Report for:	**Cabinet**
Date of Meeting:	10th February 2022
Subject:	Housing Revenue Account Budget (HRA) 2022-23 & Medium-Term Financial Strategy (MTFS) 2023-24 to 2024-25.
Key Decision:	Yes
Responsible Officer:	Julian Higson- Divisional Director of Housing Dawn Calvert- Director of Finance, Dipti Patel- Corporate Director of Community
Portfolio Holder:	Councillor Phillip O'Dell- Portfolio Holder for Housing; Councillor Natasha Proctor- Deputy Leader and Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – HRA Budgets 2022-23, 2023-24 and 2024-25 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 – HRA Capital Programme

Section 1 – Summary and Recommendations

This report sets out the proposals on the Housing Revenue Account (HRA) budgets and rent setting for 2022-23, and the Medium-Term Financial Strategy (MTFS) for 2023-24 to 2024-25.

Recommendations:

Cabinet is requested to:

1) Approve proposed average weekly rent for general needs non-sheltered and sheltered accommodation of £123.13 and £102.25 for 2022-23 respectively as set out in paragraph 28 and Appendix 2. These increases are 4.1% from 2021/22 in line with Government rent policy.

2) Approve proposed average weekly tenant service charge of £3.38 per week as set out in paragraph 28 and Appendix 2

3) Approve proposed average weekly rents for affordable rented of £201.65 and note the shared ownership accommodation weekly rents of £210.53 for 2022-23 as set out in paragraph 29 and 30. The increase for affordable rented properties are 4.1% from 2021/22 in line with Government rent policy.

4) Approve a 5 year HRA Capital programme of £225,904,648 made up of £49,544,120 planned investment, £144,185,151 Building Council Homes for Londoners (BCHfL), £23,648,727 Grange Farm phase 3 and £8,526,650 Grange Farm Infrastructure as set out in paragraphs 52 to 61 and Appendix 7.The figures include reprofiled carried forward expenditure of £51.98m for the BCHFL programme.

5) Note the following:

    - Charges for Facilities, Community Halls, Garages and Water to remain unchanged as set out in appendices 3 to 6.
    - That though there are in year losses forecast for the first two of the three years term of the MTFS reserves remain above the minimum level of 7% of income for all years.
    - New Budget for Planned Preventative Maintenance (PPM) programme of £400k pa
    - Transfers to the Regeneration Reserve of £1.5m over the three years of the MTFS
    - Increased in estimated borrowing to £124.3m (£95.8m in 2021)
    - Addition to the planned investment programme of £22m over five years.
    - Risk Management Implications which require prudent financial reserves and review of treasury management strategy.

6) Cabinet recommends that Council approve:

    a. HRA Budgets for 2022-23; 2023-24 and 2024-25 (detailed in Appendix 1) and

b. HRA capital programme 2022-23 to 2024-25 (detailed in Appendix 7)

Reason (for the recommendation) To recommend the HRA budget and capital programme for 2022-23 and the MTFS for 2023 to 2024-25.

Section 2 – Report

1. The Council is required by the Local Government and Housing Act 1989 (section 74) to keep a Housing Revenue Account (HRA) which records all revenue expenditure and income relating to the provision of council dwellings and related services. The use of this account is heavily prescribed by statute and the Council is not allowed to fund any expenditure for non-housing related services from this account. In addition, the Act ensures that the HRA does not fall into a deficit position i.e., does not have a debit balance on HRA including reserves.

2. The Council has a retained housing stock of c.4,800 homes currently available to let and manages an additional c1,200 leasehold properties with an annual rent roll of c.£29m.

3. The Council has a statutory obligation to agree and publish the HRA budget for 2022-23, and approval for this will be sought on the 24th of February 2022. The primary purpose of this report is to present a HRA revenue position (see Appendix 1) a capital position (see Appendix 7) for 2022-23 based on budget submissions plus a HRA Medium Term Financial Strategy (MTFS) 2023-24 to 2024-25 (see Appendix 1), ahead of the final budget presentation and rent setting at Full Council on 24th February 2022. As it stands the budget(s) for 2022-23 to 2024-25 show two in year deficits funded by reserves which are maintained at a level above the minimum required by the business plan (7% of income).

4. The budget and MTFS have been set within the business plan framework. This contains the 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. It also includes 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.

5. Investment in HRA stock, detailed in Capital Investment section supported by appendix 7, is estimated at £10.273m for 2022-23 to £2024-2 per annum and then £9.273m per annum thereafter. This is an increase of £4.38m (74%) pa (£21.89 over five years). The budget is based on latest stock condition survey results and includes, for the first three years, £1.0m allocation for Retrofit for Energy. The survey focuses on essential health & safety, compliance, and statutory requirements. In addition, the budget now includes £400k pa over the 3 year term of the MTFS, for a Planned Preventative Maintenance programme (PPM).

