REPORT FOR: CABINET

Date of Meeting:	9th January 2020
Subject:	Draft Housing Revenue Account Budget 2020-21 & Medium Term Financial Strategy 2021-22 to 2022-23
Key Decision:	Yes
Responsible Officer:	Nick Powell, Divisional Director of Housing Dawn Calvert, Director of Finance, Paul Walker, Corporate Director of 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 2020-21 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 2020-21 and Medium Term Financial Strategy (MTFS) for 2021-22 to 2022-23.

Recommendations:

Cabinet is requested to:

1) Approve proposed average weekly rent for non-sheltered and sheltered accommodation of £116.24 and £96.71 for 2020-21 respectively as set out in paragraph 30.

2) Approve proposed average weekly tenant service charge of £3.30 per week as set out in paragraph 37.

3) Approve proposed average weekly rents for affordable rented and shared ownership accommodation of £202.21 and £210.45 for 2020-21 respectively as set out in paragraph 31 to 32.

4) Approve an increase in the overall HRA Capital programme of £97,910,390 made up £15,779,160 planned investment and £82,131,230 Building Council Homes for Londoners (BCHfL) as set out in paragraphs 52 to 63.

5) Approve proposed increases in Facilities and Community Halls charges of 5% and 4% respectively, and those for Garages and Water to remain unchanged as set out in appendices 3 to 6.

6) Note the following:

    - Reconfigured planned investment programme which is designed to reflect the revised focus and priorities as well as supporting increased flexibility in its delivery.
    - Assumptions made in construction of the budget and likely changes to be made in the final budget to be submitted to Cabinet 13th February 2020
    - Risk Management Implications which require prudent financial reserves, volatility around borrowing costs and ongoing probability of reforms in the housing sector.

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

Reason: To recommend the draft HRA budget and capital programme for 2020-21 and the MTFS for 2021-22 to 2022-23.

Section 2 – Report

Introductory paragraph

1. The Council has a statutory obligation to agree and publish the HRA budget for 2020-21, and approval for this will be sought 13th February 2020. This report sets out the draft budget proposals along with draft MTFS 2021-22 to 2022-23, with indicative income and expenditure estimates for this period and shows how income collected will be spent in the management and maintenance of the Council's housing 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 10th October 2019, including impact of legislation contained in the Welfare Reform & Work Act 2016 and Housing & Planning Act 2016 including reversion to rent increases of up to CPI + 1% from April 2020. 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.

3. Revenue cost reductions assumed at £1.90m will be phased in fully by 2021 and investment in HRA stock, detailed in Capital Investment section supported by appendix 7, is estimated at £5.725m for 2020-21 then £5.225m per annum thereafter, based on latest stock condition survey results with focus on essential health & safety, compliance and statutory requirements.

4. A significant change since the Business Plan was submitted to Cabinet has been an increase in borrowing rates of 1% from the Public Works Loans Board (PWLB) announced on 9th October 2019; although stress tested against a range of variants, an increase of this magnitude, with no prior warning or consultation was not anticipated in the HRA Business Plan update.

5. Although the Council is now pursuing alternative borrowing options to secure debt in line with assumptions prior to the PWLB rate increases, a risk to the BCHfL programme has been identified. The recommendations to proceed are therefore predicated on satisfactory borrowing rates being secured.

6. The draft budget includes results of a staffing review and assumes an increase in tenant service charges in line with the Consumer Prices Index (CPI), the Government's preferred measure of inflation, until such time as the review is concluded. Background of this review is given in the Consultation section of this report.

7. Details on the assumptions used to construct the draft budgets and MTFS, which will be reviewed prior to finalisation of the budget, are given later in this report.

Options considered

8. Having been subject to statutory rent reduction requirements until April 2020, the Council can now choose to implement a rent increase of CPI plus up to 1% and increases on other unregulated income streams, including service charges, to ensure full cost recovery.

9. In addition, the Council can proceed with the programme of building 659 new units within the HRA as approved by Council 27th February 2019, or implement alternative delivery models if it is considered the level of risk now presented cannot be sufficiently mitigated.

Option 1: Continue with new build programme within the HRA

10. This would provide up to 659 additional units across a mix of tenures including affordable rented and shared ownership as part of the BCHfL programme within the Council's HRA.

11. Full utilisation of approved grant and borrowing, with sufficiently low interest rates, would be assumed and tested on an ongoing basis against a suite of assumptions using the HRA Business Plan.

12. Regular review and testing of assumptions would ensure continued viability given changing macro-economic and regulatory assumptions with appropriate mitigations against identified risks.

