

REPORT FOR: CABINET

Date of Meeting:	15 December 2010
Subject:	Draft Housing Revenue Account Budget 2011-12 to 2015-16
Key Decision:	Yes
Responsible Officer:	Myfanwy Barrett, Corporate Director of Finance Lynne Pennington, Divisional Director Housing
Portfolio Holder:	Councillor Bill Stephenson, Leader of the Council Councillor Bob Currie, Portfolio Holder for Housing
Exempt:	No
Decision subject to Call-in:	Yes
Enclosures:	Appendix 1 – HRA Draft Budget 2011-12 to 2015-16 Appendix 2 – Rent Options 2011-12 Appendix 3 – Garages & Parking Space Charges Appendix 4 – Facility Charges Appendix 5 – Community Centre Charges Appendix 6 – HRA Capital Programme

Section 1 – Summary and Recommendations

This report sets out the Draft Housing Revenue Account (“HRA”) Budget for 2011-12 to 2015-16, subject to the annual HRA subsidy determination and agreement of income maximisation options.

Recommendations:

The Cabinet is requested to:

1. Note the Draft HRA Budget for 2011-12 to 2015-16 set out in Appendix

1, and refer the Draft HRA Budget to the Tenants & Leaseholders Consultative Forum in January 2011.

2. Agree to consult with Tenants on the options on the revised Rent Strategy.
3. Authorise officers to consider further options to maximise income to the HRA and report back to Cabinet in February 2011 to enable the 2011-12 rent increase to be approved, following consultation.
4. Agree to delete the Revenue Contribution to Capital Outlay [RCCO] and fund the programme by borrowing.

Reason: (For recommendation)

To publish the draft budget.

Section 2 – Report

Introductory paragraph

1. The Council is required to agree an annual HRA budget which in turn requires a number of assumptions to be made including rent setting. This report sets out the main assumptions used in constructing the Draft HRA Budget 2011-12 to 2015-16.
2. The Draft HRA Budget, as set out below, relies on latest assumptions and activity, updated where relevant to reflect changing operational needs and priorities. The Housing Ambition Plan [HAP] and the proposed HRA Reforms will significantly alter the longer term Business Plan and this will need to be updated in due course.
3. The cost of delivering services at current levels together with identified pressures and savings identified as part of Quarter 2 monitoring are taken into account. The reported position is subject to changes resulting from changes in Government policy and Housing priorities, together with the impact of the Housing Subsidy determination and impact of income generation and maximisation options.
4. In recent years, annual expenditure has been greater than the income received in the year, resulting in an annual reduction in HRA balances, and causing pressures around the longer term funding of the HRA. The budget process will need to consider how resources can be maximised to avoid HRA balances falling below the recommended level of £750k.

5. The Draft Housing Revenue Account for 2011-12 to 2015-16 is attached at Appendix 1. This draft excludes the impact of the income maximisation options, although reference to the likely additional income is provided to assess the impact of the options on the HRA balances. The key assumptions that underpin the strategy and the three year revenue budget summary are set out in the following sections.

Income - Assumptions

Dwelling rents

6. The Government intends that by close 2015-16 similar properties in the same area will have similar rents even if owned by different social landlords. The aim is to deliver fairer rents, and greater transparency and choice for tenants. This is generally referred to as rent convergence, however the introduction of intermediate rents in the comprehensive spending review may alter this position.
7. The rent strategy approved in February 2010 resulted in an average rent increase of 4.95% in 2011-12 (2.85% in 2010-11). This means an average rent charge of £90.88 per week per tenant (£86.60 in 2010-11) representing an average rent increase of £4.28 (£4.67 in 2010-11). This will achieve rent convergence for 99.9% of Council dwellings by the target date, although this needs review to update Government inflation assumptions which will reduce the percentage of dwellings achieving convergence by the intended date.
8. The strategy assumes a stock level of 4,969 at the start of April 2011 reducing marginally by an estimated three right to buy sales each year thereafter. A void turnaround of 20 days is estimated to be achieved by 2015-16. Options to reduce this further are considered to maximise income and are detailed in paragraph 38 below.

