



CABINET

12 February 2014

Subject Heading:

HRA Budget for 2014/15 and HRA Capital Programme 2014/15 – 2015/16

Cabinet Member

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Policy context:

HRA Policy and budgets

Financial summary:

To agree rents and other charges, the HRA revenue spend budget as detailed in Appendix 1, and a HRA capital programme, detailed in Appendix 2

Is this a Key Decision?

Yes

Is this a Strategic Decision?

Yes

When should this matter be reviewed?

December 2014

Reviewing OSC

Towns and Communities

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	<input checked="" type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input checked="" type="checkbox"/>
Value and enhance the life of every individual	<input type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

SUMMARY

This report sets a budget for the Council's Housing Revenue Account (HRA) and HRA Capital Programme. From 2012 the position of the HRA changed from previous years because of the introduction of a regime, known as Self Financing. An update to the HRA Business Plan is provided.

The HRA remains a ring-fenced account that is used to manage the Council's own housing stock. The proposed budget will enable the Council to manage the stock to a reasonable standard and to complete the Council's Decent Homes Programme. It further sets rents, service charges and other charges for Council tenants for the year 2013/14.

RECOMMENDATIONS

That Cabinet agree:

1. The Housing Revenue Account Budget as detailed in Appendix 1.
2. That the average rent for existing tenants in Council properties owned by the London Borough of Havering be increased by £5.06, from £85.74 to £90.80 (5.90%) with effect from 7 April 2014, in line with the Government's current policy to restructure rents. This will mean in effect that rents are increased as set out in the table below:

	Rent 2013/14 – 52 weeks	Rents 2014/15 52 weeks	Increase (£)	% increase
Bedsit	£66.61	£70.55	£3.94	5.92%
1 Bed	£71.91	£76.61	£4.70	6.54%
2 Bed	£84.61	£89.60	£4.99	5.90%
3 Bed	£102.05	£107.66	£5.61	5.50%
4 Bed	£115.65	£121.77	£6.12	5.29%
5 Bed	£127.66	£134.13	£6.47	5.07%
Average Rent	£85.74	£90.80	£5.06	£5.90%

3. That rents for new lettings from 7th April 2014 will be set at formula rents.
4. That the rent free weeks for 2014/15 be w/c 25 August 2014 the two weeks commencing 22 December 2014, and the week commencing 30 March 2015.
5. That tenants' service charges and heating and hot water charges for 2013/14 are increased or decreased as follows:

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Service Charges reviewed and recommended	2013/14 Weekly Charge – 52 weeks	2014/15 Weekly Charge – 52 weeks	Increase (decrease)	% increase (decrease)
Caretaking	£3.33	£3.18	(0.15)	(4.50)
Internal Block Cleaning	£1.02	£1.21	0.19	18.63
Bulk Refuse Collection	£0.45	£0.46	0.01	2.22
CCTV - Mobile Service	£0.55	£0.42	(0.13)	(23.64)
CCTV - Static Service	£1.38	£1.38	0.00	0.00
Neighbourhood Wardens	£0.83	£0.78	(0.05)	(6.02)
Door Entry	£1.36	£1.36	0.00	0.00
Ground Maintenance	£2.39	£2.61	0.22	9.21
Sheltered Cleaning	£2.93	£3.27	0.34	11.6
TV access	£1.32	£1.38	0.06	4.55
Heating	£9.52	£8.97	(0.55)	(5.78)
Hot Water	£6.02	£6.37	0.35	5.81

6. That the service charge for homeless households accommodated in the Council's hostels is increased by 3.7% to £24.85 a week.
7. That charges for high and medium demand garages are increased by 3.7% and that rents for low demand garages are frozen.
8. That support charges for mobile support for older people are increased by 3.7% as follows:

Service	Weekly support charge in 2013/14 – 52 weeks	Weekly support charge in 2014/15 – 52 weeks
Support – low level	£5.28	5.48
Support – medium level	£10.56	10.95
Support – high level	£13.21	13.70

9. That the Careline support charge be increased by 3.7% as follows:

Service	Weekly support charge in 2013/14 – 52 weeks	Weekly support charge in 2014/15 – 52 weeks
Careline – sheltered tenants	£4.23	4.39
Careline – community users	£4.51	4.68

10. That Telecare support charges be increased by 3.7% as set out below:

Service	Weekly support charge in 2013/14 – 52 weeks	Weekly support charge in 2014/15 – 52 weeks
Telecare – base unit plus two sensors	£6.57	6.81
Additional Telecare sensor	£1.09	1.13

11. To maintain the transitional arrangements to correct the undercharging, by £4.18 increase plus inflation a week, of tenants in the former Hornchurch mobile support pilot scheme, whereby the full charge will be gradually increased over the five year period 2012/13 to 2016/17 inclusive for the 13 tenants paying for this service; for 2014/15 this amounts to an increase to the weekly charge (52 weeks) of £0.87p.