13. To ensure resources are not over extended and it remains affordable the programme will be expedited in phases with viability reviewed at each stage before starting on the next phase.

Option 2 : Consider alternative delivery models

14. In the event risks around the HRA indicate the service would, on the balance of probabilities, become unviable, alternative delivery models for the provision of low cost housing would be implemented.

15. It is therefore considered prudent to consider alternatives in the context of the Council's wider regeneration aspirations and work is ongoing in this area with updates to Cabinet as appropriate.

Preferred Options

16. A rent increase of CPI plus 1% is the preferred option as this is necessary to stabilise the HRA following statutory rent reductions over the last four years. Tenant service charges linked to inflation and other income streams as detailed in the appendices to this report are considered reasonable against the underlying cost base.

17. Option 1 is the preferred option as it will provide much needed housing supply for the local community as well as mitigating the costs of homelessness on the General Fund and securing the longer term viability

of the Council's HRA. This is on proviso impact of increased borrowing costs can be mitigated.

Background

18. Statutory rent reductions spanning 2016-17 to 2019-20 imposed by Government impacted on the HRA by requiring service reviews across the HRA to reduce costs and maximise income.

19. As a result it has been assumed a permanent reduction in revenue expenditure of £1.90m will be in place by March 2021 to mitigate the impact of rent reductions and these are on track for achievement.

20. Given the scale of the BCHfL programme and associated risks the cost base of the HRA must now be kept under constant review to ensure continued viability.

Consultation

21. 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.

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

23. A review of tenant and leaseholder service charges is also under way to ensure all costs incurred in the provision of services are being properly recovered. The outcome of this review is not finalised as yet because of challenges with the baseline data which underpins the new service charges model. This will be reported to cabinet once available.

Balances

24. HRA revenue balances were £7.5m as at 31 March 2019 and these are expected to be £6.4m at the end of 2022-23 which are above the minimum balances considered prudent.

25. The reduction in revenue reserves is due to deficits in financial years 2020-21 and 2021-22 with returning to surplus from 2022-23. The initial deficits are due mainly to cost reductions totalling £1.90m not taking full effect until April 2021 and the first significant rental streams being generated from the BCHfL programme later in the MTFS.

26. In addition to specific reserves to support IT investment, restructuring and tenants experiencing financial difficulties, a reserve to support the BCHfL programme has been set up. These reserves are all within the HRA.

27. Given the scale of the programme significant additional contributions will be required to ensure associated risks can be contained. Although the draft budget and MTFS allow for a modest BCHfL reserve, increased contributions will be made after 2022-23 when the revenue account returns to a surplus.

Income

Assumptions supporting main HRA income streams set out below:

Dwelling rents

28. Although the Government has stated rents can be increased by CPI plus up to 1% for five years from April 2020, there is no confirmation these increases are permitted beyond March 2025. The Business Plan update reported to Cabinet 10th October, assumed these increases for all subsequent years as this is considered fair and reasonable and in keeping with the framework in place before the rent reductions were implemented.

29. Rents for newly constructed homes are on Affordable rents or the lower London Affordable Rents where the scheme benefits from part of the £32.144m grant secured from the Greater London Authority.

30. The overall average rent & service charge for the Council's housing stock for 2020-21 will be £117.43 per week comprising rent £114.13 (£116.24 non sheltered, £96.71 sheltered) and tenant service charge £3.30 per week (2019-20 current average £114.31, comprising rent £111.06, tenant service charge £3.25) assuming an increase of CPI plus 1% for rents and CPI only for tenant service charges, as detailed in Appendix 2. CPI is required to be set at the September rate of 1.7%.

31. Rents for new build homes are set at affordable rent and are governed by different criteria depending on funding source. The overall average rent is estimated to be £202.21 per week assuming a rent increase of CPI plus 1% for affordable rented units.

32. Rents for shared ownership units, assuming the Council retains 75% equity share, are estimated at £210.45 per week on average.

Right-to-Buy sales

33. There have been thirteen sales under Right-to-Buy ("RTB") so far in 2019-20 (Q2) and a further eleven are assumed by the end of the financial year totalling twenty four estimated sales with the same expected for 2020-21, then reducing to 20 per annum for remainder of the MTFS. It is envisaged the HRA will continue to be viable if RTB sales continue at these levels assuming BCHfL programme proceeds as proposed.

34. The Council entered into a retention agreement with Government in July 2012 which permitted the HRA to retain an increased share of RTB receipts on condition they are reinvested within three years to generate new supply. 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.