Service charges : Tenants & Leaseholders

9. In line with Government guidance, the Council separated service charge from dwelling rent in April 2007. The costs of delivering estate based communal services are recovered directly from tenants through the service charge. The estimated total cost of de-pooled services for 2011-12 is £3.2m. (£2.2m in 2010-11). All tenants will receive a service charge for estate based costs and a further 'Assisted Living Charge' is anticipated for tenants in Sheltered Accommodation to recover the specific costs of services from this group of tenants. In the longer term, this should result in a significant proportion of these costs being recovered.
10. A lean review of leaseholder service charges has taken place to enable consistent or 'tenure blind' approach to charging for services to be developed. This approach ensures that the methodology for the charges to tenants and leaseholders is the same so all charges are open and transparent and it is easier for residents to understand what each element of the charge is for.

11. As a result of this review, the average service charge for tenants will reduce from £4.77 to £2.53 per week. Additional service charges for the services received by sheltered tenants are not reflected in this charge, however, a further review of these charges is expected to be progressed during 2011-12 for implementation in 2012-13 subject to further consultation.
12. Leaseholders will no longer be charged an estimated service charge but will be invoiced annually by the end of September for the previous financial year, based on actual recovery of costs. Leaseholders will be required to settle these invoices within 30 days.

Other income

13. Other rental income from garages, car parking, commercial shops and facilities charges is recommended to increase by 2% in line with the Corporate Fees & Charges policy.
14. Income from these sources are under review (see income maximisation options below), the results of which will be used to update the HRA Budget and reported to Cabinet in February 2011.
15. Details of the proposed rents for garages and parking, facility charges and charges for community centres are set out in appendices 3, 4 and 5 respectively.

Expenditure - Assumptions

Employee Costs

16. The Draft HRA budgets are based on the staffing establishment, and assume no pay inflation in 2011-12 and 2012-13, 2% per annum assumed from 2013-14 ongoing.

Utility Costs

17. Gas, Electricity and Water charges have been assumed to attract no contractual inflation. Further work is underway to identify costs associated with facilities provided to tenants, and is likely to result in a review of the charges to reflect services received and to maximise the income.

Central Recharges

18. These costs total £3.3m in 2011-12 (£2.9m in 2010-11) and assume inflationary increases of 27% in respect of Desktop IT, 9.25% for External Audit and 2% for other services. An additional £245k relating to formerly 'capped' costs has also been included. The 27% increase in respect of Desktop IT are for 2011-12 only and reflect an infrastructure refresh intended to increase the flexibility and resilience of the Council's IT resources.

General Contingency

19. The strategy sets aside £200k to cover unforeseen expenditure that may arise in the management and maintenance of the housing stock.

Charges for Capital

20. The strategy reflects the HRA share of the Council debt redemption premium over the next five years. It also reflects discounts due to the HRA from the historic debt restructuring programme. In calculating the cost of borrowing to support the decent homes programme, detailed in paragraph 23 below, a consolidated rate of interest (CRI) of 4.59% is assumed. This rate reflects the estimated cost of borrowing based on a review of the Council's loan portfolio. This review indicated a significant proportion of long term borrowing to approximate to the estimated CRI.

Capital Investment and Prudential Borrowing

21. In accordance with the HAP, an Asset Management Restructure has been undertaken to better manage the Housing Capital Programme. Additional revenue costs of £198k are anticipated in 2011-12 as a result of the restructure in relation to the Data Management Team which cannot be capitalised, however, given the split between capital and revenue further savings are anticipated which could result in revenue reductions.
22. The original budget 2010-11 assumed a RCCO of £500k to the capital programme. This has been reduced to £250k to fund expenditure brought back to revenue and has assumed to be ongoing. To assist in bringing annual income in line with expenditure, the programme could be funded in full by borrowing rather than continuing the RCCO contribution. This would result in a reduction in the region of £238k per annum after allowing for the additional cost of borrowing.
23. The table below shows the HRA Capital programme (detailed analysis given in appendix 6) split between estimated salary costs and payments to contractors. It is likely that there may be savings arising from the Asset Management Restructure which will reduce the salary costs detailed below. Once the structure has been embedded and the extent of the potential savings quantified, Cabinet will be asked to agree how best to utilise the efficiencies.