REPORT DETAIL

1. BACKGROUND

- 1.1 The Localism Act 2011 changed the financial system for the management of council housing. The old system, with its notional income and expenditure accounts, and its distribution of housing subsidy across the country has gone. In its place, Government has provided freedom and independence for the management of council housing finance, in return for a one off payment of the national housing subsidy debt (and a premium for the treasury).
- 1.2 The new system started in April 2012, and so the Housing Revenue Account (HRA) budget now looks very different from budgets in previous years. The business plan is designed to provide long term management of the Council's housing assets. We have more freedom to direct our resources to the best and most cost effective management of the Council's housing stock. However, we do not have complete freedom – some aspects remain centrally controlled, such as rent setting, and the use of capital receipts.
- 1.3 This report sets out first, what income resources the Council has available to spend on housing, sets out the current HRA financial position, and proposed spending plans for 2014/15.
- 1.4 One of the central driving aims of the Council is to achieve the Decent Homes Standard for its stock and, through the HRA Business Plan to achieve this goal whilst maintaining a good quality housing service.
- 1.5 In addition, the Council recognises that there is a need for good quality affordable homes, especially for elderly residents and first time buyers, and has set out its ambition to meet these needs by using resources generated through the Council's Housing Business Plan.

2. INCOME

2.1 Rents

2.1.1 The Council's main source of income to manage its housing stock is tenants' rents. The Government currently influences rents by applying a formula called "rent restructuring". While the new regime has devolved much decision-making to local authorities, the Government has retained much control over rents so as to have an influence on the national housing benefit bill.

2.1.2 The rent restructuring formula was introduced by the government in 2002/03. This provides a "target rent" for each property, based on a mix of local average earnings and capital values, adjusted for the size of property. The target rent, once achieved, was meant to ensure that council and housing association rents for similar properties in an area were at similar levels. Since the introduction of the restructuring system in 2002/03, the date at which council and housing association rents are expected to converge has been amended by the government a number of times. The Government has now published a Consultation Paper, setting out proposals for a new way of setting rents from 2015/16 onwards. This set of proposals were subject to consultation which closed on 24th December. The outcome of the consultation is now yet known, and therefore we have not amended the HRA Budget for 2014/15 as it does not affect the proposals for rents in this coming year.

2.1.3 It was assumed that Councils with rents below target, including Havering, should meet the target rent by or as soon as possible after the original target date of 2016. However due to the limit on rent increases a proportion of the stock will not meet this date for convergence. Until meeting the target rent, there is no avoiding the fact that the national rent formula requires tenants' rents to increase by an amount above the basic annual increase amount of RPI (in September of the preceding year) + 0.5%. The government has, however, capped the steepness of the annual increase to no more than £2 a week above the RPI + 0.5% increase.

2.1.4 In 2013/14, the average rent in Havering is £85.74. Applying the formula of RPI (at September 2013) + 0.5% + £2, gives an increase of £5.09 a week, that is, 5.90%. Using this formula, the average rent in 2014/15 will be £90.80.

2.1.5 A comparative analysis of local and London-wide rents reveals:

- Council rents in Havering remain below housing association rents and significantly below private sector rents, which are running at around £250 a week for a one bedroom home to £340 for a three bedroom property
- The proposed council rent for 2014/15 is still within the housing benefit caps for Havering and so the 71% of tenants on full or partial housing benefit and prospective tenants in most financial hardship will continue to be supported.