6. Public Works Loan Board (PWLB) Borrowing rates have been assumed at 2% based on the long-term yields predictions. Interest rates are a risk to the New Build programme with an estimated £124.3m new borrowing required to fund the programme.

Options considered

Rent charges and Service Charges:

7. For the 2022/23 rent setting there has been no change to the government rent policy issued in 2020, that allows for social housing providers to increase rents by the previous September Consumer Prices Index (CPI) rate +1% for a five-year period. This proposed increase on rents equates to 4.1%. Service charges are proposed to increase by CPI only at 3.1% in 2022-23. Guidance released in November 2020 does allow local authorities to breach this cap in circumstances of exceptional financial hardship. However, this would not currently apply to Harrow. Other unregulated income streams can be adjusted to ensure full cost recovery.

Alternative Option; Increase rents by less than CPI plus 1%

8. Rents can be increased by CPI plus up to 1% under current regulations. However not doing so would result in the revenue account generating further deficits across the term of the MTFS as well as reducing the capacity of the HRA to mitigate the impact of increases in costs and or interest rates associated with the BCHfL programme.

Preferred Option:

9. Following Government guidance and by applying a rent increase of CPI plus 1% will ensure the HRA will have sufficient resources to provide the services and improvements to the residents. It should be noted that there would be an estimated loss of income of £12m over 30 years should we move away from the policy and increase rent by 3.1% (CPI) only.

Council Capital Programme:

10. The Council proceeding with the programme of building 659 new units within the HRA originally approved by Council 27th February 2019.

Option 1: Continue with new build programme within the HRA

11. 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 and partly in collaboration with the Harrow Strategic Development Partnership (HSDP).

12. 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.

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

14. 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: Reduce the new build programme within the HRA

15. In the event risks around the HRA indicate the service would, on the balance of probabilities, become unviable, the new build programme would be scaled back. The council would rely on having nomination rights to the majority of the new affordable homes delivered by the HSDP and a small programme of new build homes held within the HRA.

Preferred Option

16. Option 1 is the preferred option as it is currently affordable to the HRA and 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.

Background

17. 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.

18. As a result, savings totalling £1.9m were identified within the HRA to mitigate these rent reductions. Due to changes in operating circumstances because of Covid, £448k of the £1.9m savings remain to be achieved. Finance staff are working with the Divisional Director of Housing to review the savings items and identify substitutes to ensure the continued sustainability of the HRA.

19. 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. In particular where resources are required to meet the initial requirement of the BCHFL programme.

Consultation

20. 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.

21. The outcome of the review of tenanted service charges has not been finalised yet because of challenges with the baseline data which underpins the new service charges model. This will be reported to cabinet once available.

COVID-19

22. The global pandemic continues to impact on the HRA. The budget being presented reflects an improved position with income and expenditure levels expected at pre-covid levels for budgets such as rents from commercial properties and increased cleaning on void properties now being managed within budgets. The impact of the pandemic was significant on the HRA planned investment programme with only £3.4m spent in 2020/21. The delivery of major works has improved in 2021/22, despite global economic constraints not restricted to the impact of Covid, with £8.5m forecast to be spent in to 2021/22. However there still exist a risk of further impact on services to residents from Covid which will be monitored closely to ensure that any financial impact can be managed within resources.

Balances

23. HRA revenue balances were £7.969m as at 31 March 2021. These include general balances, required to mitigate against one off unforeseen event, are forecast to be £5.8m at March 2022 which are £3m above the minimum balances in the Business Plan based on 7% of income.

24. The budgets for the financial years 2022/23 to 2024/25 remain above the minimum required and the HRA 30 year Business Plan, show that balances over the 30 year plan are above minimum required of 7% of income. To mitigate against the financial risk associated with the new build programme it is prudent to have a reserve for unforeseen risks. Therefore, it is proposed to transfer £1.5m (£0.5m pa) to the Regeneration Reserve over the three years of the MTFS.

25. There are specific reserves to support IT investment & restructuring, repairs, tenants experiencing financial difficulties, and a reserve to support the Building Council Homes for Londoners programme (BCHFL). These reserves are all within the HRA and total £1,696k at the 31st of March 2021, as shown below: -

Reserve	£'000
Transformation	672
Repairs and Maintenance	277
Hardship	25
Regeneration	722
	1,696

Income

Assumptions supporting main HRA income streams set out below:

Dwelling rents

26. Rent policy set out by central government states that existing rents can be increased annually by the previous September's CPI rate, plus an additional 1%. This calculation has been applied, giving a rent increase of 4.1% in 2022-23. 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 to continue beyond March 2025. The Business Plan assumes increases for all subsequent years from April 2025 will be at CPI only as this is considered a more prudent assumption given developments in the macro-economic environment.

