housing Services propose to use the scheme of delegation to implement variations to the HRA Capital programme within the approved programme following appropriate consultation to ensure delivery against the programme can be maximised. As is currently the case, the HRA Capital programme will continue to be funded exclusively

from HRA internal resources, therefore variations would not affect the Council's borrowing position or General Fund resources.

Homes for Harrow

43. Phase 1 of the Infill programme originally assumed construction of some fifty homes using a mix of internal resources and approved borrowing, however this has been reduced to 23 homes due to withdrawal, by MHCLG, of borrowing approvals .Ten homes have already been completed and let with the remaining thirteen due to complete by June 2019.

44. Grange Farm phase 1 will be funded through GLA funding and we await confirmation of HIF funding and will deliver 68 affordable rented and 21 shared ownership units.

45. We are in process of finalising planning consent from GLA and tenders for construction of phase 1 are in progress. There will be a specific Grange Farm report, including an update on cost estimates, for Cabinet 21st February 2019 and included in the final HRA budget report which will be on the same agenda.

46. Both the Infill and Grange Farm schemes will benefit from additional GLA funding and additional borrowing and the extension of these schemes, together with additional schemes providing additional 641 units, will be reported to Cabinet 21st February as part of the final HRA Budget report.

Risks

47. 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; if rent increases are below this from 2024 this will have an impact on revenue balances.

- **Redundancy & pension strain costs** – HRA has no provision set aside for these costs which may materialise as part of the Service Review programme aimed at securing permanent revenue cost savings; these costs will therefore have to be contained within existing budget provision or funded from the HRA transformation reserve.

- **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 and reported through in year monitoring.

- **Decapitalisation or delays of schemes** – GLA grant funding and additional borrowing will be linked to successful delivery of additional housing supply in line with agreed targets for start on sites and completions. Failure to deliver new supply in line with these targets could result in withdrawal of funding and/or borrowing which would result in the write off of costs to the HRA revenue account.

48. 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

49. Although current tenant arrears have shown an increase as a result of the roll out of Universal Credit, arrears have remained under control as a result of ongoing tenant education and engagement. A review of debt profiles and a judgemental review by the service indicates bad debt provision remains unchanged.

Hardship Fund

50. £100k has been set aside to mitigate the worst impacts of benefit changes arising from welfare reforms.

General Contingency

51. 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

52. Of the £1.9m revenue cost reductions required, £880k has been achieved to 31st March 2018 leaving £1.020m which the Business Plan update assumed would be achieved £350k then £670k in 2019-20 and 2020-21 respectively.

53. The table below shows an overachievement of cost reductions in 2019-20 is expected leaving a further £300k required to be identified in 2020-21 compared to Business Plan assumptions.

Description (£'000s)	**2017-18 & 2018-19**	**2019-20**	**2020-21**
Brought fwd cumulative saving	-	-880	-1,600
Staffing	-380	-254	-
Repairs	-500	-196	-
Supplies & services	-	-270	-
To be allocated, assumed in budget	-	-	-300
Cumulative	**-880**	**-1,600**	**-1,900**
Assumed in Business plan	-880	-1,230	-1,900
(Over) achieved	-	-370	-

Consultations

54. As at the date of this report Government were consulting on rents for social housing and the use of RTB receipts, both of which would affect the longer term position of the HRA and its ability to generate new build units.

55. **“Rents for social housing from 2020-21”** – confirms the Government will permit Councils to increase social and affordable rents by CPI + 1% from April 2020 for five financial years, although there is no assurances past March 2025.

56. This update assumes CPI + 1% rent increases for all years from April 2025 as it is considered a fair and reasonable assumption given the information as at the date of this report.

57. Council’s response will seek clarity on the new formula for rent rebate subsidy limitation as this will affect the revenue account.

58. **“Use of receipts from Right to Buy sales”** – Government is consulting on options including increasing proportion of eligible new build expenditure which can be funded from retained right to buy receipts from 30% to 50% as well as potentially extending the deadline for reinvestment of these proceeds from three to five years enabling Councils more time and manoeuvrability to reinvest earmarked sales proceeds to replenish stock lost through right to buy. This will mean Council will have to put less of its own resources in either through retained receipts or additional borrowing should this proposal go through.