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- Havering Council's rents in 2014/15 will be the lowest council rents in London.
 - Therefore, as well as benefiting from the lowest rents in Havering, our council tenants will continue to enjoy the lowest rents across the capital.
- 2.16 Applying the formula rent calculation in 2014/15 will be in line with the assumptions made in last year's business plan. Such application will continue to even out actual rents for tenants in similar properties in similar areas so that variances between neighbours will be stopped at the point of rent convergence.
- 2.17 The increased income from this rent rise will be used to increase the HRA revenue contribution to the HRA capital programme to deliver a greater number of decent homes in 2014/15 in line with the tenants' number one priority as stated in the tenant survey undertaken in the summer of 2012.
- 2.18 The increased income will also enable the Council to deliver a contribution towards tenants' second highest priority, which is the development of new affordable homes.
- 2.19 The Consultation Paper on the proposed new rent formula for 2015/16 onwards is based on the assumption that the majority of Councils have already reached target rents. It proposes that the new rent formula will be CPI + 1%, but with no additional transitional arrangements for any Council who has not yet reached target rents. For Havering this will pose a problem in that tenants in identical properties will be paying different rents, and this will remain the case forever, if we cannot continue with the rent restructuring formula. Havering would never be able to reach target rents, as the majority of our properties do not reach target rents until 2022 and beyond. This will also have a major impact on the resources available through the Self Financing Business Plan. For this reason it is proposed that new lettings will be set in line with target rents immediately. This will mean over time, as properties are relet, they will eventually reach target rents. However, this will happen only gradually as the Council lets around 600 to 800 properties a year.
- 2.2 Service charges
- 2.2.1 The aim of the Council, in respect of service charges, is to ensure that those receiving the service are paying for them. We have fully reviewed all the service charges over 2010/11 and 2011/12, and we are nearly in a position where the cost of each service can be fully recovered from the service charges raised. Work has also been done to improve the value-for-money of some services, either by reviewing the staffing and costs of the service, or by renegotiation of contracts with some service providers. There will continue to be a regular programme of reviews of services, in order to ensure that we remain aware of the views of tenants on the levels of services that they wish to pay for.
- 2.2.2 We are able to reduce the service charge for the services listed below due to efficiencies made in the cost of the services:

Caretaking: reduced by £0.15p (4.5%)

CCTV – Mobile Service: reduced by £0.13p (23.6%)

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Neighbourhood Wardens: reduced by £0.05p (6%)

Heating: reduced by £0.55p (5.8%)

2.2.3 It is proposed that the following charges will be frozen:

CCTV – static service

Door entry maintenance

2.2.4 It is proposed that the following charges should be increased:

Internal block cleaning: increased by 19p (18.6%)

Bulk refuse collection: increased by 1p (2.2%)

Grounds maintenance: increased by 22p (9.2%)

Sheltered cleaning: increased by 34p (11.6%)

TV aerial maintenance: increased by 6p (4.5%)

Hot water: increased by 35p (5.8%)

2.2.5 It is proposed to increase service charges for hostel residents by 3.7% (equivalent to RPI + 0.5%). Service charges in hostels cover the maintenance of the hostel communal areas, as well as 24 hour staffing.

2.3 Garages

2.3.1 There are currently 671 garages let (of which 8 are part of the number earmarked for demolition and will become unavailable to let), and a further 849 empty and available to let (705 after Briar Road and Kilmartin demolitions). The rents of our high demand garages are about the same as comparable private garages to let. There have been 72 garages let this year (from 1 April 2013), of which 62 are high demand garages. It seems therefore that there is a reasonable demand for garages. Clearly there are also many garages which are difficult to let. It is therefore proposed to raise the high demand and medium demand garage rents by 3.7% and freeze the rent of the remaining low demand garages.

2.4 Support charges – mobile support

2.4.1 Sheltered housing residents pay one of three levels of charges, depending upon the level of service that they receive. This is assessed on the basis of need.

2.4.2 The support charge income met from contributions from self-payers and coverage from Adult Social Care under the former Supporting People programme does not fully cover the costs of this service, therefore, it is proposed to increase the support charges by inflation at September 2013, that is, 3.2%, plus 0.5%. This gives an increase of 3.7%. A detailed review will be undertaken in 2014/15 to review the whole service and costs in light of the review of the SP grant.

2.4.3 During the Hornchurch mobile support pilot in 2008, an error was made in applying the mobile support charge. That is, rather than simply the resident warden charge being reduced to the mobile support charge, tenants'

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combined Careline and mobile support charge was reduced. In effect, the Careline charge was removed. This was incorrect. Correcting this will not directly impact on those tenants whose Careline and mobile support charges are met by Adult Social Care, however, there are 13 tenants who directly pay for these services.

2.4.4 When the new mobile support charges were approved for 2011/12, a decision was made to undercharge the tenants in the former Hornchurch mobile support pilot area but that after 2011/12 transitional arrangements would be put in place to amend the charges over time to bring them up to the correct level. The difference between the correct charge and the current charge was £4.18 a week (52 weeks). The charge should be increased by 1/5 of the £4.18 a week, that is, £0.84 a week (52 weeks) plus 3.7% equalling an increase of £0.87p.

2.5 Service charges – Careline and Telecare support

2.5.1 It is proposed that the Careline and Telecare service charges be increased by RPI inflation plus 0.5% equating to an increase of 3.7%.