35. Although there is possibility of relaxing some of the conditions for reinvestment (see Consultation Papers below) the Council has taken advantage of an arrangement, called the right-to-buy ring fence offer (RTBRFO), to voluntarily repay these receipts to MHCLG and then claim these from GLA to support new build and regeneration schemes.

36. Although, as a relatively new initiative, the mechanics for this recycling of receipts have yet to be finalised the budget assumes this will be implemented to support the BCHfL programme.

Service charges: Tenants & Leaseholders

37. 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 £3.25 in 2019-20 and it is proposed this will increase to an average of £3.30 in 2020-21 and throughout MTFS in line with CPI.

38. Leaseholders are invoiced annually by the end of September for the previous financial year, based on actual costs. Income expected from leaseholders in 2020-21 (excluding s20 income for capital schemes) is £770k and reflects the recovery of costs from leaseholders of estate based costs, communal lighting, repairs, ground maintenance, insurance premiums and administration charges.

Other income

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

40. Details of the proposed rents for garages and parking, facility charges and charges for community centres are set out in appendices 3 to 6.

Expenditure

Assumptions supporting main HRA expenditure items set out below:

Employee Costs

41. HRA budgets, based on a recently reviewed staffing establishment, assume an overall pay and national insurance increase of 2% in 2020-21 and throughout the MTFS (employers' superannuation not expected to change).

42. Post reductions already included in the Service Review and approved by the Service Review Programme Board have been reflected in the staffing establishment for 2020-21 onwards.

43. Redundancy and pension strain costs will be met from an HRA Transformation reserve set up to support restructuring and IT infrastructure investment.

Utility Costs

44. These have been reviewed against historic trends and estimates constructed in line with anticipated usage. Charges for water supplies and sewerage have traditionally been paid to the Council with the amounts collected then paid over to the water company. For the majority of tenants this arrangement has now ceased with tenants paying the water company direct. This results no additional costs for tenants or the Council.

Central Recharges

45. Costs of support services, which are estimated to increase by 2% p.a. in line with pay inflation, are allocated to services using suitable bases of apportionment (e.g. number of staff, estimated time allocation, gross budget). Recharges reflect the full cost of all support services and are designed to permit transparency and challenge to secure value for money.

Repairs

46. 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 based on the latest stock condition survey.

Bad debt provision

47. Tenant arrears have remained under control as a result of ongoing tenant education and engagement about the impact of Welfare Reforms. A review of debt profiles based on professional judgement by the service indicates bad debt provision remains unchanged.

48. The roll out of Universal Credit resulting in reductions in benefits for some residents is substantially completed and the impact of these will be kept under review in relation to the HRA bad debt provision.

General Contingency

49. In addition to HRA reserves, an annual amount of £230k is set aside to cover unforeseen expenditure that may arise in the management and maintenance of the housing stock or in service development initiatives.

50. Applications for support from this general contingency will be considered on a case by case basis with due regard to the position of the whole HRA.

Charges for Capital

51. HRA Borrowing is divided into historic and new borrowing :

- Historic debt – includes debt Councils were required to raise at the time of Self Financing in 2012 in order to leave the subsidy system and resulted in the Council reaching the Government imposed cap of £150.683m; this is now being progressively reduced in line with RTB disposals thereby reducing interest exposure and providing capacity for future investment. Interest on this historic debt, shared in a single loans pool with General Fund, averages at 4.05% and is assumed to continue at this level.

- New borrowing – for BCHfL programme only is estimated at £77.2m and expected to be at a lower interest rate of 2.5% for 2019-20, increasing to 3.0% from April 2020 as a result of the increase in PWLB rates announced by Government. Borrowing estimates for BCHfL have been reduced through reconfiguration of the planned investment programme and increased resources expected from RTBRFO.

Current HRA rules do not require either debt to attract Minimum Revenue Provision (MRP), a mandatory charge in General Fund designed to ensure the cost of the asset is charged to revenue over its useful economic life. This is because depreciation in the HRA counts as a genuine charge against revenue and transfers resources to the HRA's Major Repairs Reserve which can be used to finance capital expenditure as well as repay debt. A separate provision for debt repayments can be set up to accelerate repayments once sufficient surpluses are being generated on the HRA revenue account.

Capital Investment

52. Planned investment programme, based on latest stock condition survey, estimated at £5.725m for 2020-21 then £5.225m per annum thereafter with focus on Health & Safety and statutory works, further details shown in Appendix 7.

