

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

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**Date of Meeting:** 17 July 2012  
**Subject:** **INFORMATION REPORT –**  
Housing Business Plan update  
**Responsible Officer:** Lynne Pennington, Divisional Director  
of Housing Services  
**Exempt:** No  
**Enclosures:** Appendix 1 – Housing Revenue Account  
extracts

**Section 1 – Summary**

The purpose of this report is to provide an update as to progress made in respect of the Housing Business Plan.

**FOR INFORMATION**

## **Section 2 – Report**

### **2. Housing Business Plan**

- 2.1. One of the key tasks to be achieved this year is the development of a 30-year Business Plan for Housing. This document will define the services that will be delivered to tenants and residents over the coming years, how those services will be delivered, and how they will be financed.
- 2.2. The Housing Business Plan will comprise both Housing Revenue Account (HRA) and Housing General Fund (HGF) elements, but for the purposes of financial modelling these will need to be kept separate due to the different funding and regulatory regimes. These separate elements will, however, be brought together to generate the overall Housing Business Plan.

#### **Housing Revenue Account (HRA)**

- 2.3. Members of the Forum will be aware that as part of the “deal” to be able to leave the HRA Subsidy system, under which the Council was paying in the region of 30% of its rents to the Government, the Council had to agree to take on additional debt by making a payment of £88.461m to the Government. The loan to fund this payment was taken out with the Public Works Loan Board on 28<sup>th</sup> March 2012, and was a 50-year maturity loan (repayable at the end of the 50-year term), at a fixed interest rate of 3.48%. The HRA business plan model has now been updated to reflect the amount borrowed at the actual rate achieved, rather than the estimated figures previously assumed.
- 2.4. The HRA has now been re-modelled to take account of the revised opening revenue position (higher than anticipated due to a net underspend of £0.355m in 2011/12), and the Major Repairs Reserve balance of £4.148m able to be brought forward as a result of capital funding decisions in 2011/12.
- 2.5. Right-to-Buy sales were previously included at a notional 3 sales per year, but a decision has now been taken that, for the purposes of producing an updated model, we should use the sales numbers assumed in the model used by the Department for Communities and Local Government (CLG) to calculate the amount of debt Harrow had to take on under self-financing. This equates to 227 sales over 30 years. As part of the wider reform of housing finance, significant changes have been made to Right-to-Buy; firstly to try to make RTB more attractive by increasing the maximum discount to £75,000 (from £16,000 in Harrow), and secondly by setting a target of one-for-one replacement of all units sold under RTB nationally, although whether this will prove to be possible purely within Harrow is as yet unknown.
- 2.6. With the exception of the specific items highlighted above, most other assumptions remain unchanged from those assumed within the previous model. One area that has, however, been re-worked is future interest

assumptions. As was previously agreed, the Council is operating a “one-pool” approach to its external debt. This means that both HRA debt and General Fund debt are administered together, with the HRA receiving its “share” of the overall capital finance charges.

- 2.7. The detailed loans making up the Council’s loans pool, along with the new debt taken out under self-financing have been projected over the period of the business plan. As would be expected, the individual loans comprise a mixture of maturity dates and interest rates, and we have modelled the loans pool going forward on the bases that overall debt levels would be retained, and that maturing loans would be re-financed with new PWLB debt at an assumed interest rate of 5%.
- 2.8. Revised projections are attached as Appendix 1 for both the revenue account and capital programme and financing, and show a healthy revenue position with revenue balances of £242m accruing over 30 years, as well as a fully-funded capital programme.
- 2.9. Revenue budgets include the following allowances as additional amounts, i.e. shown separately from the underlying budget information. These amounts have been specifically included to provide the necessary resources for elements of the Housing Changes agenda to be delivered:

<b>Year</b>	<b>Repairs</b>	<b>Resident Services</b>	<b>Change Management</b>	<b>Cash Incentive</b>	<b>Total</b>
	£000	£000	£000	£000	<b>£000</b>
<b>2012/13</b>	350	350	200	Nil	<b>900</b>
<b>2013/14</b>	500	450	200	250	<b>1,400</b>
<b>2014/15</b>	400	450	200	250	<b>1,300</b>
<b>2015/16</b>	400	450	200	250	<b>1,300</b>
<b>2016/17</b>	400	450	200	500	<b>1,550</b>
<b>2017/18</b>	0	0	0	500	<b>500</b>
<b>2018/19</b>	0	0	0	750	<b>750</b>
<b>Total</b>	<b>2,050</b>	<b>2,150</b>	<b>1,000</b>	<b>2,500</b>	<b>7,700</b>

- 2.10. Proposals are currently in development that would be expected to utilise these resources, and in some cases require their permanent inclusion to ensure that the long-term requirements of the Housing Changes agenda can continue to be delivered. We anticipate having a firm position on all such proposals within the next three months, and will have assessed their combined impact on the level of resources available for other projects in time for setting the 2013/14 budget. We had also included £2.1m additional capital resources over years 2 to 7 of the BP to develop new initiatives e.g. possible buy-back of properties previously sold under Right-to-Buy, and options are being considered for the use of this provision.

## Areas still to be addressed

- 2.11. Rent Strategy – proposals for a rent strategy for 2013/14 and subsequent years are still under development. A balance will obviously need to be struck between maximising income for the HRA and ensuring that rents remain affordable for current and prospective tenants. The Council already has a policy of all new lettings being at target rent, but could consider possible options such as adopting target rent + 5% (in consultation with the Department for Communities and Local Government) and/or re-assessing the value of properties for rent calculation purposes following significant improvement programmes. Any proposals for changes to the rent strategy would be subject to full consultation with the appropriate tenant and member groups, and would be subject to an appropriate equalities impact assessment.
- 2.12. Garage rental strategy – this is now being considered as part of the wider review of garages being undertaken by the Garage Strategy Steering Group, which comprises Members, Residents and Officers.
- 2.13. Facility and Service charge strategy – detailed work in this area has not yet commenced but options for ensuring full cost recovery where possible will be developed over the next few months.
- 2.14. Impact of welfare reform on rent collection – this area is not yet clear cut, as we do not know when reform will be fully-implemented in London. A steering group has been established, however, to consider the potential impact of the introduction of universal credit, and this group will work together to develop scenarios for modelling the potential impact on the HRA.
- 2.15. Affordable Housing – one of the Council’s key objectives is to find ways in which the balances projected to be generated within the HRA could be used to support the provision of new affordable housing units, possibly through funding additional General Fund borrowing. The level of balances available to use in this way are part of the “balancing act” that is the self-financing HRA, and will depend on the alternative uses to which the resources could be put. Such uses could include investment in services, additional repairs or maintenance or repaying HRA debt.
- 2.16. We are aware of emerging proposals that may permit this type of arrangement, and understand that there may be an announcement from CLG in the near future. In the mean time we are continuing to explore alternative options for capitalising on the benefits of self-financing.
- 2.17. Many of the issues affecting the General Fund have either not yet crystallised, in terms of clarity around the potential impact, or are at the early stages of development. These include possible options for preventing homelessness and reducing the need to use expensive and less-than-ideal Bed and Breakfast accommodation, options for driving up standards in the Private Rented Sector and developing services for home owners. We anticipate these areas being developed over the next few months and update reports being submitted for consideration as policies

are developed. Given the nature of some of these issues, a final position may not be arrived at until March 2013.