3. THE HRA BUDGET 2014/15

3.1 Attached at Appendix 1 is the proposed HRA budget for 2014/15.

Revised Expenditure Budget 2014/15	£56,513,980
Pay award Contingency	£98,230
Contract Inflation	£85,680
Net of increase in CSSA (Support Charges)	£433,450
Savings from Housing Restructure	-£279,330
Impairment cost on non Dwellings	£250,000
Other net Budget movements	£14,730
On-going Growth items	£376,940
One Off Growth Items	£210,350
2014/15 Final Expenditure Budget	£57,704,030
Revised Income Budget 2014/15	(51,884,690)
Rent Increases	(1,708,130)
Service Charges reduced	84,220
Other income	34,400
Investment income Reduced	15,000
2014/15 Final Income Budget	(53,459,200)
Net Budget movement	4,244,830
Capital Expenditure Funded by HRA	
Revenue	(147,000)
Gross Budget movement	4,097,830

3.2 Reasons for variation

3.2.1 Pay award contingency – 1% of pay increase has been budgeted for in line with the general fund budget assumptions. This budget is to be held as a contingency.

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3.2.2 Contract inflation contingency – contract inflation has been budgeted for at 2% in line with general fund but only where the contracts are based on an inflationary increase.

3.2.3 Capital expenditure funded by the HRA – once the budget for management and maintenance and interest payments are set the council needs to make a decision on the HRA contribution to the capital programme. Apart from decent homes grant this is the only means of funding capital expenditure under the new financial framework. Through modelling of the business plan in section 6 of this report it is proposed that a contribution of £20.0m should be made in 2014/15 in line with last year’s Cabinet Report. This contribution will be used to complete the Decent Homes Programme by 31st March 2015. In addition a further £0.353m contribution is to be made to the new build schemes approved by Cabinet in November 2013 to fund the 2014/15 spend with a £2m contribution from capital reserves. Again this is in line with the cabinet report on new build and will enable the Council to deliver 70 new homes. During the summer of 2012 the council surveyed tenants and leaseholders on their priorities for the housing service and they identified acceleration of the decent homes programme as their top priority, with the provision of new affordable homes as the second highest priority.

3.3 Growth and savings Items proposed for 2014/15 are listed below (these are included in the variance analysis in para. 3.1:

Savings item	One off item	Ongoing amount	Explanation
Rent of Ashton Gate		(30,000)	Staff have moved from Ashton Gate to Chippenham Road
Administration		(32,400)	Review of administration cost including postage, photocopiers and externally provided services
Additional rent income from Queens Street Villas		(69,000)	A decision has been taken to retain Queens Street Villas due to homelessness demand
Growth Item	One off Amount	Ongoing Amount	Reason for Growth
Electrical Planned Preventative Maintenance		99,000	This reflects the increased cost of this programme
Fire Alarm repairs and maintenance	10,000		The budget is not meeting the cost of the service currently provided. This is provided under a tendered contract so that there is no scope for savings at present
Void repairs	80,000		Increased volume of activity in empty properties
Mobile CCTV equipment	20,000		Additional resources for detecting antisocial behaviour and verifying incidents
Project Officer – New Plymouth and Napier	33,980		Major redevelopment project requires support for consultation and management
Project Officer - Parking	33,980		Special project to review all estate car parking over the course of a year
Additional resources, RTB		54,150	RTBs have increased from 15 a year to nearly 100. The costs are offset by increased administration income
Community engagement		42,600	Increased activities, including training
Legal fees		20,000	Increase due to changes in legislation in Antisocial behaviour, and also enforcement of gas checks in leasehold properties

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Additional under occupation and mobility officer		32,390	Seeking to increase the number of households moving by mutual exchange and down sizing
3 additional hostel staff for Queens Street Villas		86,010	This will be offset by an additional £69,000 income at the hostel
Affordable Housing manager		42,790	Additional staff for increased level of activity in developing new homes
Affordable Housing Project Officer	32,390		Additional staff for increased level of activity in developing new homes

4. CAPITAL BUDGET – HRA 2014/15 capital resources

- 4.1 With the introduction of Self Financing in 2012 it is now possible to plan capital expenditure beyond one year at a time.
- 4.2 At its meeting on 13 February 2013, Cabinet agreed a detailed HRA capital programme for 2014/15 totalling £43.781m. This was subsequently approved by Council at its meeting on 22nd February 2013. There are no proposed amendments to this programme of expenditure on HRA properties in 2014/15 and no further approvals are here required. It should be noted that £215,000 of this allocation covers “Hidden Homes”, that is, the conversion of under-used HRA buildings into rented homes. With the advent of the Council’s new build housing programme, this resource while still used for “Hidden Homes” will be listed under the “New Build Programme” rather than the “improvement to existing HRA properties and estates programme” – see Section 4.5 below for more details of the “New Build programme”.