27. Rents for newly constructed homes are on Affordable rents or the lower London Affordable Rents where the scheme benefits from part of the £31.882m grant secured from the Greater London Authority.

28. The average rent & service charge for the Council's housing stock for 2022-23 will be £124.20 per week comprising rent £120.82 (£123.13 non sheltered, £102.25 sheltered) and tenant service charge £3.38 per week 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 3.1%.

29. Rents for new build homes are set at affordable rent and are governed by different criteria depending on funding source. The overall average weekly charges (rent and service charges) are estimated to be £201.65 per week assuming a rent increase of CPI plus 1% for affordable rented units. See Appendix 2.

30. Rents for shared ownership units, assuming the Council retains 65%/75% equity share, are estimated at £210.53 per week on average. The increases are determined by the lease agreement with the resident and for 2022/23 are RPI plus 0.5 %.

Right-to-Buy sales

31. There have been 14 sales under Right-to-Buy ("RTB") so far in 2021-22 and a further four are assumed by the end of the financial year totalling 18 estimated sales this year with 20 expected for 2022-23, then 20 per annum for remainder of the MTFS and the Business Plan.

32. The Council continues to retain the majority of the capital receipts arising from the sale of Right to Buy properties, in line with the updated retention agreement signed with the Government. Under the revised agreement the receipts must be used within five (three in 2020-21) years to fund a maximum of 40% (30%prior to April 2021) of spend on the supply of homes for: - social rent, shared ownership, and sale as First Homes. It is not possible to combine GLA grant and RTB receipts to fund new build projects. These favourable changes have given Local Authorities more time to plan how and when these receipts can be utilised to contribute to the new build programme without recourse to voluntary repayments to the MHCLG. Failure to utilise these receipts will mean they will be paid to the Government with a high interest penalty.

Service charges: Tenants & Leaseholders

33. 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. Service charges are not subject to the rental increase of 4.1% but are based on cost recovery. This service charge is £3.28 in 2021-22 and it is proposed this will increase to an average of £3.38 in 2022-23 and throughout MTFS in line with CPI. When the review of tenanted service charges has been finalised the current assumptions on CPI increases will be revised for business plan and future HRA budgets.

34. Leaseholders are invoiced annually by the end of September for the previous financial year, based on actual costs. Income expected from leaseholders in 2022-23 (excluding s20 income for capital schemes) is £916k and reflects the recovery of costs from leaseholders of estate- based costs, communal lighting, repairs, ground maintenance, insurance premiums and administration charges.

35. Rents for garages, parking, facility charges and charges for community centres are set out in appendices 3 to 6 and due to continued economic uncertainty remain at 2021/22 levels.

Expenditure

Assumptions supporting main HRA expenditure items set out below:

Employee Costs

36. Employee costs have risen by £38k in 2022-23 for the increase in employer's national insurance of 1.25% (New Threshold 15.05% - 2021/22 threshold 13.8%). The pay award is still to be agreed and any increase will be funded from existing reserves. A one percent pay increase equates to c. £40k for the HRA.

37. There are currently no major organisational restructures planned for housing. Proposals for new positions will be incorporated when approved and funded to reflect changing service needs and legislation when required.

38. Several members of staff spend their time on both HRA and General Fund activities and as a result staff costs are split based on percentages of time relevant to services.

Utility Costs

39. There is currently estimated to be sufficient provisions for utility costs within the HRA budget of £599k, in 2022/23, to contain any increases in prices as a result of the global wholesale energy crisis. However, a 5% increase has been included for the 2023/24 draft budget. 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 most tenants this arrangement has now ceased with tenants paying the water company direct. This results in no additional costs for tenants or the Council.

Central Recharges

40. Costs of support services, which are estimated to increase by 3% p.a. in line with Government's long- term inflation target, 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

41. The budget has been prepared to reflect the expected demand for repairs, changes in stock numbers –the reduction in HRA properties used as temporary accommodation due to the decanting of properties in Grange Farm, agreed price reductions with contractors, health and safety requirements, stock condition survey data, recommendations from the review of the Repairs Service in 2021 and revisions to cyclical maintenance contracts/requirements.

42. Two new gas contractors Liberty Group and Thermoserve started in February 2022 to provide the domestic gas and communal gas heating services respectively. The contract sums tendered exceeded the budget provision by £75k and this pressure will be mitigated by replacing existing boilers with heat pumps technology. These savings, which are expected to exceed £75k in future years will be monitored closely and factored into the HRA MTFS and 30-year Business Plan.

43. The budget now incorporates a Planned Preventative Maintenance programme (PPM). The PPM programme is estimated at £400k per annum across the first 3 years. The programme would be cyclical and incorporates a scope for revenue investment. The aim will be to reduce the level of responsive repairs & maintenance expenditure by tackling known areas of repair.