Type of expenditure	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000
Estimated salary costs before Asset Management Restructure	1,141	1,141	1,141	1,141	1,141
Estimated payments to contractors	5,219	5,219	5,019	5,019	5,019
Original Capital programme	6,360	6,360	6,160	6,160	6,160

Type of expenditure	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000
Salary savings resulting from Asset Management Restructure	(569)	(564)	(558)	(552)	(546)
Estimated Capital expenditure assuming salary savings realised	5,791	5,796	5,602	5,608	5,614

24. Appendix 6 provides details of the original Capital programme which is under review.

25. Capital expenditure is funded from Major Reserve Allowances (MRA), capital receipts and a Revenue Contribution to Capital Outlay (RCCO). The balance is financed through borrowing. The table below shows the funding of the Capital Programme assuming salary savings resulting from the Asset Management Review are fully realised.

Financing of Capital Programme	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000
Major Repairs Allowance (MRA)	4,006	4,116	4,230	4,348	4,471
Capital receipts	250	250	250	250	250
RCCO	250	250	250	250	250
Grant funding for extensions	200	200	-	-	-
Section 20 contributions	-	-	-	-	-
Borrowing	1,085	980	872	760	643
Total funding assuming salary savings reduce total Capital Programme	5,791	5,796	5,602	5,608	5,614

26. Additional financing of the capital programme is anticipated from the Section 20 contributions from leaseholders, however resources from this process have not been included pending an assessment of the costs likely to be recovered and a further Cabinet decision around the use of these resources. These resources could be used to invest further in Council stock although it is recommended that as much of these contributions as possible are used to reduce the cost of borrowing.

Housing Ambition Plan

27. The HAP, approved by Cabinet 15 July 2010, anticipated net additional costs of £96k in 2011-12 followed by net savings of £24k from 2012-13 and ongoing.

28. The costs include additional staffing costs of some £258k and £156k for 2011-12 and 2012-13 respectively, of which £128k ongoing relate to the new Asset Management function.

29. These are offset by estimated additional income of £300k per annum in respect of the review of Leasehold service charges (see section on income maximisation).

Bad debt provision

30. Improved collection performance during 2010-11 indicates a likely reduction in the provision for Bad debts. This partly reflects the introduction of more flexible payment arrangements.

Repairs

31. Response repairs are estimated at £2.4m in 2011-12 (£2.6m 2010-11) based on an estimated unit cost of £105 (2010-11 £116.54). The reduction in the estimated unit cost is partly attributable to implementation of the Lean review on response repairs. Further reductions are anticipated with the recharging of costs back to tenants.

32. Void repairs are estimated at £619k in 2011-12 (£554k 2010-11) based on estimated unit cost of £2,400 and a volume of three hundred routine voids (in line with dwelling rent estimates). Expenditure assumed to be eligible for transfer to capital schemes is estimated at £101k, in line with 2010-11. These costs will be kept under review with the expectation that the costs reduce over time.

33. External Decorations and Cyclical repairs are estimated at £553k and £425k respectively in 2011-12. All costs are assumed to be increase by 4.5% per annum in line with contractual obligations, with the exception of contribution to contractor overheads, which are assumed to attract no inflation. Section 20 income will be recovered as appropriate in relation to these programmed works.

HRA subsidy

34. The Government issued its Draft HRA Determination on 5th November and further increases the amount of Subsidy payable to contribute to Housing nationally. The determination anticipates rent convergence by close 2015-16.

