

TENANTS', LEASEHOLDERS' AND RESIDENTS' CONSULTATIVE FORUM SPECIAL MINUTES

30 JANUARY 2012

Chairman: * Councillor Bob Currie

Councillors: * Mrs Camilla Bath * Susan Hall (1)
* Mano Dharmarajah

In attendance: * Nana Asante Minute: 95 and 96
(Councillors) * Kairul Marikar Minute: 95
* Ben Wealthy

* Denotes Member present

(1) Denotes category of Reserve Member

95. **Housing Revenue Account Budget Setting 2012-13 and Medium Term Financial Strategy 2013-14 to 2014-15**

In accordance with the Local Government (Access to Information) Act 1985, the following item was admitted late to the meeting. The Forum was requested to consider this item as a matter of urgency in the interest of providing Members and Tenant and Resident Association Representatives with the most up to date information relating to Housing Reform and Housing Revenue Account (HRA) Budget Setting 2012-13 and Medium Term Financial Strategy (MTFS) to 2014-15, and the Council's Rental Strategy and rent proposals from 1 April 2012.

An officer circulated a report at the meeting which provided the Forum with the Council's latest position on Housing Reform and Housing Revenue Account Budget Setting 2012-13 and MTFS to 2014-15. The Forum were advised that:

- The Council currently paid a subsidy of approximately £7 million to Central Government each year. The Government had calculated that it would cost approximately £89 million for Harrow to exit this subsidy system, for which funding by way of a loan would need to be sought;
- It was anticipated that the HRA would have between £2 and £4 million additional funds to spend each year compared with the existing subsidy system;
- The Public Works Loans Board (PWLB) had published preferential rates for Local Authorities seeking borrowing to finance the settlement payment. A discount of 0.85% per annum on standard rates was now available to the Council. This discount, combined with already low interest rates resulted in an attractive borrowing option;
- The length of borrowing agreements on offer ranged from 10 to 50 years. An agreement of 50 years was preferred having considered the Council's requirement for borrowing, the ability within the HRA to repay the loan over a shorter term, and the potentially higher cost of refinancing at the end of the loan period;
- If the HRA borrowing was maintained in a single pool of borrowing combined with the Council's General Fund, it would provide flexibility for both the Council and the HRA. This flexibility would allow the HRA to repay its debt within the 50 year term of the loan if it were in a position to do so;
- The Government had introduced a debt cap nationally. By borrowing £89 million, the HRA would reach the debt cap implemented by Government preventing further borrowing. Creative use of the General Fund, which was not at its Capital limit, meant that extra borrowing could be possible to help the Borough's need for new affordable housing.

In response to questions, officers advised that:

- The subsidy payable to Central Government had been steadily increasing on an annual basis as part of the annual subsidy calculation;
- The discount of 0.85% offered by PWLB would only be applicable to the loan of £89 million and not the Council's total debt. If the Council were to borrow from the PWLB for 50 years, a contract would be set at an agreed rate of interest for the duration of the loan;
- On the basis of a 50 year agreement, it was anticipated that the Council would be in a position to repay the loan after 26 years although this would depend on the Council's policy on debt repayment. The

differential between interest rates on a 30 and 50 year agreement was unsubstantial, and would not have a significant bearing on the duration of the loan;

- In the first five years the HRA reform package on offer would provide investment in the stock to the level required by the stock condition survey. It would enable investment in services to improve repairs and address some of the potentially negative impact on income and tenancy sustainability as a consequence of benefit and tenure reform. The offer would allow officers to devise a programme of additional housing initiatives which would help reduce other housing related general fund pressures;
- Risk assessments had been conducted on the Self-Financing proposals associated with the borrowing options. Council borrowing was not secured against housing stock.

By way of a majority, the Forum voted to express its support for a 50 year loan agreement of approximately £89 million to enable Self-Financing. This would be managed within a single pool of borrowing, combining the Council's General Fund and the HRA to maximise flexibility, subject to a guarantee being given by the Council relating to future affordable housing initiatives.

RESOLVED: That the report be noted and that the comments made by the Forum be incorporated into the report on the Budget to be submitted to Cabinet on 9 February 2012.

96. Rent Strategy

In accordance with the Local Government (Access to Information) Act 1985, the following item was admitted late to the meeting. The Forum was requested to consider this item as a matter of urgency in the interest of providing Members and Tenant and Resident Association Representatives with the most up to date information relating to Housing Reform and Housing Revenue Account (HRA) Budget Setting 2012-13 and Medium Term financial Strategy (MTFS) to 2014-15, and the Council's Rental Strategy and rent proposals from 1 April 2012.

An officer circulated a report at the meeting which provided the Forum with the Council's latest position on the Council's Rental Strategy. The Forum were advised that:

- The Council's rental strategy was approved in March 2011 based on the National rent policy which was calculated by adding Retail Price Index (RPI) plus 0.5% real growth and £2.00 to get to convergence;
- As the RPI at September 2011 was higher than anticipated at 5.6%, maintaining this policy meant that the average rent would increase by 6.74%, an average increase by £6.45 to £102.15 per week. Although this was an increase in rental charges, it remained lower than many London Boroughs;

- Average Service Charges would increase by 15pence per week to £2.68;
- Garage and parking charges would increase by 2% pending the review of the garage strategy. The Forum expressed concern that the Council's garage stock was underutilised, and that an increase would exacerbate the issue. Having considered these views, it was agreed to propose a freeze on Garage charges pending finalisation of the strategy;
- It was recommended that Facility Charges increase by 4% to contribute to anticipated cost increases in 2012/13 and move towards full cost recovery;
- A 2% increase was shown in relation to water charges, however the final charge would depend on the notification from the water supplier, Veolia Water which was awaited;
- An increase of 2% was assumed in relation to Community Centres.

In response to questions, officers advised that:

- Consideration had been given to approximately 70% of tenants in Harrow claiming full or partial benefits. The self-financing agreement would provide additional funds to Resident Services to help mitigate the impact of wider housing reforms;
- The Service Charging model was being investigated to ensure that those being charged received the benefits of the service;
- A review of Central Recharges had been undertaken. Robust calculations were applied when charging for support services. The possibility of residents assisting to review services and scrutinise costs was being explored.

RESOLVED: That the report be noted and that the comments made by the Forum be incorporated into the report on the Budget to be submitted to Cabinet on 9 February 2012.