53. This programme has been re-configured to allow greater flexibility to officers by permitting diversion of resources within approved schemes to expedite essential works with the minimum of delay and allowing re–prioritisation of works to ensure statutory obligations are discharged quickly.

54. Costs of the new Housing IT system, which will form part of the capital programme, will be clarified as part of the tendering process which has commenced.

Building Council Homes for Londoners

55. Grange Farm phase 1 will shortly be handed over for construction and has secured £5m grant from the Housing Infrastructure Fund (HIF) as well as RTBRFO support. This scheme will provide eighty-nine homes, sixty-eight at affordable rent and twenty-one shared ownership at an estimated cost of £21,778,830 which also reflects the infrastructure and land assembly costs for the whole site.

56. Grange Farm phase 2, which will also attract HIF funding of £5m and RTBRFO support, providing one hundred affordable rented homes, is included in the capital programme at £18,302,940

57. Remaining schemes within the BCHfL programme are at various stages of development and planning and are included in the capital programme at a total estimated cost of £91,501,620 to provide the remainder of the 659 new homes. It has been assumed a selection of sites currently held in the General Fund will be transferred to the HRA for development in line with the current regulations for appropriations although the exact locations and valuations of these sites have yet to be clarified.

58. Included within these is Chichester Court which has entered the construction phase and will provide twenty-six homes at the lower London Affordable Rent reflecting the support provided from GLA grant.

59. Funding will be from a combination of GLA grants totalling £32.144m, approved borrowing and other internal HRA resources with no impact on General Fund.

60. Additions to the HRA capital programme over the approved budget total £97,910,390. Of this, £78,592,980 relate to the current MTFS 2020-21 to 2022-23 inclusive.

61. The remaining £19,317,410 relate the two subsequent financial years reflecting the full life cost of BCHfL programme and the continuing planned investment requirements in existing stock to discharge landlord obligations.

62. Appendix 7 details the full capital programme and summarises the additions requested.

<u>Cost reductions</u>

63. Of the £1.90m revenue cost reductions required, £1.4m has been achieved as at 31st March 2019 with the remaining £500k on target for achievement by March 2021.

Risks & mitigations

64. A number of risks have been identified, listed below which if they materialise individually or collectively, could impede delivery of core services or raise questions about continued financial viability.

- **Interest rates** – an immediate and significant risk; these have increased by 1% and the draft budget and MTFS assumes these will reach 3%. Increases in excess of this over the life of the MTFS will put the BCHfL programme at risk as not all homes will be completed and generating sufficient rental streams to service the debt.

  In mitigation the Council is engaged in sourcing alternative sources for borrowing, other than PWLB, to minimise rates increases.

- **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 2025 this will have an adverse impact on revenue balances.

  In mitigation HRA reserves will be strengthened from 2022-23 and the Business Plan refreshed and stress tested to ensure the Council's HRA remains viable.

- **Welfare reforms** – Government's reform of welfare and benefits is likely to impact on rent collection and cash balances; these are being assessed by a dedicated working group and reported through in year monitoring.

  In mitigation the bad debt provision will be kept under review and updated based on in year monitoring and emergent trends in cash recovery from affected tenants.

- **Delays to 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 lower or delayed rental income streams and potential write off of costs to the revenue account.

  In mitigation regular monitoring of new build schemes and update of the overarching HRA Business Plan will identify potential delays and appropriate action taken to substitute and expedite schemes ensuring full grant utilisation and keeping rental income in line with expectations. The BCHfL reserve can be deployed to offset unforeseen revenue costs if required.

- **Build costs** – costs for the BCHfL programme have been estimated using best information available although this will change as a result of macro-economic and market conditions.

  In mitigation changes in the estimates of costs will be included in the HRA Business Plan refresh and the BCHfL reserve augmented to allow cost fluctuations to be contained. HRA Business Plan will be stress tested against a range of assumptions, including build costs to inform the need for further mitigations.

65. In the light of these risks it is essential current targets for cost reductions are met and the cost base of the HRA kept under continuous review with the aim of strengthening reserves.

Consultation Papers and new developments

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

67. **"Use of receipts from Right to Buy sales"** – Government has consulted 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 the Council will have to put less of its own resources in either through retained receipts or additional borrowing should this proposal go through.

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

69. This consultation has closed and Government is reviewing responses.

70. **"Revised HRA Manual"** – Primary guidance is based on the HRA Manual issued by MHCLG in 2007; a revised version is expected and is likely to allow Councils to transfer land from General Fund to HRA at nil consideration or below fair value.