Comprehensive Spending Review

35. The Comprehensive Spending Review ("CSR") was released by the new Coalition Government on 20 October 2010. The main impacts on the HRA are as follows :

- HRA Reform will continue although the timing of implementation and finalisation of the debt settlement are yet to be clarified. The Draft HRA Budget assumes the current HRA Subsidy system continues until the Government issues clarification. The annual subsidy determination is complex and dependent upon Government assumptions, and can cause significant variations year on year. To avoid significant swings a 3% increase in the subsidy payment is estimated from 2012-13 onwards.
- The Supporting People Grant is expected to continue although the Draft HRA Budgets assume the grant will reduce by £75k in each of 2011-12

and 2012-13, and then by a further £50k in 2013-14 to recognise the move away from block grant payment.

- The CSR makes reference to resources for disabled adaptations. The Capital programme (appendix 6) includes £700k allocated to Adaptations although no HRA grant funding is assumed in the financing of the capital programme.

Income generation and maximisation options

36. Without income maximisation options, HRA balances are expected to be fall below the recommended £0.75m by 2013-14 and to be completely exhausted during 2014-15.

37. A number of options are currently being explored to redress these balances, which if agreed as part of the budget process will result in a healthier position with balances of £1.3m in 2015-16. A cautious assessment of each of the income maximisation options is then detailed further below.

Estimated HRA Balances	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000
Balance brought forward	3,283*	2,025	1,319	465	0
In year Deficit	1,258	706	854	940	1,051
Balance carried forward, assuming income maximisation options <u>not</u> incorporated (Appendix 1)	2,025	1,319	465	0	0
Cumulative impact of income maximisation options	596	1,146	1,700	2,259	2,827
Balance carried forward, once income maximisation incorporated	2,621	2,465	2,165	1,784	1,301

* Note : anticipated balances based on Qtr 02 2010-11

38. The income maximisation options referred to in the above table are detailed below. Pending further consideration and consultation, these will be incorporated into the final HRA Budget for approval by Cabinet in February 2011.

- A review of the rent strategy to determine whether it is possible to bring forward rent increases to offset the subsidy impact and to increase income to the account to reduce the in year deficit. Additional rent income of £790k is built into Appendix 1 assuming the current rent strategy is maintained. Appendix 2 explores a range of options which would generate additional income above that already assumed within the draft MTFS.

- A review of void assumptions; decreasing the turnaround period will result in additional rent being received. A reduction in routine void turnaround to 15 days by 2015-16 (as opposed to 20 days currently assumed) would result in additional income in the region £50k by the end of 2015-16.
- Freehold tenants who exercised the right to buy their home, benefit from services that are currently charged to the HRA. Additional income of approximately £500k [after allowing for collection costs and possible increase in bad debt provision] could be generated if these charges were passed onto freeholders [4,800 freeholders with an average charge of £140 per annum].
- Maximising revenue and capital receipts from the enforcement of section 20 notices which enable the recovery of repairs & maintenance costs from leaseholders. Depending on capital scheme approvals, it is estimated some £46k interest cost can be saved for each £1m received in respect of s20 capital works. Section 20 notices in the region of £1.1m are anticipated in 2010-11 in relation to capital schemes and planned external decoration works. Costs recovered from leaseholders in future years will be dependent on the scheme, number of leaseholders and scope of works. Consideration is being given to how the Council could spread the costs [perhaps over three years] of the major works to alleviate the financial burden on individual leaseholders as recently issued notices at Milman Close totalled approximately £14k per leaseholder.
- Reduction in the bad debt provision by a further £50k in 2011-12 from £200k to £150k would be a one off saving.
- Fully recovering the costs of facility charges to tenants and leaseholders.
- A review of the charging policy in respect of Garages, Community Halls and recharges to tenants is underway. An increase of 2% has been assumed across these services. The garage review will suggest potential charges and for community halls it is expected that the costs of running the Halls will be recovered from charging.

Summary

39. The Draft HRA Budget shown in Appendix 1 indicates in year deficits over the coming five years which will deplete balances below the recommended £0.75m by 2013-14.
40. It is estimated the income maximisation options referred to above would result in additional net income in the region of £2.8m over the next five years which would restore HRA balances to approximately £1.3m by the end of 2015-16. These options, together with the HRA self financing proposals, which have been approved by the new coalition Government, should further strengthen the HRA in the longer term.