Funding source	2014/15 £'000s
Decent Homes grant	23,581
Revenue funding	20,353
Capital Reserve	2,000
Leaseholder contribution	200
TOTAL	46,134

- 4.3 The Decent Homes Funding will come to an end in 2014/15 and it is anticipated that all Havering’s council homes will have achieved the Decent Homes Standard. The main resources then available to the HRA will be Revenue Contributions, and any capital receipts that are available for housing purposes.
- 4.4 The HRA capital programme in 2014/15 and 2015/16 however will include further expenditure to support the building of new homes for rent or shared ownership to be held in the HRA. The constituent elements of this new build programme were approved by Cabinet at its meetings of 13 February 2013 and 16 October 2013, with subsequent approval of the budget allocation by Council on 22 February 2013 and 27 November 2013. No further approvals are required here.

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Funding source	Approved allocation for expenditure in 2014/15 £000's	Approved allocation for expenditure in 2015/16 £'000s	2014/15 – 2015/16 total
GLA Grant		1,820*	1,820
HRA Revenue funding	2,353**	1,047	3,400
Right to Buy receipts	1,002***	0	1,002
S106 commuted sums	312***	0	312
Shared Ownership Receipts	766***	0	766
Total	4,433	2,867	7,300

Notes

* GLA grant has been allocated to L B Havering, but can only be drawn down on completion of properties. Should any properties be completed in 2014/15 the resources can be accessed in that year

** Consists of £138k slippage of "Hidden Homes" in 2014/15, already approved, £215K approved resources for "Hidden Homes" in 2014/15, and £2m from the Capital Reserve – all agreed by Cabinet on 16 October 2013 and approved by Council on 27 November 2013

*** Agreed by Cabinet on 16 October 2013 and approved by Council on 27 November 2013

4.5 The New Build programme consists of the following schemes:

Project	Type of housing	Number of units
Albys	Affordable Rented	10 homes
Albys	Shared Ownership for elderly	10 homes
Biddeford Close	General Needs – affordable rent	9 homes
Butterfly Bungalows	General Needs – affordable rent	12 homes
New Plymouth and Napier–	Hidden homes – social rented	3 units
Thomas England and William Pyke	Hidden homes – social rented	4 homes
Garrick House	Bungalows – affordable rent	9 homes
Holsworthy House	Bungalows – affordable rent	3 homes
Ravenscourt Grove	Bungalows – affordable rent	3 homes
Ullswater Way	For people with an enduring special need	7 homes

4.6 The Council has also been successful in bidding for additional resources for a programme to extend 15 two bedroom ground floor flats to provide much

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needed 3 bedroom, level access accommodation on the ground floor for households with a disabled person within them.

- 4.7 The Council will be delivering a Tenants Incentive Scheme, to assist 20 first time buyers who are currently Havering Council tenants during 2014/15 by providing assistance with deposits. This is jointly funded between the Council and the GLA.

5. 30 year Business Plan 2014/15 to 2044/45

- 5.1 Attached at Appendix 3 is the reworked HRA Business Plan financial model. Years 1 to 10 have been included. Year 1 of the business plan is based on the 2014/15 proposed budget.
- 5.2 The plan for the HRA is based on keeping a minimum of £2m in working balances and using current reserves above this figure to invest in the capital programme. It has been assumed that all available resources over and above those required for revenue spend, payment of interest on debt and maintaining reserves at £2m are available for capital for as long as the stock condition survey need to spend exists.
- 5.3 It can be seen from Appendix 3 that such a need remains until 2019/20. (It should be noted that the investment gap shown is against the stock condition survey need to invest which is at a higher level than decent homes). From then on the level of balances on the HRA increases.
- 5.4 There have been a number of changes to the Business Plan since it was first approved in February 2012. In particular, the Government changes to the Right to Buy have increased the number of sales completed above that originally anticipated. In addition, now that the majority of borrowing (self financing debt) has been fixed at 3.26% for the next 12 years this has stabilised the long term interest charges in the Business Plan at a very low level. Finally, there is a significant detrimental impact caused by the Government's proposals to change the method of calculating rents in the future. Although this is just a proposal at this stage, the Business Plan has been re-worked to anticipate the impact of this in future years.