71. Although details have yet to be released, including restrictions regarding the number of years land is to be left undeveloped or it's physical condition, the Council will consider the new guidance with due regard its broader regeneration aspirations with the aim of securing maximum advantage.

<u>Changes expected in finalising budget</u>

72. Given the requirements to increase contributions to the BCHfL reserve a review of the cost base of the HRA will continue.

73. The results of this will be submitted to Cabinet 13th February 2020 as part of the final budget and MTFS.

<u>Variation to MTFS 2020-21</u>

74. The MTFS approved by Cabinet and Council in 27th February 2019 estimated an in year deficit of £508k for 2020-21. Proposed budget changes results in this deteriorating by £380k, main reasons listed below :

- Operating expenditure £315k reduction -
  Reductions in non-essential expenditure and contingency budgets supplemented by the results of the staffing review

- Repairs expenditure £111k increase -
  Review and realignment of budgets to address service priorities and emergent works identified through inspections and survey results with emphasis on health and safety and compliance in co-ordination with planned investment capital programme.

- Depreciation, interest & other costs £610k reductions -
  Lower than expected borrowing on BCHfL combined with review of depreciation methodology based on audited accounts. Reduction in depreciation of £628k represents change in regulated transfer of resources between revenue and capital reserves therefore no overall change in financial resources available to HRA. RCCO of £500k to support planned investment programme for 2020-21.

- Income £1.2m reduction -
  Due to the accumulated impact of lower CPI than budgeted for resulting in lower rents for all units held by the HRA, increased RTB sales, higher void rates and delays in the new build programme.

<u>Summary</u>

75. HRA Budget & MTFS detailed in Appendix 1 include rent increases at CPI plus 1% and sits within the framework set out in the HRA Business Plan Update submitted to Cabinet 10th October 2019.

76. Revenue reserves are expected to remain stable and above minimum recommended balances over the life of the MTFS provided interest on new borrowing does not exceed 3%.

77. Longer term viability of the Council's HRA is dependent on successful completion of BCHfL therefore continuous review of the cost base of the HRA and underlying assumptions are essential through a revised HRA Business Plan Update.

78. Risks associated with BCHfL are significant and earmarked reserves to support this programme are modest therefore increased contributions are required which will be supported by the continuous review process.

79. Consultation papers and emerging Government regulation will be reviewed to ensure maximum advantage is secured for the Council as a whole.

Performance Issues

80. The BCHfL programme contributes to delivery targets agreed with the GLA. Failure to take the project forward would jeopardise achievement of these targets and potentially withdrawal of grant funding resulting in costs

already incurred being written off to revenue which would compromise the longer term viability of the Council's HRA.

Environmental Implications

81. All new homes have to meet high standards of energy efficiency to reduce CO2 emissions and reduce fuel poverty as required by London Plan.

Data Protection Implications

82. There are no GDPR implications.

Risk Management Implications

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

83. The key risks which should be highlighted, and which are referenced in the main body of the report, are related to the need to continuously review the cost base of the HRA to mitigate the risks associated with the BCHfL programme which is essential to the continued viability of the Council's HRA.

84. Additional grant funding and borrowing capacity will place obligations on the 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.

85. 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.

86. Additional borrowing will attract interest charges which, together with recommendation to start repaying debt, will place pressure on resources. It has been assumed interest on borrowing for the BCHfL programme will not exceed 3% for the life of the MTFS.

These risks are detailed on the Housing risk register.

Procurement Implications

87. 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

88. 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.

89. 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.

90. The rent reduction requirements brought in under section 23 of the Welfare Reform and Work Act 2016 has now ended and replaced by the new rent standard introduced by section 197 of the Housing & Regeneration Act 2008 which permits Authorities to increase rents by CPI plus up to 1% for five years commencing April 2020.

91. Under section 74 of the Local Government & Housing Act 1989 the 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. 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

92. Financial matters are integral to this report.

Equalities implications / Public Sector Equality Duty

93. 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.

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

95. A full equalities impact assessment has been carried out in relation to the proposed rents and other charges increases and capital build programme.

96. The recommendation to increase the capital programme will result in much need new genuinely affordable housing supply and will have a positive impact on the community and businesses alike.

Council Priorities

This report incorporates the following Council priorities:

- **Building a Better Harrow**
  Provision of additional housing will support the local community and economy thereby contributing to the wellbeing of residents and supporting community cohesion,

- **Supporting Those Most in Need**
  The additional housing will be genuinely affordable thereby providing accommodation to the most vulnerable in the Borough

- **Protecting Vital Public Services**
  The Business Plan is designed to support the longer term viability of the HRA which provides much needed housing and advice to residents and those at risk of becoming homeless.