Bad debt provision

44. Collection rates for current tenant arrears remain at close to 100% despite COVID, universal credit and the wider economic situation. This has been reflected in the provision for Rent arrears of £150k for former tenants being sufficient to cover any write off of bad debts. This represents circa 0.5% of the rent roll. Therefore, the budget presented proposes no change to this figure.

General Contingency

45. 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.

46. 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

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

- Historic debt – includes debt that 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. As at the 31st March 2021 the balance was £149.2272m. 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 – BCHfL programme-this has been reprofiled to take account of delays and new target date agreed with the Greater London Authority (GLA) for start on sites of March 2023.Additional borrowing is estimated at £124.3m an increase of £28.5m from the £95.8m approved February 2021. This increase is due to additions to the Capital programme for Grange Farm Phases 2 and 3 (totalling £74.9m) and for Infrastructure related costs (totalling £15.9m) across the phases.

48. Interest is expected to be payable at the lower rate of 2% as a result of the HRA taking advantage of lower rates conferred in a dedicated second pool for new home building in the HRA.

49. 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.

Capital Investment

Planned Investment Programme

50. This is based on the latest stock condition survey, for the three years 2022-23 to 2024-25 is £10.273. Then £9.273m per annum thereafter. While of course investment in health and safety and compliance works are still prominent, the programme will also be focussing on estate improvements, decarbonisation and the current and any future Decent Homes Standard.

51. Retrofit for Energy expenditure is spread evenly over 2022/23 to 2024/25 to help meet Government carbon reduction targets by 2030.

Rough Sleepers

52. The Council has been successful in a bid to the GLA for the 2021–2024 Mayor's Rough Sleeping Accommodation Programme (RSAP) and is on target to acquire 9 one-bedroom properties in 2021/22 to house rough sleepers.

53. This housing-led scheme has been delivered in line with Housing First England principles - the philosophy of Housing First is to provide a stable, independent home and intensive personalised support and case management to homeless people with multiple and complex needs with no conditions around ‘readiness’ before providing someone with a home.

54. The acquisition and associated costs of £2.881m have been funded by £1.431m of borrowing, £1.350m of external grant and £100k of section 106 monies.

<u>Building Council Homes for Londoners</u>

55. The Grange Farm Regeneration scheme will demolish obsolete Council homes and re-provide 274 new council homes within a mixed tenure estate totalling 574 homes. Cabinet approved budget allocations on 13th February 2020 for phases 1, which is now under construction and phase 2 of the scheme.

56. Grange Farm phase 1, which is supported by Housing Infrastructure Fund (HIF) as well as RTBRFO, will provide eighty-nine homes, sixty-eight at affordable rent and twenty-one shared ownership. The estimated remaining cost is £16.7m. Phase 1 is expected to complete in September /October 2022.

57. In November 2021, Cabinet gave in principle approval to commissioning the HSDP to take forward Phase 2 and 3 and this will be subject to a further report to Cabinet in March 2022. This development is affordable to the HRA subject to further detailed design work and an open book approach to the agreement of all costs. Based on the initial estimates provided by the HSDP and reported to Cabinet in November 2021, the cost of the social and shared ownership housing is broadly affordable within the HRA and this position will be reviewed once the HSDP have prepared the initial Business Plan .An indicative placeholder budget has been built into the 5 year HRA capital programme for Grange Farm phases 2 and 3 (£33.340m and £23.649m respectively) as well as an infrastructure budget of £8.527m (to meet the Council costs associated with these phases , which will be confirmed as part of the phase 2 & 3 report to Cabinet in early 2022. The figures include reprofiled carried forward expenditure from 2021/22 of £51.98m for the BCHFL programme.

58. The BCHfL programme has been reprofiled to take account of delays and new target dates agreed with the GLA, for which the final date for start on sites is now 31 March 2023, resulting in an overall reduction of £4.0m in total estimated lifetime capital resources required, to £184.687m. Programme Schemes are at various stages of development and planning and are included in the capital programme at a total remaining estimated cost of £113.067m. Also included in this are additional costs estimated at £19.511m reflecting the anticipated revised increase in build costs resulting from changes in the macro-economic environment.

59. 124 new homes have now been completed under the BCHfL programme of a total of 659 additional homes, with a further 12 due to be completed by the end of March. General Fund sites have been identified for transfer to the HRA for development in line with the current regulations for appropriations. Milton Road is

currently being progressed with the HSDP and will be on site before the end of March 2022, subject to planning approval being granted in February 2022.

Consultation Papers, new developments, and challenges

60. The Governments Decarbonisation agenda is the most significant challenge and costs are estimated at £17k per unit across the country, in LBH case this equate circa £81m for the Housing Revenue Account and remains unfunded.