Consultation

41. The recommended consultation with tenants on the options for the Rent Strategy and other income maximisation options will be undertaken at the January meeting of the Tenants and Leaseholders Consultative Forum, and responses fed back to Cabinet to assist in the setting of the 2011-12

rents and the approval of the HRA budget 2011-12 to 2015-16 by Council In February.

Financial Implications

42. Financial matters are integral to this report

Performance Implications

43. Detailed performance measures for the HRA will be built into the Service Improvement Plans for 2011-12 to 2015-16 and progress will be monitored by Improvement Boards and reported on a quarterly basis.

44. Given the reducing level of resources, without the impact of the income maximisation opportunities, it will be important to track the performance to ensure that any reductions in service levels are quickly reported and mitigating actions are put in place.

45. The Government's plans to change the National Indicator Set will mean that the Council has to review the performance indicators it uses to measure services. Much of this review has been completed by officers and enables measuring the impact of services on residents.

Risk Management Implications

46. As part of the budget process the budget risk register will be reviewed and updated, and included in the report to February cabinet. This helps to test the robustness of the budget.

Equalities Implications

47. The report has no equalities implications.

Environmental Impact

48. The draft HRA MTFs does not include provision to deliver the Council's Climate Change Strategy, pending further analysis of the financial impact and benefits associated with the Council's Housing stock.

Corporate Priorities

49. The report is in line with Corporate Priorities.

Section 3 - Statutory Officer Clearance

Name: ... Donna Edwards on behalf of the
Chief Financial Officer

Date: 9th December 2010.....

Name: ...Matthew
Adams.....

on behalf of the
Monitoring Officer

Date: ...8th December 2010..

Section 4 – Performance Officer Clearance

Name: ...Alex Dewsnap.....

Divisional Director
Partnership,
Development and
Performance

Date: ... 10th December 2010.....

Section 5 – Environmental Impact Officer Clearance

Name: ...John Edwards.....

Divisional Director
(Environmental
Services)

Date: ... 10th December 2010.....

Section 6 - Contact Details and Background Papers

Contact:

Milan Joshi
Housing Finance Manager
Telephone : 020-8416-8662

Background Papers:

- 30year HRA Business Plan
- Report to Cabinet in February on the Medium Term Financial Strategy

Draft HRA Budget 2011-12 to 2015-16

Appendix 1

Assuming income maximisation options not implemented

	Budget 2011-12 £	Budget 2012-13 £	Budget 2013-14 £	Budget 2014-15 £	Budget 2015-16 £
Operating Expenditure:					
Employee Costs	1,454,300	1,467,770	1,545,140	1,558,880	1,572,700
Supplies & Services	535,800	535,800	535,800	535,800	535,800
Utility cost (Water & Gas)	186,000	186,000	186,000	186,000	186,000
Estate & Sheltered Services	3,176,040	3,270,740	3,271,590	3,290,700	3,309,980
Central Recharges	3,272,560	3,338,060	3,404,880	3,473,030	3,542,540
Operating Expenditure	8,624,700	8,798,370	8,943,410	9,044,410	9,147,020
Repairs Expenditure:					
Repairs - Voids	619,100	636,410	654,500	673,400	693,160
Repairs - Responsive	2,435,090	2,516,870	2,602,320	2,691,610	2,784,940
Repairs – Other	1,458,450	1,496,850	1,536,850	1,578,530	1,621,910
Total Repairs Expenditure	4,512,640	4,650,130	4,793,670	4,943,540	5,100,010
Other Expenditure:					
Contingency - General	200,000	200,000	200,000	200,000	200,000
Charges for Capital	6,801,900	6,885,900	7,026,410	7,144,760	7,283,560
RCCO	250,000	250,000	250,000	250,000	250,000
Bad or Doubtful Debts	200,000	200,000	200,000	200,000	200,000
HRA Subsidy	7,096,520	7,309,420	7,528,700	7,754,560	7,987,200
Housing Ambition Plan	-178,000	-181,960	-187,040	-192,230	-197,540
Asset Management	279,550	282,350	285,170	288,020	290,900
Total Other Expenditure	14,649,970	14,945,710	15,103,440	15,645,110	16,014,120
Total Expenditure	27,787,310	28,394,210	28,840,520	29,633,060	30,261,150
Income					
Rent Income – Dwellings	-23,212,730	-24,355,010	-24,834,950	-25,324,350	-25,823,380
Rent Income – Non Dwellings	-857,720	-874,870	-892,370	-910,220	-928,420
Service Charges - Tenants	-1,164,480	-1,164,480	-1,164,480	-1,164,480	-1,164,480