- **Delivering a Strong local Economy for All**
  Affordable and high quality housing is in high demand and will support the local economy by providing a stable base for local workers as well as contractors engaged in building and maintaining the new houses.

Section 3 - Statutory Officer Clearance

Name: Tasleem Kazmi	*	on behalf of the * Chief Financial Officer
Date: 3rd December 2019		

Name: Paresh Mehta Date: 5th December 2019	*	on behalf of the * Monitoring Officer

Section 3 - Procurement Officer Clearance

Name: Nimesh Mehta Date: 26 November 2019	X	Head of Procurement

Name: Paul Walker Date: 5th December 2019	X	Corporate Director

Ward Councillors notified:	**NO, as it impacts on all Wards**
EqIA carried out: Yes **EqIA cleared by:** Dave Corby	

Section 4 - Contact Details, Background Paper

Contact:
Tasleem Kazmi, Finance Business Partner- Regeneration & Housing
Tel 020 8416 5201 or email tasleem.kazmi@harrow.gov.uk

Background Papers:
HRA Business Plan Update, report to Cabinet 10th October 2019
http://moderngov:8080/documents/g64589/Public%20reports%20pack%20Thursday%2010-Oct-2019%2018.30%20Cabinet.pdf?T=10

Call-In Waived by Chair of Overview & Scrutiny Committee	**No**

Appendix 1

HRA Budget 2020-21 and MTFS 2021-22 to 2022-23 – Expenditure

All figures in £s	Budget 2020-21	Budget 2021-22	Budget 2022-23
Employee Costs	2,620,860	2,643,770	2,667,150
Supplies & Services	687,460	687,460	685,810
Utility cost	599,140	599,140	604,600
Estate & Sheltered Services	3,234,110	3,241,120	3,201,070
Central Recharges	3,434,590	3,503,280	3,572,470
Operating Expenditure	10,576,160	10,674,770	10,731,100
Repairs – Voids	1,075,200	1,075,200	1,075,200
Repairs – Responsive	3,238,770	3,238,770	3,238,770
Repairs – Other	2,300,740	2,325,450	2,350,650
Repairs Expenditure	6,614,710	6,639,420	6,664,620
Contingency	230,000	230,000	230,000
Investment in Services	50,000	50,000	50,000
Bad debt provision	150,000	150,000	150,000
Affordable Housing	595,710	601,910	608,240
Charges for Capital	6,564,540	7,171,080	8,053,480
Depreciation	7,275,220	7,270,840	7,316,030
RCCO	500,000	0	0
Other Expenditure	15,365,470	15,473,830	16,407,750
Total Expenditure	32,556,340	32,788,020	33,803,470

Appendix 1 (continued)

HRA Budget 2020-21 and MTFS 2021-22 to 2022-23 – Income

All figures in £s	**Budget 2020-21**	**Budget 2021-22**	**Budget 2022-23**
Rent Income – Dwellings	(27,955,130)	(28,979,590)	(30,298,810)
Rent Income – Non Dwellings	(572,000)	(572,000)	(572,000)
Service Charges – Tenants	(1,474,940)	(1,477,770)	(1,480,750)
Service Charges – Leaseholders	(770,450)	(759,050)	(759,050)
Facility Charges	(577,170)	(577,170)	(577,170)
Interest	(3,100)	(3,100)	(3,100)
Other Income	(149,460)	(149,460)	(149,460)
Recharge to General Fund	(165,650)	(165,650)	(165,650)
Total Income	(31,667,900)	(32,683,790)	(34,005,990)
In Year Deficit / (Surplus)	**888,440**	**104,230**	**(202,520)**
BALANCE brought forward	**(7,195,030)**	**(6,306,590)**	**(6,202,360)**
BALANCE carried forward	**(6,306,590)**	**(6,202,360)**	**(6,404,880)**