61. The impact of the Social Housing White Paper implications is still to be felt and will include

- Consultation in respect of electrical safety, installation of carbon monoxide monitors
- A review of the Decent Homes Standard to support the decarbonisation and energy efficiency of social homes and include standards for communal and green space outside the home.
- Proposed introduction of Tenant Satisfaction measures that will be formally monitored including the introduction of a regular inspection regime for social landlords
- Increased regulations to improve responses to complaints
- Requirements to improve tenant engagement and empowerment
- There are also linked commitments with the Building Safety Bill with regard to the management of tall buildings, for example the appointment of a Building Safety Manager
- Retrofitting of the existing social housing stock to meet the Councils Climate Change objectives as well as those set out by the Government

Variation to MTFS 2022-23

62. The main changes in estimates approved by Cabinet on 11th February 2021are:

- A transfer of £500k to the Regeneration Reserve for risk associated with the development programme.

- Loss in 2022/23 of 211 properties to be decanted for Grange Farm this equates to an estimated rental income loss of £674k in 2022/23.These properties are replaced in Phases 2 and 3 of Grange Farm development.

- Increase in Depreciation charge of £861k due to a rise in the House Price index for Harrow of 8%. This additional cost will be credited to the major repairs reserve to fund capital expenditure and repay debt.

- Repairs – Specific budget for planned preventative maintenance of £400k per year introduced to target requirements

Summary

63. 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 8th October 2020 and updated.

64. The budgets show in year losses for £241k and £498k for 2022/23 and 2024/25 respectively return to balanced position in 2024/25. Revenue reserves are maintained above the minimum level of 7% of income required over the life of the MTFS. See Appendix 1.

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

66. 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 a continuous review of the HRA cost base and underlying assumptions.

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

Performance Issues

68. The BCHfL programme contributes to delivery targets agreed with the GLA. The potential for abortive costs is inherent in any development programme and costs incurred which do not result in a planning permission would need to be written off to revenue, which may compromise future viability.

Environmental Implications

69. All new homes must meet high standards of energy efficiency to reduce CO2 emissions and reduce fuel poverty as required by London Plan. We have already invested in some of our poorest performing energy efficient council homes by installing external wall insulation and continue programmes to install double glazing and the most efficient gas condensing boilers. The proposed retrofit programme will enhance the energy performance of more of the Council's properties and will contribute toward the Council's carbon reduction targets

Data Protection Implications

70. There are no GDPR implications.

Risk Management Implications

71. Risks included on corporate or directorate risk register? **Yes**
Separate risk register in place? **No**
The relevant risks contained in the register are attached/refreshed and

summarised below. **Yes**

72. 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. The following key risks should be taken onto account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
• **Rents are set too high** breaching the government rent policy **or too low** causing the revenue account to generate further deficits	Rents set in accordance with government rent policy.	Green
• **Interest rates** – an immediate and significant risk; these have been assumed at 2% for the 2022/23 budget and MTFS. 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.	The Authority is reviewing its borrowing strategy and consideration given to securing fixed rate deals at prevailing low rates.	Amber
• **General Inflation rates-** Inflation is currently high due to global pressures including Covid and Brexit. Sustained inflation would erode the resources available in the HRA.	- regular planning, monitoring, and forecasting of the HRA position and resources will, if necessary, result in management action to address and eliminate pressures due to inflation. - Rent increases are linked to CPI therefore the impact to the HRA of price rises are to certain extent "neutral".	Amber
• **Change in Government Rent Policy.** The business plan assumes that the rent will continue to increase in line with CPI +1% to 2024/25. The Government has previously reduced rents.	Further savings will need to be identified to address the shortfall of income which may impact on services to residents.	Amber
• **Construction costs increases continue longer term preventing the delivery of the capital programme**	To mitigate this position - reprofiling and reprioritising of schemes to live within available resources. - secure materials and resources early in the contract - increase market testing	Amber
• **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 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.	Amber

73. 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.

Procurement Implications

74. Any procurement arising from this report will be advised on supported by the procurement team and will be conducted compliant with the Public Contract Regulations [as amended] and the Contract Procedure Rules.

Legal Implications

75. 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.

76. 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 must 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.

77. The rent reduction requirements brought in under section 23 of the Welfare Reform and Work Act 2016 has now ended and has been replaced by the new rent standard, pursuant to a direction by the Secretary of State under 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.

78. 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

79. Financial implications are included in the body of the report

Equalities implications / Public Sector Equality Duty

80. 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.

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

82. A full equalities impact assessment has been carried out in relation to the proposed rents and other charges increases and capital build programme and no negative impacts on the protected groups are expected.