	Budget 2011-12 £	Budget 2012-13 £	Budget 2013-14 £	Budget 2014-15 £	Budget 2015-16 £
Service Charges – Leaseholders	-548,190	-548,190	-548,190	-548,190	-548,190
Facility Charges (Water & Gas)	-497,230	-497,230	-497,230	-497,230	-497,230
Interest	-6,120	-6,120	-6,120	-6,120	-6,120
Other Income	-79,550	-79,550	-79,550	-79,550	-79,550
Transfer from General Fund	-163,000	-163,000	-163,000	-163,000	-163,000
Total Income	-26,529,020	-27,688,450	-28,185,890	-28,693,140	-29,210,370
In Year Deficit / (Surplus)	1,258,290	705,760	854,630	939,920	1,050,780
BALANCE brought forward	-3,282,500*	-2,024,210	-1,318,450	-463,820	-
BALANCE carried forward	-2,024,210	-1,318,450	-463,820	-	-
BALANCE Business Plan	-5,319,000	-5,460,000	-4,539,000	-3,572,000	-2,899,000

* Note : Balances brought forward 01 April 2010 £4,783,836 less forecast outturn Qtr 02 £1,501,332 yields estimated balances at 31st March 2011 £3,282,504

Rent Options 2011-12

1 Introduction

The three year rent strategy approved February Council 2010 resulted in an average weekly charge of £91.37 from April 2010. [Rent £86.60 and tenant service charges £4.77 – an average rent increase of 2.85% and £2.76 per week on the April 2009 figure]. The rent increase anticipated from April 2011 as part of the approved strategy was 4.95% for both rent and service charges resulting in an average increase of £4.52 per week to £95.89 per week.

Assuming this rent strategy remains unchanged and other opportunities for income generation / maximisation fail (freeholder charging, garage income and improved voids performance) the Housing Revenue Account (HRA) balances would fall below the recommended £0.75m by the end of 2014-15.

2 Context

Whilst the detail of the HB reform is still to be confirmed, it is apparent that some of those changes are highly likely to present increased financial pressure on tenants to pay their rent and charges.

It seems timely therefore to review the rental strategy to ensure that it helps position Harrow to protect the HRA from a possible increase in debt, once housing benefit reform bites.

3. Comparator rents

Listed below are the average rents for neighbouring Authorities for 2010-11 listed in descending order.

<u>Council</u>	<u>Ave rent pwk</u>	<u>Administration</u>
Kingston	£90.00	Lib / Dem
Brent	£89.49	Labour
Hillingdon	£89.12	Conservative
Harrow	£86.60	Labour
Croydon	£85.12	Conservative
Haringey	£83.43	Labour
Barnet	£83.17	Conservative
Ealing	£82.04	Labour
Enfield	£81.26	Labour
Hounslow	£78.88	Labour

4. Issues to be considered in determining the preferred strategy

- To ensure the longer term viability of the HRA by maximising income – Tenants are reminded that currently annual expenditure exceeds income resulting in an annual reduction in balances
- To enable rent convergence with private sector rents – the Government intend this to be achieved by 31st March 2016.
- To minimise the impact of HRA subsidy payments to the Government in advance of HRA Reform
- To consider whether further investment in the Council stock is desirable

- To consider other income maximisation proposals – paragraph 38 in the main body of the report refers
- To be aware of the number of tenants not in receipt of Housing Benefit who may find it difficult to pay higher rents. Latest information indicates approximately 1,390 tenants (28%) do not receive any housing benefits. 3,582 tenants (72%) are on benefits - 53% on full benefit and 19% on partial benefits.
- To be aware that there will be a reduction in the average weekly service charge for tenants from £4.77 to £2.53 following the lean review of service charges and ensuring consistency in charges between tenants and leaseholders. Additional service charges for the services received by sheltered tenants are not reflected in this charge, however, a further review of these charges is expected to be progressed during 2011-12 for implementation in 2012-13 subject to further consultation.

