Tenants, Leaseholders and Residents Consultative Forum

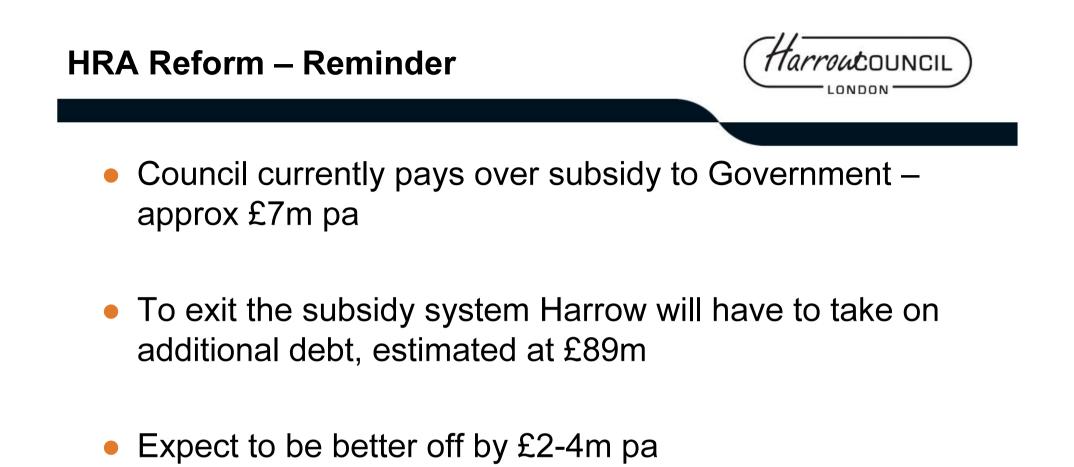
30 January 2012, 2 - 5pm Civic 1, Committee Rooms 1 & 2



Content



- HRA Reform
- Rent & Service Charges 2012-13
- Other Charges 2012-13

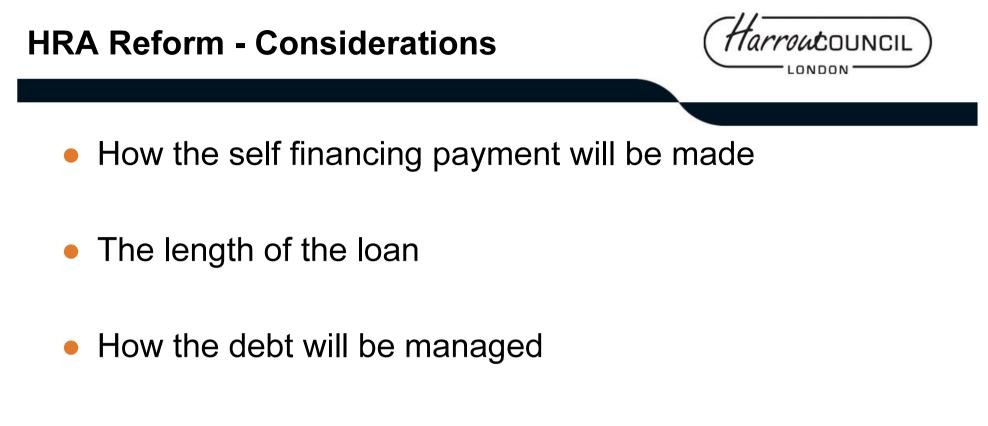


- Debt cap to be introduced by Govt nationally
- The HRA remains a ring fenced account but is still part of the Council

