

CABINET

11 February 2015

Subject Heading:	HRA Budget for 2015/2016 and HRA Major Works Capital Programme 2015/6 – 2017/8
Cabinet Member	Councillor Damian White Councillor Roger Ramsey
CMT Lead:	Joy Hollister , Group Director, Children's Adults and Housing Andrew Blake-Herbert , Director of Finance & Commerce
Report Author and contact details:	Sue Witherspoon, Head of Homes and Housing 01708433747 Conway Mulcahy Finance Business Partner 01708 432565 Conway.mulcahy@havering.gov.uk
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 Major Works 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 2015
Reviewing OSC	Towns and Communities

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

Clean, safe and green borough	[X]	
Excellence in education and learning	[]	
Opportunities for all through economic, social and cultural activity		[X]
Value and enhance the life of every individual		[]
High customer satisfaction and a stable council tax	[X]	

SUMMARY

This report sets a budget for the Council's Housing Revenue Account (HRA) and HRA Major Works 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 30 year 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 2015/6.

The Housing Revenue Account is sound and is able to invest in its stock, and develop new homes over the coming three years. However, due to a recent change in the Government's rules on rent increases, the former system of rent restructuring is being abolished in 2015/16 and future rent increases are designed to be limited to no more than the Consumer Price Index (CPI) + 1%. The Council plans to move to the new system in 2016/17, but has to take the opportunity which remains in this year, to move its rents to target rents immediately. This will remove the inequality between properties that currently exists. At present it is possible for identical properties to have different rents, because of the transitional nature of the rent restructuring plan. By moving immediately, in one year, to target rents, this inequality will be eliminated. All rents will be at target rents; additional rental income will be available to invest in the housing stock, and in new homes, and future rent increase for the next 10 years will be in line with inflation pressures as expressed by the CPI. In addition, if the Council did not move its rents to target rents, this opportunity would be lost and a regime of CPI + 1%, if applied immediately would have lost the Council's Business Plan £100m over the life of the Plan.

Despite this level of rent increase, Havering's rents remain the lowest in London, during the year 2014/15.

RECOMMENDATIONS

That Cabinet:

1. Agrees the Housing Revenue Account Budget as detailed in Appendix 1.
2. Agrees that the average rent for existing tenants in Council properties owned by the London Borough of Havering be increased by £7.87, from £91.44 to £99.31 (8.6%) with effect from 6 April 2015, in line with the Government's current policy to restructure rents.
3. Agrees that the rent free weeks for 2015/6 be w/c 24th August 2015 the two weeks commencing 21st and 28th December 2014, and the week commencing 28 March 2016.
4. Agrees that tenants' service charges and heating and hot water charges for 2015/6 are increased or decreased as follows:

Service Charges reviewed and recommended	2014/15 Weekly Charge – 48 weeks	2015/16 Weekly charge – 48 weeks	Increase (decrease)	% increase (decrease)
Caretaking	3.44	3.78	0.34	10%
Internal Block Cleaning	1.31	1.56	0.25	19%
Bulk Refuse Collection	0.50	0.48	(0.02)	(4%)
CCTV - Mobile Service	0.46	0.46	0	0
CCTV - Static Service	1.49	1.40	(0.09)	(6%)
Community Wardens	0.85	0.95	0.10	12%
Door Entry	1.36	0.25	(£1.11)	(81%)
Ground Maintenance	2.83	3.53	0.70	25%
Sheltered Cleaning	3.54	3.58	0.04	1%
TV access	1.49	1.49	0	0
Heating	6.90	6.27	(0.63)	(9%)
Heating and Hot Water	9.72	9.57	(0.15)	(2%)

5. Agrees that the service charge for homeless households accommodated in the Council's hostels is increased by 1.2% to £25.14 a week (average figure).
6. Agrees that charges for high and medium demand garages are increased by 1.2% and that rents for low demand garages are frozen.
7. Notes that the charges for mobile support will be deleted, but that new service charge for the provision of security and support in sheltered housing will be introduced, and will be £6.57pw (52 weeks). This will replace the mobile support charges which last year ranged from £5.48pw to £13.70pw, depending upon the level of support.

8. Agrees that the Careline support charge be increased by 1.2%.

Service	Weekly support charge in 2014/15 – 52 weeks	Weekly support charge in 2015/16 – 52 weeks
Careline – sheltered tenants	4.39	4.44
Careline – community users	4.68	4.74

9. Agrees that Telecare support charges be increased by 1.2%.

Service	Weekly support charge in 2014/15 – 52 weeks	Weekly support charge in 2015/16 – 52 weeks
Telecare – base unit plus two sensors	6.81	6.89
Additional Telecare sensor	1.13	1.14

10. Notes that there is a projected in-year surplus of £1.620m, and to agree that £0.5m will be carried forward to fund the replacement of the Housing Management system.
11. Agrees the HRA Major Works Capital Programme, detailed in Appendix 2, and refer this to full Council for final ratification.