83. 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

1. **Improving the environment and addressing climate change**
   The Planned Investment programme is being designed to address key climate change issues with a focus on renewable energy and efficiency in existing and new homes.

2. **Tackling poverty and inequality**
   The additional housing will be genuinely affordable thereby providing accommodation to the most vulnerable in the Borough

3. **Building homes and infrastructure**

Provision of additional housing will support the local community and economy thereby contributing to the wellbeing of residents and supporting community cohesion,

4. **Addressing health and social care inequality**
   Provision of additional housing will support health and social care of residents through high quality accommodation at affordable rents.

5. **Thriving economy**
   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

Section 3 - Statutory Officer Clearance

Statutory Officer: Tasleem Kazmi
Signed on behalf of Chief Financial Officer
Date: 1st February 2022

Statutory Officer: Paresh Mehta
Signed on behalf of the Monitoring Officer
Date: 2nd February 2022

Statutory Officer: Nimesh Mehta
Signed on by the Head of Procurement
Date: 31st January 2022

Statutory Officer: Dipti Patel
Signed by the Corporate Director
Date: 2nd February 2022

Statutory Officer: Susan Dixson
Signed by the Head of Internal Audit
Date: 1st February 2022

Mandatory Checks

Ward Councillors notified: NO- as it impacts on all Wards

EqIA carried out: YES

EqIA cleared by: Shumailla Dar

Section 4 - Contact Details and Background Papers

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

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee - NO

Appendix 1

HRA Budget 2022-23 and MTFS 2023-24 to 2024-25 – Expenditure

	Budget 2022-23	Budget 2023-24	Budget 2024-25
	£	£	£
Employee Costs	2,509,610	2,530,925	2,563,886
Supplies & Services	861,060	856,170	873,293
Utility cost	599,660	629,643	629,643
Estate & Sheltered Services	3,482,020	3,510,960	3,540,478
Central Recharges	3,608,340	3,674,475	3,766,337
Operating Expenditure	**11,060,690**	**11,202,172**	**11,373,637**
Repairs – Responsive	2,174,700	2,174,700	2,207,914
Repairs – Voids	946,500	946,500	967,995
Repairs – Other	3,542,060	3,542,060	3,612,736
Planned Preventative Maintenance	400,000	400,000	400,000
Repairs Expenditure	**7,063,260**	**7,063,260**	**7,188,645**
Contingency	230,000	230,000	230,000
Bad debt provision	150,000	150,000	150,000
Affordable Housing	488,450	498,089	507,922
Charges for Capital	6,593,470	7,247,028	7,928,225
Depreciation	8,392,240	8,424,852	8,626,677
Other Expenditure	**15,854,160**	**16,549,969**	**17,442,823**
Total Expenditure	**33,978,110**	**34,815,401**	**36,005,105**

Appendix 1 (continued)

HRA Budget 2022-23 and MTFS 2023-24 to 2024-25 – Income

	Budget 2022-23	Budget 2023-24	Budget 2024-25
	£	£	£
Rent Income – Dwellings	(29,872,716)	(30,419,014)	(32,057,482)
Rent Income – Non Dwellings	(516,670)	(550,550)	(550,550)
Service Charges – Tenants	(1,529,210)	(1,511,666)	(1,541,900)
Service Charges – Leaseholders	(916,420)	(934,748)	(953,443)
Facility Charges	(577,180)	(577,180)	(577,180)
Interest	(3,000)	(3,000)	(3,000)
Other Income	(155,900)	(155,900)	(155,900)
Recharge to General Fund	(165,650)	(165,650)	(165,650)
Total Income	**(33,736,746)**	**(34,317,708)**	**(36,005,105)**
In Year Deficit / (Surplus)	**241,364**	**497,693**	**0**
Transfer to Regeneration Reserve	**500,000**	**500,000**	**500,000**
BALANCE brought forward	(5,849,012)	(5,107,648)	(4,109,955)
BALANCE carried forward	**(5,107,648)**	**(4,109,955)**	**(3,609,955)**
Minimum Required Reserves	(2,362,206)	(2,402,885)	(2,521,019)