### **Summary**

- 2.18. Based on the modelling we have carried out, we can state that the Housing Revenue Account is in a better position than previous projections suggested, partly as a result of the 2011/12 closing position being slightly better than was previously assumed, and partly as a result of revised assumptions which are set out above. Significant levels of balances are projected to accrue in the HRA, and the capital investment programme is projected to be fully-funded.
- 2.19. Much work still remains to be done, however, to ensure that we have a business plan that reflects all of the needs of the housing service going forward, and we anticipate a significant amount of this work having being completed by September. Certain of the issues still to be resolved, however, are of such a nature as to be difficult to quantify, either as a result of requiring a degree of experience to be able to forecast with any confidence, or the necessary underpinning information not being currently available.
- 2.20. Where this proves to be the case, we will endeavour to agree realistic assumptions, and will model a range of scenarios to arrive at “reasonable estimates” of the potential impacts. We will, of course, seek advice where necessary and will highlight any areas where this approach has been taken, together with the associated risks.

### **Section 3 – Further Information**

3. All relevant information is contained within the report.

### **Section 4 – Financial Implications**

4. Financial matters are integral to the report.

### **Section 5 – Corporate Priorities**

5. The content in this report informs tenants, leaseholders and residents of the progress made in respect of the Housing Business Plan, and supports the corporate priority of ‘united and involved communities’ by engaging more effectively with residents.

Name: Roger Hampson	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: .....26/06/2012.....		