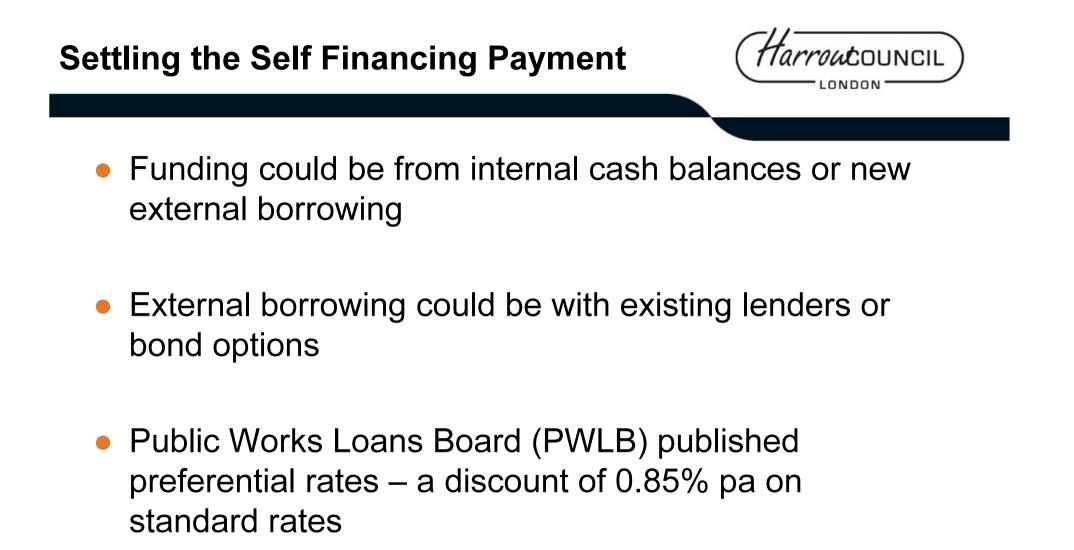
MCOUNCIL

At the Special TLRCF in September 2011, the following objectives were made clear:

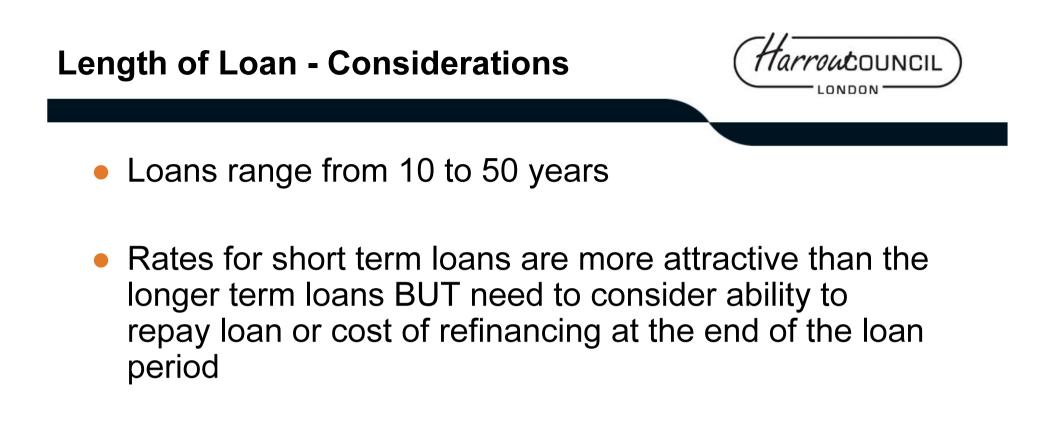
- To invest more in improving the stock
- To improve the repairs service
- To invest in the service to protect it against management risks associated with coalition changes
- To maintain safe balances
- To consider repayment of debt
- Investment in new affordable housing with rents maintained at an acceptable level (specifically maintaining a positive differential with registered providers)



• How the additional resources will be used



 Consideration of the overall Council borrowing requirements



- Rates are fluctuating daily and will continue to do so until the settlement date. Rates at 19th January 2012 were:
 - 10 yr rate approx 2.16%
 - 50 yr rate approx 3.15%

Length of Loan - Preferences	Harrowcouncil
 The Council will have a borrowing required the next 50 years 	uirement over
 Given the immediate investment requires stock and services, HRA surpluses not yr6 onwards, so would need to refinant 	t expected until
 Anticipate rates yr 10 in the region of 5 term gain v long term cost 	5%+ - so short