59. These measures will be particularly useful when combined with increased borrowing capacity.

60. Other proposals in this consultation paper include the ring fencing of returned 1-4-1 retained RTB receipts for future use by the Council, possibly as a recycled grant, and allowing greater flexibility in use of Council owned housing companies to reinvest these proceeds on the Council’s behalf as well as extending the use of retained RTB receipts to fund shared ownership products and providing increased flexibility for transfer of vacant General Fund land to HRA for development.

61. This update assumes the current arrangements of 30% financing ratio and three year deadline for reinvestment is continuing. We have submitted a consultation response positively supporting these proposals set out in the consultation document.

Changes expected in finalising budget

62. The scale of changes in the regulatory framework combined with the development proposals currently in progress indicate there will be significant modifications to the HRA budget between the Cabinet meetings of 6th December 2018 and 21st February 2019. Items for which assumptions have been made in arriving at the draft position and which

are therefore likely to be modified are listed below together with a brief explanation :

- **Income** - Community Halls and Facilities charges to be reviewed to ensure costs sufficiently recovered.

- **Tenant service charges** – ongoing review may result in change in service charges for 2019-20.

- **Leaseholder management fee review**-impact on the budgets following the review yet to be implemented.

- **Grange Farm** – tenders in process of being evaluated and revised cost to be included in final version of budget report.

- **Monitoring and audit framework for GLA Grant** – will be monitored closely by GLA to ensure new supply provided in line with targets; clarification required and will be reported to Cabinet if required.

- **Affordability criteria for new borrowing** – assumed to be based on current Prudential indicators however clarification required

- **Rents and RTB consultations** – clarification required on timing of new measures together with their scope

Variation to MTFS 2019-20

63. The MTFS approved by Cabinet and Council in March 2018 estimated an in year deficit of £113k for 2019-20. Proposed budget changes result in a deficit of £369k, an increase in budgeted deficit of £256k explained below:

    - Operating costs +£45k, reduction in central charges, staffing utilities and non-essential expenditure as part of the service reviews offset by
    - Repairs -£311k, reduction in non-essential expenditure as part of service reviews
    - Capital financing -£238k, reduction in interest charges resulting from loss of approved borrowing
    - Rental income +£724k, revision of new build assumptions and transfer of Watkins House sheltered scheme to Harrow Churches Housing Association in return for nomination rights in perpetuity
    - Other +£36k

Summary

64. 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

and its ability to increase housing supply in line with stated Government objectives. Final report to Cabinet in February will set out the investment proposals supported by new GLA grant funding and additional borrowing capacity.

Risk Management Implications

Relevant risks have been included on the Directorate risk register and a separate risk register is in place.

65. 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.

66. Additional grant funding and borrowing capacity will place obligations on Council to meet stringent new build targets which, if not satisfied, could lead to withdrawal of resources resulting in schemes becoming decapitalised. This could then result in significant revenue charges which would have to be met from HRA revue reserves.

67. The framework for the monitoring and regulation on borrowing are not yet known therefore adequate resources will have to be set aside for essential monitoring and control.

68. Additional borrowing will attract interest charges which, together with recommendation to start repaying debt, will place pressure on resources. It is therefore essential all required cost reductions are fully achieved and the HRA Business Plan regularly updated to ensure adequate resources continue to be in place.

These risks are detailed on the Housing risk register.

Procurement Implications

69. Any procurement arising from the HRA will comply with the Council’s Contract Procedure Rules and will be supported by the procurement team

Legal Implications

70. 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.

71. 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.

72. 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.

73. 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 Section 74(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. Section 76 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

74. Financial matters are integral to this report.

Equalities implications / Public Sector Equality Duty

75. Pursuant to the Equality Act 2010 ("the Act"), 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.

76. When making decisions, Council must take account of the equality duty and in particular any potential impact on protected groups.

77. There are no new equality impacts of recommended rent, service charge and fees and charges proposals option as they represent a continuation of existing policy for 2019-20.

78. The recommendation to start repaying HRA debt is aimed at gaining more flexibility for future capital investment as well as reducing exposure on the revenue account which will provide capacity in service provision for other areas.

79. Consultation with tenant, leaseholder and resident representative groups on the proposals for cost reductions and revision on fees and charges has taken place throughout the year and will continue into 2019.

Council Priorities

The Council's vision:

Working Together to Make a Difference for Harrow

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 people want to live in, in areas they are proud to call home.