## **Section 6 - Contact Details and Background Papers**

**Contact:** Dave Roberts, Housing Finance Business Partner  
Direct 0208 420 9678

**Background Papers:**  
None

Appendix 1

HRA Business Plan																								
Revenue Account																								
		Income				Expenditure														Surplus (Deficit) for the Year		Surplus (Deficit) b/fwd	Interest	Surplus (Deficit) c/fwd
Year	Year	Net rent Income	Other income	Misc Income	Total Income	Managt.	Depreciation	Responsive & Cyclical	Other Revenue spend	HRA Cost of Rent Rebates	Misc expenses	Total expenses	Capital Charges	Net Operating (Expenditure)	RCCO	£,000	£,000	£,000	£,000					
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000				
1	2012.13	27,416	1,022	959	29,397	(6,847)	(5,995)	(4,167)	(4,814)	0	(400)	(22,223)	(6,493)	681	0	681	2,791	16	3,488					
2	2013.14	28,396	1,048	983	30,428	(7,018)	(6,140)	(4,271)	(5,454)	0	(410)	(23,293)	(6,479)	656	(276)	379	3,488	32	3,899					
3	2014.15	29,406	1,074	1,008	31,488	(7,194)	(6,287)	(4,378)	(5,470)	(3)	(420)	(23,752)	(6,412)	1,324	(1,796)	(472)	3,899	73	3,501					
4	2015.16	30,449	1,101	1,033	32,584	(7,373)	(6,436)	(4,487)	(5,590)	(21)	(431)	(24,340)	(6,397)	1,847	(1,874)	(28)	3,501	87	3,561					
5	2016.17	31,319	1,129	1,059	33,507	(7,558)	(6,588)	(4,600)	(5,965)	(3)	(442)	(25,155)	(6,302)	2,050	(2,177)	(127)	3,561	87	3,521					
6	2017.18	32,211	1,157	1,085	34,453	(7,747)	(6,743)	(4,715)	(5,043)	0	(453)	(24,699)	(6,379)	3,375	(2,389)	985	3,521	100	4,607					
7	2018.19	33,128	1,186	1,112	35,427	(7,940)	(6,902)	(4,833)	(5,425)	0	(464)	(25,563)	(6,375)	3,489	(2,560)	929	4,607	127	5,663					
8	2019.20	34,072	1,215	1,140	36,427	(8,139)	(7,064)	(4,953)	(4,811)	0	(475)	(25,443)	(6,330)	4,654	(2,041)	2,613	5,663	174	8,450					
9	2020.21	35,041	1,246	1,169	37,456	(8,342)	(7,231)	(5,077)	(4,952)	0	(487)	(26,089)	(6,329)	5,038	(2,102)	2,936	8,450	248	11,634					
10	2021.22	36,038	1,277	1,198	38,513	(8,551)	(7,401)	(5,204)	(5,097)	0	(500)	(26,752)	(6,329)	5,432	(2,165)	3,267	11,634	332	15,233					
11	2022.23	37,063	1,309	1,228	39,600	(8,765)	(7,575)	(5,334)	(5,247)	0	(512)	(27,433)	(6,334)	5,833	(1,867)	3,966	15,233	430	19,629					
12	2023.24	38,118	1,342	1,259	40,718	(8,984)	(7,753)	(5,468)	(5,402)	0	(525)	(28,131)	(6,339)	6,247	(1,925)	4,322	19,629	545	24,495					
13	2024.25	39,198	1,375	1,290	41,864	(9,208)	(7,936)	(5,604)	(5,562)	0	(538)	(28,848)	(6,339)	6,676	(1,955)	4,721	24,495	671	29,888					
14	2025.26	40,306	1,409	1,322	43,038	(9,439)	(8,121)	(5,744)	(5,727)	0	(551)	(29,582)	(6,339)	7,116	(2,014)	5,102	29,888	811	35,801					
15	2026.27	41,445	1,445	1,355	44,245	(9,675)	(8,310)	(5,888)	(5,898)	0	(565)	(30,336)	(6,339)	7,570	(2,074)	5,495	35,801	964	42,260					
16	2027.28	42,615	1,481	1,389	45,485	(9,916)	(8,504)	(6,035)	(6,074)	0	(579)	(31,109)	(6,348)	8,029	(2,981)	5,048	42,260	1,120	48,427					
17	2028.29	43,819	1,518	1,424	46,761	(10,164)	(8,702)	(6,186)	(6,256)	0	(594)	(31,902)	(6,360)	8,498	(3,068)	5,430	48,427	1,279	55,136					
18	2029.30	45,056	1,556	1,460	48,072	(10,418)	(8,905)	(6,341)	(6,444)	0	(609)	(32,717)	(6,378)	8,977	(3,156)	5,821	55,136	1,451	62,408					
19	2030.31	46,329	1,595	1,496	49,420	(10,679)	(9,113)	(6,499)	(6,639)	0	(624)	(33,553)	(6,386)	9,480	(3,246)	6,234	62,408	1,638	70,280					
20	2031.32	47,637	1,635	1,534	50,805	(10,946)	(9,325)	(6,662)	(6,840)	0	(639)	(34,412)	(6,386)	10,007	(3,339)	6,668	70,280	1,840	78,789					
21	2032.33	48,982	1,675	1,572	52,229	(11,220)	(9,542)	(6,828)	(7,047)	0	(655)	(35,293)	(6,392)	10,545	0	10,545	78,789	2,102	91,435					
22	2033.34	50,365	1,717	1,611	53,693	(11,500)	(9,765)	(6,999)	(7,262)	0	(672)	(36,197)	(6,406)	11,090	0	11,090	91,435	2,424	104,949					
23	2034.35	51,787	1,760	1,651	55,198	(11,788)	(9,992)	(7,174)	(7,484)	0	(689)	(37,126)	(6,412)	11,660	0	11,660	104,949	2,769	119,379					
24	2035.36	53,248	1,804	1,693	56,745	(12,082)	(10,225)	(7,353)	(7,714)	0	(706)	(38,080)	(6,425)	12,240	0	12,240	119,379	3,137	134,757					
25	2036.37	54,751	1,849	1,735	58,336	(12,384)	(10,463)	(7,537)	(7,951)	0	(723)	(39,059)	(6,444)	12,832	0	12,832	134,757	3,529	151,118					
26	2037.38	56,291	1,896	1,778	59,965	(12,694)	(10,707)	(7,726)	(8,197)	0	(742)	(40,065)	(6,449)	13,452	0	13,452	151,118	3,946	168,516					
27	2038.39	57,868	1,943	1,823	61,634	(13,011)	(10,954)	(7,919)	(8,451)	0	(760)	(41,095)	(6,470)	14,070	(529)	13,541	168,516	4,382	186,439					
28	2039.40	59,490	1,992	1,868	63,350	(13,336)	(11,206)	(8,117)	(8,714)	0	(779)	(42,153)	(6,470)	14,727	(2,078)	12,650	186,439	4,819	203,907					
29	2040.41	61,156	2,041	1,915	65,113	(13,670)	(11,465)	(8,320)	(8,986)	0	(799)	(43,239)	(6,470)	15,404	(2,165)	13,239	203,907	5,263	222,409					
30	2041.42	62,870	2,092	1,963	66,925	(14,012)	(11,729)	(8,528)	(9,268)	0	(819)	(44,355)	(6,470)	16,100	(2,237)	13,864	222,409	5,734	242,006					