50 year debt recommended



- Councils have freedom to develop own approach provided it is fair to both
- Currently HRA borrowing is combined with the General Fund in a single pool of borrowing – this could continue
- A two pool approach would allocate the HRA a share of existing debt based plus the new debt acquired for settlement purposes – this would be a change to the current method

How the debt will be managed - preferences

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- A single pool:
 - provides flexibility for both the Council and the HRA in the longer term ie; if the HRA was in a position to repay debt at any time it could do so.
- A two pool approach:
 - could mean lower rates of interest for the HRA in the short term
 - would mean that the HRA would have to make treasury decisions based on its debt alone, this may not be as flexible as the single pool approach
- Preference for continuation of single pool to maintain maximum flexibility across the Council



- Assuming £150m at 50 yr rate (3.15%) and one pool
 - HRA interest rate would be approx 4.2%
 - Cost of financing debt would be approx £6.3m
- Assuming £150m at 10 yr rate (2.16%) and one pool
 - HRA interest rate would be approx 4%
 - Cost of financing debt would be approx £6m
- Assuming £150m at 10 yr rate (2.16%) and two pools
 - HRA interest rate would be approx 3.14%
 - Cost of financing debt £4.7m

Other Reform Considerations

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- As a consequence of borrowing to meet Decent Homes, the additional borrowing for Self Financing will place Harrow at the maximum debt cap
- This means Harrow will not be able to borrow until some debt has been repaid
- Given investment requirements, surpluses not expected beyond safe balances until yr 6 earliest
- Therefore, cannot borrow to meet affordable housing in the shorter term – this was one of tenants main objectives

Other Considerations - Solution

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- The GF is not at is capital borrowing limit
- It does have revenue pressures
- The HRA is at is capital limit but anticipates surpluses in the medium term
- Cabinet members are therefore looking at ways in which the HRA could access capital to enable consideration of an affordable housing programme



50 year debt and a single pool would in 2012-13;

- Enable additional investment in the stock of £1.3m (and over 30 yrs deliver the investment required by the stock condition survey)
- Enable additional investment in services of £0.9m (and further annual amounts in the first five year)
- Enable surpluses to be built up post year 10 of the 30yr business plan
- As a consequence of the anticipated increase in balances, enable longer term consideration of debt repayment and / or wider affordable housing programme to meet needs of residents in Harrow.

Rents & Service Charges 2012-13 – Appendix 2

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- Government policy that rents will be similar by 2015-16 (rent convergence)
- Rental strategy approved March 2011 based on national rent policy = RPI + 0.5% real growth + £2. RPI was 2.5%, anticipated average rent increase for 2012-13 of 3.7%
- RPI at September 2011 was 5.6%. Maintaining this policy will mean rents will increase on average by 6.74%

Rents & Service Charges 2012-13 (Cont'd)

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Maintaining current rent policy, uplifted for revised inflation means:

- Average rent becomes £102.14 per week an increase of £6.45 per wk on the current year average of £95.69
- Average service charge becomes £2.68 an increase of £0.15 per wk on the current year average of £2.53

Other Charges 2012-13 – Appendices 3-6



- Garages Appendix 3 recommended to increase by 2%
 - Garages £14.33 (2011-12 £14.05)
 - Car spaces £9.34 (2011-12 £9.16)
- Facility Charges Appendix 4 recommended to increase by 4% to recoup anticipated cost increases 2012-13 and move towards full cost recovery
- Water Charges Appendix 5 assumed 2% increase but awaiting notification from Veolia Water
- Community Centres Appendix 6 assumed 2% increase

What happens next



- Feedback to Cabinet from TLRCF
- Cabinet on 9th February 2012 will be asked
 - To increase rents and other charges and refer to Council on 16th February 2012
 - To agree the HRA MTFS
 - To approve the introduction of a Major Work Loans Policy
 - To delegate further consultation to the Director of A&H and the Portfolio Holder for Housing to consult with leaseholders around the increase in the admin fee
- Council on 16th February 2012 will be asked
 - To agree rents and service charges
 - To agree the 2012-13 HRA budget
 - To agree the 2012-13 HRA capital programme