Average Rent & Service Charges – Social Rented Units   Appendix 2

Social rented units	No. units	2019-20 weekly charge	2020-21 rent	2020-21 service charge	2020-21 total	Increase
Bedsit bungalow	19	£102.78	£102.64	£2.98	£105.62	£2.84
1 Bed bungalow	115	£112.70	£113.29	£2.47	£115.76	£3.05
2 Bed bungalow	27	£128.42	£127.95	£3.91	£131.87	£3.44
Bedsit flat	83	£88.77	£86.87	£4.38	£91.25	£2.48
1 bed flat	1,181	£98.49	£97.29	£3.91	£101.20	£2.71
2 bed flat	789	£112.14	£110.73	£4.48	£115.22	£3.07
3 bed flat	42	£124.53	£122.59	£5.25	£127.84	£3.31
1 bed Maisonette	6	£91.57	£93.59	£0.45	£94.03	£2.47
2 bed Maisonette	48	£111.20	£110.25	£3.93	£114.17	£2.97
3 bed Maisonette	44	£124.06	£122.71	£4.69	£127.39	£3.34
4 bed Maisonette	1	£129.99	£133.51	£0.00	£133.51	£3.52
2 bed Parlour House	34	£123.59	£125.63	£1.35	£126.98	£3.39
3 bed Parlour House	523	£136.24	£138.06	£1.89	£139.95	£3.71
4 bed Parlour House	55	£148.95	£150.24	£2.71	£152.96	£4.01
5 & 6 bed Parlour House	10	£159.76	£154.97	£9.02	£163.99	£4.24
2 bed Non Parlour House	500	£119.89	£120.93	£2.21	£123.14	£3.25
3 bed Non Parlour House	711	£131.49	£132.71	£2.35	£135.06	£3.57
4 bed Non Parlour House	33	£145.29	£145.91	£3.28	£149.19	£3.90
5,6 & 7 bed Non Parlour	6	£156.90	£159.87	£1.27	£161.14	£4.24
Sheltered bedsit	12	£98.60	£88.89	£12.25	£101.15	£2.55
Sheltered – other units	500	£97.75	£96.89	£3.51	£100.40	£2.66
Non sheltered	4,227	£116.21	£116.24	£3.25	£119.49	£3.28
Sheltered	512	£96.97	£96.71	£3.71	£100.42	£3.45
All social rented units	4,739	£114.31	£114.13	£3.30	£117.43	£3.11

Average charge for social rented units 2019-20 was £114.31 per week comprising £111.06 rent, £3.25 service charge compared to budgeted £110.86 and £3.22 per week respectively.

Estimated average charge 2020-21 is £117.43 per week comprising £114.13 rent, £3.30 service charge, reflecting rent increase of CPI + 1% where CPI is 1.7% and just CPI for tenant service charges.

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

Description	No. units	2019-20 rent	2020-21 rent	Increase
1 bed flat	1	£119.79	£123.03	£3.24
2 bed Parlour House	1	£125.00	£128.38	£3.38
3 bed Parlour House	6	£204.66	£208.45	£3.79
3 bed Non Parlour House	4	£202.43	£207.92	£5.49
4 bed Non Parlour House	4	£219.43	£225.39	£5.96
3 bed Parlour House (shared ownership)	3	£204.92	£210.45	£5.53
Total	**19**	**£198.68**	**£203.51**	**£4.83**
Affordable rented	16	£197.51	£202.21	£4.70
Shared ownership	3	£204.92	£210.45	£5.53
Total	**19**	**£198.68**	**£203.51**	**£4.83**

Nineteen new homes have completed; table above shows average rents for 2020-21 reflecting the rent increase of CPI + 1%.

Council initially has equity of 75% in shared ownership units with option for the tenant to purchase additional equity in future.

Garages & parking space charges **Appendix 3**

All in £s	Current Weekly Rental 2019-20	Proposed Weekly Rental 2020-21
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) 2019-20**	**Proposed average weekly facility charge (Heating) 2020-21 5% increase**
Alma Court	30	16.21	17.02
Belmont Lodge	30	16.21	17.02
Boothman House	30	16.21	17.02
Cornell House	30	16.21	17.02
Durrant Court	27	16.21	17.02
Edwin Ware Court	30	12.61	13.24
Goddard Court	30	16.21	17.02
Grahame White House	30	16.21	17.02
Grange Court	30	12.61	13.24
Harkett Court	30	16.21	17.02
Harrow Weald Park 0 Bed	12	10.95	11.50
Harrow Weald Park 1 Bed	19	14.80	15.54
Harrow Weald Park 3 Bed	1	22.00	23.10
John Lamb Court	32	17.03	17.88
Meadfield	30	16.21	17.02
Sinclair House	27	16.21	17.02
Tapley Court	26	16.21	17.02
Thomas Hewlett House	30	16.21	17.02
William Allen House	29	12.61	13.24
Resident Warden Accommodation	9	23.65	24.83
Other Non-Sheltered	101	13.97	14.67