6. CONCLUSION

- 6.1 The Self Financing Business Plan (Appendix 3) shows that the Council is able to maintain and improve its stock and provide good quality housing services throughout the life of the plan. The Housing Revenue Account budget which is set out in this report is a prudent budget, designed to maintain a decent level of service, and inject further resources into a programme of capital investment in the housing stock that will eventually achieve the Decent Homes standard for our housing stock. The Council has been able to include proposals within the Business Plan to develop a modest programme of new build units on HRA land. The HRA has moved to a more stable financial future, with a reasonable level of balances.

REASONS AND OPTIONS

7. Reasons and Options

7.1 Reasons for the Decision

7.1.1 The Council is required to set the housing rent, service charges and a budget in accordance with the Local Government and Housing Act 1989.

7.2 Alternative Options Considered

7.2.1 There are no alternative options in so far as setting a budget is concerned. However, there are options in respect of the various elements of the budget. These are considered in preparing the budget and cover such things as the rent and service charge increase, budget growth and capital programme proposals.

IMPLICATIONS AND RISKS

Financial implications and risks:

HRA Revenue

This whole report largely concerns the Financial Implications and risks concerning the setting of the HRA budget for 2014/15, and the revision of the figures for the 30 year Self Financing Business Plan. The HRA is sufficiently healthy to enable reserves of an estimated £5.31m at the end of 2014/15 and at least £2m beyond this.

There are risks associated with any HRA budget, but it is felt these can be managed. The council has had the opportunity to review its resource requirement for 2014/15. On repairs, there are unbudgeted volume risks, but these can be managed by ensuring the HRA working balance is retained at least £2m. The bad debt provision contribution has been set based on an allowance for increasing arrears for the possible consequences of welfare reform. An assumption has been made in the business plan projections for this amount to increase in future years.

In addition to £5.31m working balance reserve on the HRA the following estimated provisions / reserves as at 31 March 2014:

- Bad and doubtful debt provision of £2.208m (including leaseholder major works) - calculated according to best practice
- Leaseholder Major Works Reserve of £0.963m – this is the balance remaining on the reserve. £0.200m is made from this reserve each year as a contribution to the HRA capital programme.

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- Right to Buy Pooling Earmarked Reserve of £2.358m - from 2012/13 the council can retain a proportion of right to buy receipts to fund affordable housing development.

A rent rise in accordance with rent restructuring is recommended. This increase was assumed in the Council's self financing debt settlement – i.e. the CLG assumed Havering would increase rents in this way, when calculating the c£165m debt that we would take on.

HRA Capital Budget

The table in paragraph 4.2 gives a confirmed resource position for 2014/15.

Neither the proposed HRA capital programmes for 2014/15 and the new build proposal pose any liabilities for the Council's capital resources outside those resources solely available for housing expenditure, that is, HRA resources, Decent Homes grant, right-to-buy receipts subject to the Council's agreement with the DCLG to use them to fund new housing, and s106 commuted sums held for affordable housing purposes.

Legal implications and risks:

Any local authority that owns housing stock is obliged to maintain a Housing Revenue Account. The HRA is a record of revenue expenditure and income relation to an authority's own housing stock. The items to be credited and debited to the HRA are prescribed by statute. It is a ring fenced account within the authority's General Fund, which means that local authorities have no general discretion to transfer sums into or out of the HRA.

Section 76 Local Government and Housing Act 1989 places a duty on local housing authorities: (a) to produce, and make available for public inspection, an annual budget for their HRA which avoids a deficit; (b) to review and if necessary, revise that budget from time to time and (c) to take all reasonably practicable steps to avoid an end-of-year deficit. The proposed HRA budget fulfils these requirements.

Human Resources implications and risks:

None specific.

Equalities implications and risks:

An equalities impact assessment has been carried out. Of note, the proposed rent increases are essentially dictated by central government through their rent restructuring formula. Furthermore, best practice and guidance dictates that service charges should be set at a level which covers the cost of providing the service to which the charge relates. Therefore, the Council cannot operate in an unfettered way with regard to the rents and service charges it sets. That said, the Council has examined the proposals in this report from an equalities perspective.

71% of council tenants are in receipt of Housing Benefit. The proposed rents and service charges eligible for housing benefit are within the housing benefit caps for

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Havering, therefore those in most financial hardship, which can include particular minority groups, will be protected

The capital programme makes available resources to bring forward works to make the remaining sheltered bedsits with shared bathrooms / showers fully self-contained. This will advantage this section of the community who are people over the age of 55.