Making a difference for local businesses – through supporting Council-wide regeneration agenda, and maximising the contribution 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 families can feel the full benefits of economic growth. Our priority for every family is to ensure 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	X	on behalf of the Chief Financial Officer
Date: 24th October 2018		

Name: Paresh Mehta Date: ……26th October 2018…..	X	on behalf of the Monitoring Officer

Section 3 - Procurement Officer Clearance

Name: Nimesh Mehta Date: 24th October 2018	X	Head of Procurement

Ward Councillors notified:	**NO, as it impacts on all Wards**
EqIA carried out: **EqIA cleared by:**	**YES** **Alex Dewsnap**

Section 4 - Contact Details and Background Papers

Contact: Milan Joshi, Service Accountant – Housing &Regeneration, Tel: 0208 416 8662 (Ext 8662)

Background Papers: None

HRA Business Plan Update, report to Cabinet 15th Nov 2018
http://moderngov:8080/ieListDocuments.aspx?CId=249&MId=64379&Ver=4

Call-In Waived by the Chair of Overview and Scrutiny Committee	**NO – CALL IN APPLIES**

Appendix 1

HRA Budget 2019-20 and MTFS 2020-21 to 2021-22 – Expenditure

All figures in £s	**Budget 2019-20**	**Budget 2020-21**	**Budget 2021-22**
Employee Costs	2,533,450	2,601,510	2,636,890
Supplies & Services	1,259,980	1,232,850	1,239,810
Utility cost	244,820	223,260	232,040
Estate & Sheltered Services	3,146,300	2,983,080	3,032,910
Central Recharges	3,383,840	3,472,910	3,552,780
Operating Expenditure	10,568,390	10,513,610	10,694,430
Repairs - Voids	1,050,000	1,050,000	1,050,000
Repairs - Responsive	3,500,380	3,485,380	3,485,380
Repairs – Other	1,897,460	1,916,810	1,954,780
Repairs Expenditure	6,447,840	6,452,190	6,490,160
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
Affordable Housing	489,750	497,620	505,730
Charges for Capital	6,164,300	6,164,300	6,147,550
Depreciation	7,775,130	7,902,900	7,909,290
Hardship Fund	100,000	100,000	100,000
Cost reductions required	0	(300,000)	(300,000)
Other Expenditure	15,179,180	15,014,820	15,012,570
Total Expenditure	32,195,410	31,980,620	32,197,160

Appendix 1 (continued)

HRA Budget 2019-20 and MTFS 2020-21 to 2021-22 – Income

All figures in £s	**Budget 2019-20**	**Budget 2020-21**	**Budget 2021-22**
Rent Income – Dwellings	(27,911,760)	(28,123,340)	(29,123,460)
Rent Income – Non Dwellings	(612,000)	(578,290)	(578,290)
Service Charges - Tenants	(1,707,850)	(1,704,720)	(1,716,710)
Service Charges – Leaseholders	(639,650)	(325,610)	(322,760)
Facility Charges	(702,290)	(241,050)	(241,050)
Interest	(3,100)	(3,100)	(3,100)
Other Income	(84,370)	(86,900)	(86,900)
Recharge to General Fund	(165,650)	(165,650)	(165,650)
Total Income	(31,826,670)	(31,228,660)	(32,237,920)
In Year Deficit / (Surplus)	**368,740**	**751,960**	**(40,760)**
BALANCE brought forward	**(6,555,030)**	**(6,186,290)**	**(5,434,330)**
BALANCE carried forward	**(6,186,290)**	**(5,434,330)**	**(5,475,090)**