**London Borough of Harrow**  
**Capital Programme and Financing**

		Expenditure			Financing					
Year	Year	Future Major Repairs £,000	Other £,000	Total Expenditure £,000	Borrowing £,000	RTB Receipts £,000	MRR £,000	RCCO £,000	Total Financing £,000	Check Total ok £,000
1	2012.13	8,687	310	8,997	0	163	8,835	0	8,997	0
2	2013.14	7,367	574	7,941	0	203	7,462	276	7,941	0
3	2014.15	7,754	588	8,342	0	253	6,293	1,796	8,342	0
4	2015.16	7,947	603	8,550	0	240	6,436	1,874	8,550	0
5	2016.17	8,184	729	8,913	0	246	6,489	2,177	8,913	0
6	2017.18	8,568	916	9,485	0	253	6,842	2,389	9,485	0
7	2018.19	8,782	939	9,722	0	259	6,903	2,560	9,722	0
8	2019.20	9,002	368	9,370	0	266	7,064	2,041	9,370	0
9	2020.21	9,227	378	9,605	0	272	7,231	2,102	9,605	0
10	2021.22	9,458	387	9,845	0	279	7,401	2,165	9,845	0
11	2022.23	9,331	397	9,728	0	286	7,575	1,867	9,728	0
12	2023.24	9,565	407	9,971	0	293	7,753	1,925	9,971	0
13	2024.25	9,804	417	10,221	0	330	7,936	1,955	10,221	0
14	2025.26	10,049	427	10,476	0	342	8,121	2,014	10,476	0
15	2026.27	10,300	438	10,738	0	354	8,310	2,074	10,738	0
16	2027.28	11,403	449	11,851	0	366	8,504	2,981	11,851	0
17	2028.29	11,688	460	12,148	0	378	8,702	3,068	12,148	0
18	2029.30	11,980	472	12,451	0	390	8,905	3,156	12,451	0
19	2030.31	12,279	483	12,763	0	404	9,113	3,246	12,763	0
20	2031.32	12,586	496	13,082	0	418	9,325	3,339	13,082	0
21	2032.33	8,829	508	9,337	0	432	8,905	0	9,337	0
22	2033.34	9,050	521	9,570	0	447	9,123	0	9,570	0
23	2034.35	9,276	534	9,810	0	462	9,348	0	9,810	0
24	2035.36	9,508	547	10,055	0	477	9,578	0	10,055	0
25	2036.37	9,745	561	10,306	0	493	9,814	0	10,306	0
26	2037.38	12,666	575	13,241	0	556	12,685	0	13,241	0
27	2038.39	12,983	589	13,572	0	580	12,463	529	13,572	0
28	2039.40	13,307	604	13,911	0	608	11,225	2,078	13,911	0
29	2040.41	13,640	619	14,259	0	629	11,465	2,165	14,259	0
30	2041.42	13,981	634	14,615	0	649	11,729	2,237	14,615	0
Total		306,945	15,930	322,875	-	11,326	261,533	50,015	322,875	