BACKGROUND PAPERS

Housing Revenue Account Budget Report 2012/13
Equalities Impact Assessment

APPENDIX 1 – HRA budget 2014/15

	2013-14 Final Budget	2014-15 Final Budget
Income and Expenditure	£	£
Income		
Dwelling rents	(43,494,300)	(45,231,270)
Garages	(444,860)	(393,930)
Charges for services and facilities - Tenants	(4,950,690)	(4,866,470)
Charges for services and facilities - Leaseholders	(1,574,340)	(1,574,340)
Shared ownership	(66,540)	(88,630)
Supporting People Grant	(518,000)	(518,000)
Other	(756,150)	(721,750)
Total Income	(51,804,880)	(53,394,390)
Expenditure		
Repairs and maintenance	7,123,200	7,358,680
Supervision and management plus recharges	22,183,780	22,885,920
Depreciation and impairment	15,834,010	14,184,490
Debt management costs	51,350	53,780
Bad debt	665,000	665,000
Total Expenditure	45,857,340	45,147,870
Net cost of HRA services	(5,947,540)	(8,246,520)
Interest payable and similar charges	5,990,650	5,990,650
Interest and investment income	(79,810)	(64,810)
Surplus or deficit for the year on HRA services	(36,700)	(2,320,680)
Statement on movement of HRA balances		
Surplus or deficit for the year on HRA services	(36,700)	(2,320,680)
Capital expenditure funded by the HRA	20,500,000	20,353,000
Transfer to or from Major Repairs Reserve	(15,834,010)	(13,934,490)
Net (income)/Expenditure	4,629,290	4,097,830
HRA balance brought forward	(10,222,540)	(7,602,906)
Net (income)/Expenditure	4,629,290	4,097,830
In year Surplus 13-14	(288,640)	0
RTB receipts (Debt Element)	(1,721,016)	(1,804,968)
HRA balance carried forward	(7,602,906)	(5,310,044)

Appendix 2 – funded 2014/15 HRA capital programme

Budget Heading	Programme line	Total spend	Works	Project fees available to Housing at 6.5%
		£'000s rounded to the nearest £1,000	£'000s rounded to the nearest £1,000	£'000s rounded to the nearest £1,000
Decent Homes Programme	Windows (Excluding Tower Blocks)	900	845	55
	Kitchens – including boiler where failure	7,597	7,133	464
	Decent Homes Kitchens at Void stage	1,200	1,127	73
	Heating	2,400	2,254	147
	Electrical	2,025	1,901	124
	Doors Only	1,025	962	63
	Roofs	3,480	3,268	212
	Bathrooms	3,181	2,987	194
	Decent Homes Bathrooms at Void stage	1,000	939	61
	Insulation	55	52	3
	Remedial works to non traditional houses	6,000	5,634	366
	Tower Block refurbishment including windows	3,000	2,817	183
	Sheltered housing and hostels decent homes works	5,041	4,733	308
Decent Homes Programme Total		36,904	34,652	2,253
Additional Capital Works	Major Voids	575	540	35
	Structural	250	235	15
	Electrical Upgrade non decent homes	234	220	14
	Tower Blocks beyond decent homes	250	235	15
	Communal Works inc concrete works	750	704	46
Additional Capital Works Total		2,059	1,933	126
Environmental Improvements	Legionella	180	169	11
	Major Fencing/Boundary Walls	100	94	6
	Drainage	100	94	6
	Asbestos Removal/Management	200	188	12
	Environmental Improvements contingency	200	188	12
	Works to redundant garage sites not earmarked for housing development	200	188	12
Environmental Improvements Total		980	921	59

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Planned Preventative Maintenance	External Refurbishments	1,500	1,408	92
Planned Preventative Maintenance Total		1,500	1,408	92
Common & Sheltered	DDA/Fire Protection	50	47	3
	Careline Equipment	50	47	3
	Sheltered conversions beyond decent homes	640	601	39
	Hidden Homes	215	202	13
	Environmental Improvements contingency	400	376	24
	Passenger lift upgrades	400	376	24
Common & Sheltered Total		1,755	1,649	106
Energy Efficiency	Stock Condition Survey	33	33	-
Energy Efficiency Total		33	33	-
Aids and Adaptations	Aids and Adaptations	550	495	*
Aids and Adaptations Total		550	495	*
2013/14 HRA Capital Programme Total		43,781	41,092	2,634**