5 Rent Options

The following options are being explored and all are calculated to avoid an increase in the Council's payment to the Government in respect of Council Housing nationally. The proposals are explained below and the financial impact detailed in the table below.

Option 1 No change - This follows the rent increase originally approved by Council in February 2010. Convergence was based on formula rents increasing by 1% inflation, resulting in an earlier convergence date. However, latest CLG advice suggests formula rents increase by 4.6% - this would require reworking and result in a longer period to convergence.

Option 2 - Follow rent restructuring guidance, basing rents on the prior year with increases capped at RPI + ½% + £2 pwk.

Option 3 - Follow Government guidance which encourages the maximisation of rental income by setting rents at an individual property level as opposed to a broader proportionate increase limited by caps (above).

Under this option 370 tenants would experience rent reductions [the majority of whom are in sheltered accommodation] and for 688 tenants increases of more than £10 per week [26 of which are over £15 per week with the maximum increase at £30.97]. Of these 26 tenants 9 are in receipt of full HB and 9 receive no benefits. A decision could be taken to cap the maximum increase at £15 per week which would reduce the additional income by approximately £22k.

Option 4 - As above, implement Government guidance enabling the maximisation of rental income whilst continuing to re-let vacant dwellings at the target rent. This has broadly the same impact as the option 2 above however, to avoid an increase in HRA subsidy the average increase has been reduced resulting in a slightly lower increase of £2.22 per week in excess of that originally approved.

The above include estimated additional Subsidy payments to the Government of approximately £290k per annum reflecting modifications in assumptions used by the Government.

The table below summarises the impacts of these options:

Rent options impact 2011-12	Option 1[Base]	Option 2	Option 3	Option 4
Average rent & service charge	£95.89	£96.86	£98.16	£98.11
Weekly Increase [above base option]	£0	£0.97	£2.27	£2.22
Weekly Average Increase £	£4.52	£5.49	£6.79	£6.74
Weekly Average Increase %	4.95%	6.04%	7.46%	7.46%
Weekly increase range £	-£5.67 to £15.60	£0.38 to £8.38	-£12.66 to £30.97	-£12.70 to £30.90
Additional annual income	£790k	£1,170k	£1,500k	£1,500k
In year deficit	£1,258,000	£875,000	£543,000	£556,000
Est balances 31st March 2012	£2.0m	£2.4m	£2.7m	£2.7m
Convergence	99% by April 2013	85% [4,207] by 2015-16	99% [4,910] by 2015-16	99% [4.908] by 2015-16
Future rent increases £	£4.75 2012-13 £2.87 ongoing	£3.78 2012-13 ongoing	£3.53 2012-13 ongoing	£3.53 2012-13 ongoing
Future rent increases %	4.95% 2012-13 2% ongoing	3.9% 2012-13 ongoing	3.6% 2012-13 ongoing	3.6% 2012-13 ongoing

6 Recommended Option

Option 4 is the preferred option as this enables HRA income to be maximised, assists the longer term viability of the HRA and will enable consideration to be given to the future investment in the stock.