Average Rent & Service Charges – Social Rented Units   Appendix 2

Social rented units	No. units	2018-19 weekly charge	2019-20 rent	2019-20 service charge	2019-20 total	Decrease
Bedsit bungalow	19	£103.72	£99.85	£2.86	£102.71	-£1.01
1 Bed bungalow	115	£113.75	£110.26	£2.37	£112.63	-£1.11
2 Bed bungalow	27	£129.59	£124.58	£3.76	£128.33	-£1.26
Bedsit flat	84	£89.53	£84.45	£4.23	£88.68	-£0.85
1 bed flat	1,185	£99.33	£94.62	£3.75	£98.38	-£0.96
2 bed flat	792	£113.10	£107.71	£4.31	£112.01	-£1.09
3 bed flat	42	£125.62	£119.37	£5.04	£124.41	-£1.21
1 bed Maisonette	6	£92.48	£91.13	£0.43	£91.56	-£0.92
2 bed Maisonette	50	£112.12	£107.27	£3.76	£111.04	-£1.08
3 bed Maisonette	45	£125.05	£119.35	£4.49	£123.84	-£1.20
4 bed Maisonette	1	£131.30	£129.99	£0.00	£129.99	-£1.31
2 bed Parlour House	35	£124.70	£122.20	£1.26	£123.47	-£1.23
3 bed Parlour House	524	£137.53	£134.36	£1.81	£136.17	-£1.36
4 bed Parlour House	55	£150.36	£146.28	£2.61	£148.89	-£1.48
5 & 6 bed Parlour House	10	£161.07	£150.88	£8.67	£159.55	-£1.52
2 bed Non Parlour House	501	£121.03	£117.72	£2.12	£119.85	-£1.19
3 bed Non Parlour House	715	£132.69	£129.13	£2.26	£131.39	-£1.30
4 bed Non Parlour House	33	£146.65	£142.06	£3.15	£145.21	-£1.43
5,6 & 7 bed Non Parlour	6	£158.44	£155.65	£1.22	£156.87	-£1.57
Sheltered bedsit	55	£91.55	£87.86	£2.80	£90.66	-£0.89
Sheltered – other units	500	£98.61	£94.29	£3.37	£97.66	-£0.95
Non sheltered	4,245	£117.35	£113.09	£3.12	£116.21	-£1.14
Sheltered	555	£97.91	£93.66	£3.31	£96.97	-£0.94
All social rented units	**4,800**	**£115.11**	**£110.84**	**£3.15**	**£113.99**	**-£1.12**

Average charge for social rented units 2018-19 was £115.11 per week comprising £111.96 rent, £3.15 service charge compared to budgeted £112.38 and £3.15 per week respectively.

Estimated average charge 2019-20 is £113.99 per week comprising £110.84 rent, £3.15 service charge, reflecting statutory rent reduction 1% and tenant service charges unchanged pending results of review.

Average Rent – Affordable Rented Units **Appendix 2 (continued)**

Description	No. units	2018-19 rent	2019-20 rent	Decrease
1 bed flat	1	£121.00	£119.79	-£1.21
2 bed flat	3	£187.00	£185.13	-£1.87
3 bed Parlour House	6	£205.00	£202.95	-£2.05
3 bed Non Parlour House	4	£204.48	£202.43	-£2.04
4 bed Non Parlour House	4	£221.65	£219.43	-£2.22
3 bed Parlour House (shared ownership)	5	£214.18	£212.04	-£2.14
Affordable rented	18	£200.92	£198.91	-£2.01
Shared ownership	5	£214.18	£212.04	-£2.14
Total	23	£203.80	£201.76	-£2.16

Twenty three new build units from Infill phase 1 programme expected to complete by Summer 2019; table above shows average rents for 2018-19 and 2019-20 reflecting 1% statutory rent reduction.

Shared ownership units, which will form part of separate report to Cabinet, expected to be sold equity 25% with 75% retained by Council until such time as more of the equity is disposed of.

Income from these units is included in the draft HRA budget based on expected completion dates.

Garages & parking space charges **Appendix 3**

	Current Weekly Rental 2018-19	Proposed Weekly Rental 2019-20
	£	**£**
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) 2018-19**	**Proposed average weekly facility charge (Heating) 2019-20 3% increase**
Alma Court	30	15.74	16.21
Belmont Lodge	30	15.74	16.21
Boothman House	30	15.74	16.21
Cornell House	30	15.74	16.21
Durrant Court	27	15.74	16.21
Edwin Ware Court	30	12.24	12.61
Goddard Court	30	15.74	16.21
Grahame White House	30	15.74	16.21
Grange Court	30	12.24	12.61
Harkett Court	30	15.74	16.21
Harrow Weald Park 0 Bed	12	10.63	10.95
Harrow Weald Park 1 Bed	19	14.37	14.80
Harrow Weald Park 3 Bed	1	21.36	22.00
John Lamb Court	32	16.53	17.03
Meadfield	30	15.74	16.21
Sinclair House	27	15.74	16.21
Tapley Court	26	15.74	16.21
Thomas Hewlett House	30	15.74	16.21
Watkins House	43	16.53	17.03
William Allen House	29	12.24	12.61
Resident Warden Accommodation	11	21.36	22.00
Other Non-Sheltered	95	13.56	13.97