Appendix 2 - Average Rent & Service Charges – Social Rented Units

Description	**No. units**	**2021-22 weekly charge**	**2022-23 rent**	**2022-23 service charge**	**2022-23 total**	**Increase**
		£	**£**	**£**	**£**	**£**
Bedsit bungalow	18	107.17	108.41	3.14	111.55	4.38
1 Bed bungalow	116	117.50	119.65	2.56	122.21	4.71
2 Bed bungalow	29	133.84	135.15	4.13	139.28	5.44
Bedsit flat	82	91.13	91.75	4.53	96.28	5.15
1 bed flat	1151	102.72	102.95	3.99	106.94	4.22
2 bed flat	739	116.95	117.32	4.61	121.93	4.98
3 bed flat	42	129.70	128.97	5.44	134.41	4.71
1 bed Maisonette	6	95.62	98.91	0.46	99.37	3.75
2 bed Maisonette	47	115.85	116.49	4.06	120.55	4.70
3 bed Maisonette	43	129.26	130.03	4.86	134.89	5.63
4 bed Maisonette	1	135.51	141.07	0.00	141.07	5.56
2 bed Parlour House	31	128.92	132.92	1.36	134.28	5.36
3 bed Parlour House	517	142.05	145.96	1.96	147.92	5.87
4 bed Parlour House	57	155.15	158.49	2.72	161.21	6.06
5 & 6 bed Parlour	10	166.36	163.74	9.35	173.09	6.73
2 bed Non Parlour	493	125.01	127.83	2.28	130.11	5.10
3 bed Non Parlour	704	137.09	140.36	2.43	142.79	5.70
4 bed Non Parlour	33	151.40	154.07	3.40	157.47	6.07
5,6 & 7 bed Non	6	163.55	168.91	1.32	170.23	6.68
Sheltered bedsit	12	102.40	93.78	12.69	106.47	4.07
Sheltered – other units	500	101.90	102.45	3.64	106.09	4.19
Non sheltered	**4,125**	**121.28**	**123.13**	**3.33**	**126.46**	**5.18**
Sheltered	512	101.92	102.25	3.85	106.10	4.18
Total	**4,637**	**119.18**	**120.82**	**3.38**	**124.20**	**5.02**

Average charge for social rented units 2021-22 was £119.18 per week comprising £115.86 rent, £3.32 service charge per week respectively.

Estimated average charge for 2022 -23 is £124.20 per week comprising £120.82 rent, £3.38 service charge, reflecting rent increase of CPI + 1% where September CPI is 3.1% and just CPI for tenant service charges.

Appendix 2 continued

Average Rent and Service Charges – Affordable Rented & Shared ownership Units

Description	Current No. units 2021/22	**2021-22 Charges	2022-23 Rent	2022-23 Service Charge	2022-23 Total charges	Increase
		£	£	£	£	£
1 bed flat	19	172.04	160.30	18.47	178.77	6.73
2 bed flat	55	196.92	184.30	18.63	202.93	6.01
3 bed flat	10	212.27	200.27	20.51	220.78	8.51
3 bed Parlour House	1	211.58	220.25	0	220.25	8.67
2 bed Non Parlour House	10	0	178.22	9.90	188.12	N/A
3 bed Non Parlour House	14	211.34	208.62	3.31	211.93	0.59
4 bed Non Parlour House	4	228.77	238.15	0	238.15	9.38
3 bed Parlour House (shared ownership)	5	199.82	210.53	0	210.53	10.71
Total	**118**	197.09	**187.40**	**14.63**	**202.03**	**4.94**
Affordable rented	113	196.95	186.37	15.28	201.65	4.70
Shared ownership	5	199.82	210.53	0	210.53	10.71
Total	**118**	**197.09**	**187.40**	**14.63**	**202.03**	**4.94**

**** 96 units**

One hundred and eighteen new homes have completed; table above shows average rents for 2022-23 of £187.40 reflecting average rent increase of CPI + 1% where September CPI is 3.1% and CPI only for service charges giving an average service charge of £14.63. The average rent and service charges will change as new properties are completed in 2022/23.

Council initially has equity of 65% to 75% in shared ownership units with option for the tenant to purchase additional equity in future.

Appendix 3 - Garages & parking space charges

All in £s	Current Weekly Rental 2021-22	Proposed Weekly Rental 2022-23
Garages	14.05	14.05
Car Spaces	9.16	9.16

Appendix 4 - Facility Charges

Sheltered Block	**No. of properties**	**Current average weekly facility charge (Heating) 2021/22**	**Proposed average weekly facility charge (Heating) 2022/23 No increase**
Alma Court	30	17.02	17.02
Belmont Lodge	30	17.02	17.02
Boothman House	30	17.02	17.02
Cornell House	30	17.02	17.02
Durrant Court	27	17.02	17.02
Edwin Ware Court	30	13.24	13.24
Goddard Court	30	17.02	17.02
Grahame White House	30	17.02	17.02
Grange Court	30	13.24	13.24
Harkett Court	30	17.02	17.02
Harrow Weald Park 0 Bed	12	11.50	11.50
Harrow Weald Park 1 Bed	19	15.54	15.54
Harrow Weald Park 3 Bed	1	23.10	23.10
John Lamb Court	32	17.88	17.88
Meadfield	30	17.02	17.02
Sinclair House	27	17.02	17.02
Tapley Court	26	17.02	17.02
Thomas Hewlett House	30	17.02	17.02
William Allen House	29	13.24	13.24
Resident Warden Accommodation	9	24.83	24.83
Other Non-Sheltered	101	14.67	14.67

Appendix 5 - Water Charges

Sheltered Block	No.of flats	Current Range Water Charge 2021-22		Proposed Range Charge at 0% increase for 2022-23	
		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.