* Fees at 11% are available to Adult Social Care

** Fees figure excludes fees payable to Adult Social Care

Appendix 3: HRA Projection from Business Plan – Years 1-10

Year	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24
	1	2	3	4	5	6	7	8	9	10
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
INCOME:										
Rental Income	46,465	47,954	49,300	50,674	52,078	53,512	54,976	56,472	57,999	59,560
Void Losses	(1,227)	(956)	(983)	(1,010)	(1,038)	(1,067)	(1,096)	(1,126)	(1,156)	(1,187)
Service Charges	6,441	6,570	6,701	6,835	6,972	7,111	7,253	7,398	7,546	7,697
Non-Dwelling Income	394	402	410	418	426	435	444	453	462	471
Grants & Other Income	1,328	1,345	1,371	1,399	1,427	1,455	1,485	1,514	1,545	1,575
RTB Debt Adjustment	1,805	756	756	756	735	735	735	735	735	714
Total Income	55,206	56,070	57,555	59,072	60,600	62,181	63,796	65,446	67,131	68,830
EXPENDITURE:										
General Management	(22,886)	(22,834)	(23,290)	(23,756)	(24,231)	(24,716)	(25,210)	(25,714)	(26,229)	(26,753)
Bad Debt Provision	(651)	(959)	(1,108)	(1,265)	(1,429)	(1,601)	(1,645)	(1,690)	(1,736)	(1,782)
Responsive & Cyclical Repairs	(7,359)	(7,535)	(7,686)	(7,803)	(7,918)	(8,034)	(8,152)	(8,271)	(8,392)	(8,514)
Total Revenue Expenditure	(30,895)	(31,327)	(32,084)	(32,824)	(33,578)	(34,351)	(35,007)	(35,676)	(36,356)	(37,050)
Interest Paid & Administration	(6,062)	(6,062)	(6,062)	(6,062)	(6,062)	(6,062)	(6,062)	(6,062)	(6,062)	(6,062)
Interest Received	66	38	21	21	21	26	63	130	204	286
Impairment	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Net Operating Income	18,065	18,469	19,181	19,958	20,731	21,545	22,541	23,589	24,667	25,755
APPROPRIATIONS:										
Revenue Contribution to Capital	(20,353)	(21,799)	(19,164)	(19,958)	(20,731)	(20,507)	(16,179)	(16,497)	(16,820)	(17,150)
Total Appropriations	(20,353)	(21,799)	(19,164)	(19,958)	(20,731)	(20,507)	(16,179)	(16,497)	(16,820)	(17,150)
ANNUAL CASHFLOW	(2,288)	(3,331)	17	(0)	0	1,038	6,361	7,092	7,846	8,605
Opening Balance	7,603	5,315	1,984	2,001	2,001	2,001	3,039	9,400	16,491	24,338
Closing Balance	5,315	1,984	2,001	2,001	2,001	3,039	9,400	16,491	24,338	32,943

Appendix 3b: HRA Capital Investment Requirement Projection from Business Plan – Years 1-10

Year	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24
	1	2	3	4	5	6	7	8	9	10
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
EXPENDITURE:										
Planned Variable Expenditure	(49,861)	(18,585)	(14,649)	(13,469)	(13,734)	(14,587)	(14,873)	(15,164)	(15,461)	(15,763)
Planned Fixed Expenditure	(4,114)	(988)	(1,013)	(1,038)	(290)	(59)	(61)	(62)	(64)	(66)
Procurement Fees	(4,318)	(1,566)	(1,253)	(1,161)	(1,122)	(1,172)	(1,195)	(1,218)	(1,242)	(1,266)
Previous Year's Overall Shortfall	-	(16,945)	(15,925)	(14,060)	(10,063)	(4,640)	-	-	-	-
New Build - net cost	(4,173)	748	(41)	(47)	(49)	(50)	(51)	(52)	(54)	(55)
Total Capital Expenditure	(62,466)	(37,335)	(32,881)	(29,775)	(25,257)	(20,507)	(16,179)	(16,497)	(16,820)	(17,150)
FUNDING:										
Major Repairs Reserve	2,000	-	-	-	-	-	-	-	-	-
Other Receipts	23,581	-	-	-	-	-	-	-	-	-
Revenue Contributions	20,353	21,799	19,164	19,958	20,731	20,507	16,179	16,497	16,820	17,150
Total Capital Funding	45,934	21,799	19,164	19,958	20,731	20,507	16,179	16,497	16,820	17,150
In Year Net Cashflow	(16,532)	(15,536)	(13,717)	(9,818)	(4,526)	-	-	-	-	-
Cumulative Position	(16,532)	(15,536)	(13,717)	(9,818)	(4,526)	-	-	-	-	-