

**REPORT FOR: TENANTS',
LEASEHOLDERS' AND
RESIDENTS'
CONSULTATIVE FORUM**

Date of Meeting: 29 February 2012

Subject: **INFORMATION REPORT –
Housing Revenue Account
Reform - Update**

Responsible Officer: Lynne Pennington, Divisional Director
of Housing Services

Exempt: No

Enclosures: None

Section 1 – Summary

The purpose of this report is to update the forum in relation to Housing Revenue Account (“HRA”) Reform and to advise next steps.

FOR INFORMATION

Section 2 – Report

Background

Cabinet and Council received in February the HRA budget 2012-13 and Medium Term Financial Strategy to 2014-15. This included an update on HRA reform including the likely borrowing position and the additional benefit of the reforms that had been built into the budget subject to further consultation.

HRA Reform: Settlement

Since the discussions at the last TLRCF meeting on 30th January 2012, the final settlement figures have been announced by the Government.

The report to Cabinet on 9th February 2012 anticipated additional borrowing of £89m. The final figures were announced by Communities and Local Government on 1st February 2012 and detailed a final settlement figure for Harrow of £88.461m.

Additional borrowing to settle this transaction will be a loan from the Public Works Loans Board (“PWLB”) for 50 years. The payment will be made to the Government on 28th March 2012.

Benefits of HRA Reform

The reforms are expected to enable additional resources in the HRA in the region of £2m per year. The benefits arise because:

- We will no longer make an annual payment to the Government – this will save us approximately £7m
- We will have additional borrowing costs on the £88.5m – at 3.15% for 50 year borrowing, this will cost us £2.8m pa
- This leaves £4.2m.

Annually the HRA capital programme has been funded by borrowing of £2m. Following reforms the HRA will be at the debt cap which means further borrowing will not be possible until some of the debt has been repaid so £2m of the benefit will be needed to maintain the existing level of capital investment.

This therefore leaves a balance of £2m. This amount, together with the additional income generated by rent increases enables additional investment in the landlord function over the first five years of the business plan of:

- £5.5m additional investment in the stock as determined by the stock condition survey;
- £5m additional investment in services (including repairs) to protect the HRA and tenants against the management risks associated with coalition changes;

- £2m to fund housing related initiatives

Further consultation on how these resources will be prioritised will be discussed at TLRCF on the 29th February and reported back to TLRCF on 10th May ahead of the report to Cabinet in May.

Next Steps & Timetable

March - an overview session on business planning for Members. This will consider the assumptions that need to be made in the 30 year model and also think about sensitivities to be modelled to test the robustness of the plan and identify how various changes will impact balances and resources over the term of the plan.

May - report back to TLRCF on the outputs of the draft modelling and further consultation on how the additional resources should be prioritised.
– special Cabinet to consider the 30 year HRA business plan and wider housing policy changes and impact on HRA resources.

Section 3 – Further Information

All relevant information is contained within the report.

Section 4 – Financial Implications

Financial matters are integral to the report.

Section 5 – Equalities implications

There are no equalities implications.

Section 6 – Corporate Priorities

The report supports the following corporate priorities:

- United and involved communities: A council that listens and leads - involving local residents in determining the priorities and choices
- Supporting and protecting people who are most in need – the financial decisions may impact those in the community most in need of the Council's support during these challenging financial times.

Name: Donna Edwards

on behalf of the
Chief Financial Officer

Date: 13 February 2012

Section 7 - Contact Details and Background Papers

Contact:

Donna Edwards, Finance Business Partner Adults & Housing 020 8424 1140

Background Papers:

TLRCF papers January 2012

Cabinet February 2012