Garages & parking space charges**Appendix 3**

	Current Weekly Rental	Proposed Weekly Rental
	2010/11	(assuming 2% increase) 2011/12
	£	£
Garages	13.80	14.10
Car Spaces	9.00	9.20

Facility Charges

Appendix 4

Sheltered Block	No of Properties	Current average facility charge (Heating)	Proposed average facility charge (Heating) Increase to be determined
		2010-11 £	2011-12 £
Cornell House	30	10.35	10.35
Meadfield	29	10.35	10.35
Harrow Weald Park	31	8.50	8.50
Watkins House	43	10.85	10.85
Boothman House	30	10.30	10.30
Durrant Court	28	10.50	10.50
Grahame White House	29	10.35	10.35
Harkett Court	31	10.50	10.50
Sinclair House	27	10.35	10.35
Tapley Court	26	10.30	10.30
Alma Court	30	10.35	10.35
Belmont Lodge	30	10.30	10.30
Edwin Ware Court	30	8.70	8.70
Goddard Court	31	10.50	10.50
Grange Court	31	8.80	8.80
John Lamb Court	32	10.85	10.85
Thomas Hewlett House	30	10.35	10.35
William Allen House	29	9.40	9.40
Resident Warden Accommodation	9	13.80	13.80
Other Non Sheltered	129	9.60	9.60

Community Centres

Appendix 5

	Current 2010-11 Charges per 3 hour letting (additional hourly charge)		Proposed 2011-12 Charges per 3 hour letting Assuming 2% increase (additional hourly charge)	
	Evening Rate £	Daytime Rate £	Evening Rate £	Daytime Rate £
Methuen Road Fully ILet to Flash Musicals				
Stonegrove Gardens Hall Fully let to Nursery				
Augustine Road [max 30]	38.45	18.90	39.20	19.30
Each Extra Hour	9.70	5.10	9.90	5.20
Marsh Road Hall [max 30]	38.45	18.90	39.20	19.30
Each Extra Hour	9.70	5.10	9.90	5.20
Brookside Hall [max 30]	38.45	18.90	39.20	19.30
Each Extra Hour	9.70	5.10	9.90	5.20
Woodlands Hall [max 60]	75.30	37.95	76.80	38.70
Each Extra Hour	14.30	7.45	14.60	7.60
Churchill Place Hall [max 100]	84.45	41.90	86.10	42.70
Each Extra Hour	14.30	7.45	14.60	7.60
Kenmore Park Hall [max 100]	84.45	41.90	86.10	42.70
Each Extra Hour	14.30	7.45	14.60	7.60
Pinner Hill Hall [max 100]	84.45	41.90	86.10	42.70
Each Extra Hour	14.30	7.45	14.60	7.60
Northolt Road Hall [max 100]	84.45	41.90	86.10	42.70
Each Extra Hour	14.30	7.45	14.60	7.60

HRA Capital Programme

Appendix 6

	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000
Decent Homes :					
Capitalised salaries	187	187	187	187	187
Fire damage contingency	100	100	100	100	100
Kitchen rewiring programme	1,250	1,250	1,000	1,000	1,000
Bathroom / heating programme	1,000	1,250	2,000	2,000	2,000
Roofs,doors,windows programme	900	1,500	2,000	2,000	2,000
Door entry renewal	200	100	100	100	100
Sheltered lifts	300	300	200	200	200
Sheltered door entry	280	-	-	-	-
Digital TV aerials	350	-	-	-	-
Electric heating	500	250	-	-	-
Environmental improvements	300	500	150	150	150
Security flat blocks	200	200	-	-	-
Water tank improvement	25	25	-	-	-
Stock condition survey	80	-	-	-	-
Sheltered Warden call	120	-	-	-	-
Asbestos database development	5	-	-	-	-
Structural issues / drainage	50	50	50	50	50
Response/void repairs – capitalised	150	150	150	150	150
Garages	30	30	-	-	-
Codeman Licence	20	20	20	20	20
Loft insulation	-	20	-	-	-
Decent Homes – sub total	6,047	5,932	5,957	5,957	5,957
Adaptations	700	700	700	700	700
HRA Capital Programme – Council Funded (including over programming)	6,747	6,632	6,657	6,657	6,657
Less over programming	587	472	497	497	497
HRA Capital Programme – Council Funded	6,160	6,160	6,160	6,160	6,160
Grant funded Extensions	200	200	-	-	-
Total HRA Capital Programme	6,360	6,360	6,160	6,160	6,160