Water Charges

Appendix 5

Sheltered Block	No.of flats	Current Range Water Charge 2018-2019		Proposed Range Charge at 0% increase for 2019-2020	
		Lower	Higher	Lower	Higher
Alma Court	30	£5.87	£5.87	£5.87	£5.87
Belmont Lodge	30	£6.03	£6.03	£6.03	£6.03
Boothman House	30	£6.20	£6.20	£6.20	£6.20
Cornell House	30	£6.12	£6.41	£6.12	£6.41
Durrant Court	27	£5.87	£5.49	£5.87	£5.49
Edwin Ware Court	30	£4.99	£6.49	£4.99	£6.49
Goddard Court	30	£6.03	£6.03	£6.03	£6.03
Grahame White House	30	£6.20	£6.20	£6.20	£6.20
Grange Court	30	£4.99	£6.20	£4.99	£6.20
Harkett Court	30	£6.20	£6.20	£6.20	£6.20
Harrow Weald Park	31	£4.99	£6.68	£4.99	£6.68
John Lamb Court	32	£6.20	£6.20	£6.20	£6.20
Meadfield	30	£6.12	£6.41	£6.12	£6.41
Sinclair House	27	£5.87	£6.30	£5.87	£6.30
Tapley Court	26	£5.87	£6.20	£5.87	£6.20
Thomas Hewlett House	30	£6.12	£6.12	£6.12	£6.12
Watkins House	43	£4.99	£4.99	£4.99	£4.99
William Allen House	29	£4.99	£6.20	£4.99	£6.20
Total No.of Sheltered Flats	545				
Resident Warden Accommodation	11	£7.40	£9.44	£7.40	£9.44
Total Sheltered Flats incl Warden	556				
Other Non-Sheltered	95	£6.20	£6.20	£6.20	£6.20

Community Centres **Appendix 6**

Community Hall and Capacity	Current 2018-19 Charges per first 3 hours block booking then subsequent hourly rate			Proposed 2018-19 Charges per hour letting 0% Price Increase		
	Evening Rate	Daytime Rate	Weekend Rate	Evening Rate	Daytime Rate	Weekend Rate
	£	£	£	£	£	£
Augustine Road [max 30]	25.31	12.66	37.96	25.31	12.66	37.96
Marsh Road Hall [max 30]	25.31	12.66	37.96	25.31	12.66	37.96
Brookside Hall [max 30]	25.31	12.66	37.96	25.31	12.66	37.96
Woodlands Hall [max 60]	37.96	18.97	51.82	37.96	18.97	51.82
Churchill Place [max 100]	50.61	22.76	63.26	50.61	22.76	63.26
Kenmore Park [max 100]	50.61	22.76	63.26	50.61	22.76	63.26
Pinner Hill Hall [max 100]	50.61	22.76	63.26	50.61	22.76	63.26
Northolt Road [max 100]	50.61	22.76	63.26	50.61	22.76	63.26

Terms & Conditions associated with Hall lets:

- Lets to Tenants & Residents Assocs 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 fully let to nursery on lease agreement £12,700 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 £13,000 rent pa
- 27 Northolt Road let on lease agreement of £18,750 rent pa

HRA Capital Programme **Appendix 7**

Budget Description	**2019/20**	**2020/21**	**2021/22**
	£	**£**	**£**
Internal Works	1,468,600	1,482,420	1,482,420
External Works	2,554,320	2,371,490	2,371,490
Mechanical & Electrical	3,256,780	2,117,750	2,117,750
Garages	62,940	63,530	63,530
Aids and Adaptations	645,140	651,210	651,210
Health & Safety works	146,580	148,240	148,240
HRA Capital Investment	**8,134,360**	**6,834,640**	**6,834,640**
Grange Farm	11,403,250	8,386,250	-
Infill programme, phase 1	4,839,510	-	-
Total Homes for Harrow	**16,242,760**	**8,386,250**	**-**
Total HRA Capital Programme	**24,377,120**	**15,220,890**	**6,834,640**

The 2019-20 budget for the main HRA Capital investment programme includes £1.3m re-phasings to support the main investment programme.

Homes for Harrow capital budget 2019-20 to 2021-22 include re-phasings of £5.4m and £274k for Grange Farm and Infill phase 1 respectively.