Water Charges **Appendix 5**

Sheltered Block	No.of flats	Current Range Water Charge 2019-2020		Proposed Range Charge at 0% increase for 2020-2021	
		Lower	Higher	Lower	Higher
Alma Court	30	£5.87	£5.87	£5.87	£5.87
Edwin Ware Court	30	£4.99	£6.49	£4.99	£6.49
Grange Court	30	£4.99	£6.20	£4.99	£6.20
John Lamb Court	32	£6.20	£6.20	£6.20	£6.20
William Allen House	29	£4.99	£6.20	£4.99	£6.20
Total No of Sheltered Flats	**151**				
Resident Warden Accommodation	3	£7.89	£8.73	£7.89	£8.73
Total Sheltered Flats incl Warden	**154**				

Responsibility for collection of water charges has been transferred for the majority of HRA properties to the water company. The Council collects water charges for remaining properties which have not yet been transferred to water company.

Community Centres **Appendix 6**

Community Hall and Capacity	Current 2019-20 Charges per first 3 hours block booking then subsequent hourly rate			Proposed 2020-21 Charges per hour letting 4% Price Increase		
	Evening Rate	Daytime Rate	Weekend Rate	Evening Rate	Daytime Rate	Weekend Rate
	£	£	£	£	£	£
Augustine Road [max 30]	26.32	13.17	39.48	27.38	13.69	41.06
Marsh Road Hall [max 30]	26.32	13.17	39.48	27.38	13.69	41.06
Brookside Hall [max 30]	26.32	13.17	39.48	27.38	13.69	41.06
Woodlands Hall [max 60]	39.48	19.73	53.90	41.06	20.52	56.05
Churchill Place [max 100]	52.63	23.67	65.79	54.74	24.62	68.43
Kenmore Park [max 100]	52.63	23.67	65.79	54.74	24.62	68.43
Pinner Hill Hall [max 100]	52.63	23.67	65.79	54.74	24.62	68.43
Pinner Hill [max 100]	50.61	22.76	63.26	52.63	23.67	65.79

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
- Pinner Hill 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

HRA Capital Programme Appendix 7

Budget Description (£)	MTFS			Additional		Total
	2020-21	2021-22	2022-23	2023-24	2024-25	Cumulative
Internal Works	522,440	987,720	987,720	1,134,230	1,134,230	4,766,340
External, Mechanical / Electrical and Health & Safety works	4,357,560	3,392,280	3,392,280	3,245,770	3,245,770	17,633,660
Aids & Adaptations	845,000	845,000	845,000	845,000	845,000	4,225,000
Planned investment	**5,725,000**	**5,225,000**	**5,225,000**	**5,225,000**	**5,225,000**	**26,625,000**
Grange Farm phase 1	12,452,710	9,326,120	0	0	0	21,778,830
Grange Farm, phase 2	100,000	10,103,580	8,099,360	0	0	18,302,940
Other new build schemes	18,019,600	34,042,610	30,572,000	7,460,000	1,407,410	91,501,620
Building Council Homes for Londoners (BCHfL)	**30,572,310**	**53,472,310**	**38,671,360**	**7,460,000**	**1,407,410**	**131,583,390**
Total HRA Capital Programme	**36,297,310**	**58,697,310**	**43,896,360**	**12,685,000**	**6,632,410**	**158,208,390**

Summary of additions to the capital programme over the term of the MTFS and two years beyond are summarised below :

Additions to programme (£)	2020-21 to 2022-23 MTFS term	2023-24 to 2024-25 after MTFS	Total
Planned Investment	16,175,000	10,450,000	26,625,000
Grange Farm ph 1	21,778,830	0	21,778,830
Grange Farm ph 2	18,302,940	0	18,302,940
Other	82,634,210	8,867,410	91,501,620
Requirement	**138,890,980**	**19,317,410**	**158,208,390**
Less:			
Planned Investment	10,845,840	0	10,845,840
Grange Farm ph 1	17,100,720	0	17,100,720
Grange Farm ph 2	0	0	0
Other	32,351,440	0	32,351,440
Approved budget (incl carry forwards)	**60,298,000**	**0**	**60,298,000**
Planned Investment	5,329,160	10,450,000	15,779,160
Grange Farm ph 1	4,678,110	0	4,678,110
Grange Farm ph 2	18,302,940	0	18,302,940
Other	50,282,770	8,867,410	59,150,180
Additions	**78,592,980**	**19,317,410**	**97,910,390**