Appendix 6 - Community Centres

Community Hall and Capacity	Current 2021-22 Charges per first 3 hours block booking then subsequent hourly rate			Proposed 2022-23 Charges per hour letting 0% Price Increase		
	Evening Rate	Daytime Rate	Weekend Rate	Evening Rate	Daytime Rate	Weekend Rate
	£	£	£	£	£	£
Augustine Road [max 30]	27.38	13.69	41.06	27.38	13.69	41.06
Marsh Road Hall [max 30]	27.38	13.69	41.06	27.38	13.69	41.06
Brookside Hall [max 30]	27.38	13.69	41.06	27.38	13.69	41.06
Julie Cook Hall [max 30]	27.38	13.69	41.06	27.38	13.69	41.06
Grange Farm Community Centre [max 30]	27.38	13.69	41.06	27.38	13.69	41.06
Woodlands Hall [max 60]	41.06	20.52	56.05	41.06	20.52	56.05
Churchill Place [max 100]	54.74	24.62	68.43	54.74	24.62	68.43
Kenmore Park [max 100]	54.74	24.62	68.43	54.74	24.62	68.43
Pinner Hill Hall [max 100]	54.74	24.62	68.43	54.74	24.62	68.43
Northolt Road Hall [max 100]	54.74	24.62	68.43	54.74	24.62	68.43

Terms & Conditions associated with Hall lets:

- Lets to Tenants & Residents Association 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

Appendix 7 - HRA Capital Programme

Budget Description including additions / re-profiling (£)				Additional		Total
	2022-23	2023-24	2024-25	2025-26	2026-27	Cumulative
Main Programme	8,428,048	8,428,048	8,428,048	8,428,048	8,428,048	42,140,240
Retrofit for energy efficiency	1,000,000	1,000,000	1,000,000	0	0	3,000,000
Housing IT system	178,880	0	0	0	0	178,880
Aids & Adaptations	845,000	845,000	845,000	845,000	845,000	4,225,000
Planned investment	**10,451,928**	**10,273,048**	**10,273,048**	**9,273,048**	**9,273,048**	**49,544,120**
Grange Farm phase 1	2,505,043	0	0	0	0	2,505,043
Grange Farm phase 2	2,268,549	10,021,813	12,755,523	9,297,217	496,222	34,839,324
Other schemes	13,709,726	47,846,648	20,168,410	12,558,000	12,558,000	106,840,784
Building Council Homes for Londoners (BCHfL)	**18,483,318**	**57,868,461**	**32,923,933**	**21,855,217**	**13,054,222**	**144,185,151**
Grange Farm phase 3	311,846	311,846	428,422	6,008,017	16,588,596	23,648,727
Grange Farm Infrastructure	4,877,710	1,464,610	690,610	803,110	690,610	8,526,650
Total HRA Capital Programme	**34,124,802**	**69,917,965**	**44,316,013**	**37,939,392**	**39,606,476**	**225,904,648**

* £225,904,648-Includes estimated slippage c/fwd following reprofile of BCHFL programme of £26.864729m across 3yrs, and £51,979,729 across 5 years respectively.

Additions Reductions

Additions included programme above (£)				Additional		Total
	2022-23	2023-24	2024-25	2025-26	2026-27	Cumulative
Main programme	4,378,048	4,378,048	5,378,048	4,378,048	9,273,048	27,785,240
Housing IT system	0	0	0	0	0	0
Grange Farm phase 1	-559,897			0		-559,897
Grange Farm phase 2	1,499,531	2,953,331	10,218,023	6,244,277	496,222	21,411,384
Grange Farm phase 3	311,846	311,846	428,422	6,008,017	16,588,596	23,648,727
Grange Farm Infrastructure	4,877,710	1,464,610	690,610	803,110	690,610	8,526,650
Other schemes	13,447,190	7,840,791	19,022,939	12,558,000	12,558,000	65,426,920
Total HRA Capital Programme	23,954,428	16,948,626	35,738,042	29,991,452	39,606,476	146,239,024

Appendix 7 (continued) - HRA Capital Programme

Summary of re-profiling included in the capital programme summarised below:

				Additional years		Total
	2022-23	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**Cumulative**
Grange Farm phase 3	423,490	-423490	0			0
Grange Farm Infrastructure	-1,030,982	1,030,982	0			0
Other schemes	-29,332,870	29,332,870	0			0
Total HRA Capital Programme	**-29,940,362**	**29,940,362**	**0**			**0**