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 2015/16.

Cabinet, 11 February 2015

- 1.4 One of the central driving aims of the Council is to maintain the Decent Homes Standard for its stock and, through the HRA Business Plan to achieve this goal whilst maintaining a good quality housing service and also to start replacing some of the properties lost through the Right to Buy, with new build Council homes.
- 1.5 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. Up until this year, the Government has influenced 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 provided 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 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 rents are expected to converge has been amended by the government a number of times. The Government has now set out new proposals for rents, which proposes that rents will be increased by a maximum of CPI + 1% rather than the maximum allowed under the RPI formula of 0.5% + RPI + £2 which applied in 2014/15. This set of proposals was subject to consultation which closed on 24th December. This formula was set out on the basis, that the Government believed that most social landlords had already achieved target rents. However, this was not the case in Havering, as the rents have been historically, very low. Havering made a formal submission to the Government in response to the proposed changes, and fortunately, the Government has amended the proposals to allow landlords who have not achieved target rents to continue with the former rent restructuring regime. There remains in place a "limit rent" which is the maximum that the social landlord can charge, whereby the tenant will receive full Housing Benefit, and 100% of the subsidy met by Government. At the same time, the limit rent, and the formula rent have been brought together and are now at the same level.
- 2.1.3 It is proposed therefore in 2015/6, to make a one off increase to raise all the rents of Council tenants in Havering, to the formula rent. This has the effect of a larger average rent increase this year (8.6%) but will bring in additional resources to enable the local authority to fulfil its spending plans, of dealing with all the stock investment required and also to maintain a modest new build programme of new homes. Rents after this year will be increased by no more than the Government formula (of CPI + 1% maximum) if we wish the Housing benefit subsidy to be met in full. This proposed rent increase will affect 90% of tenants. 10% of properties have been re-let in the last year, and during the course of the last year, formula rents

Cabinet, 11 February 2015

were applied as properties became vacant. Those properties which have been let in the last 12 months, therefore, are already at the formula rent.

2.1.4 In 2014/15, the average rent in Havering is £91.44. Applying the formula rent to all properties in April 2015 gives an average increase of £7.87 a week, that is, 8.66%. Using this formula, the average rent in 2015/16 will be £99.31. This will mean in effect that rents are increased as set out in the table below:

	Rents 2014/15 52 weeks	Rents 2015/6 52 weeks	Increase (£)	% Increase
Bedsit	£70.55	£79.25	£8.70	12.34%
1 Bed	£76.61	£86.92	£10.31	13.45%
2 Bed	£89.60	£96.60	£7.00	7.81%
3 Bed	£107.66	£115.71	£8.05	7.48%
4 Bed	£121.77	£134.03	£12.26	10.07%
5 Bed	£134.13	£148.03	£13.90	10.36%
Average Rent	£91.44	£99.31	£7.87	8.60%

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 2015/16 is still within the housing benefit limits 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.
- Havering Council's rents in 2015/16 will continue to be amongst 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.

Information on rents is not available from every borough at the end of March 2014, but of those boroughs publishing their average rents on a 52 week basis, Havering had the lowest rents. From outer London Boroughs the following information was available:

Borough	Average net rent
Barnet	99.12
Brent	111.27
Ealing	94.80
Haringey	104.18
Harrow	112.45
Havering	85.15
Hillingdon	108.62
Kingston	113.29
Redbridge	97.01

2.16 Applying the formula rent calculation in 2015 will provide an improved income forecast to that in last year's business plan. Such a decision will also have the benefit of evening out actual rents for tenants in similar properties in similar areas so that variances between neighbours will be stopped on 31st March 2015.

Cabinet, 11 February 2015

2.17 The increased income from this rent rise will be used to increase the HRA revenue contribution to the HRA major works programme to deliver improved stock investment 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.

2.2 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:

CCTV – Static Service: reduced by £0.09p (6%)

Heating: reduced by £0.63p (9%)

Hot water – reduced by 0.15p (2%)

Bulk refuse – reduced by 0.02p (4%)

Door Entry – reduced by £1.11 (81%)

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

TV aerial

CCTV – mobile service

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

Internal block cleaning: increased by 25p (19%)

Grounds maintenance: increased by 70p (25%)

Sheltered cleaning: increased by 4p (1%)

Community (Wardens – increased by 10p (12%)

Caretaking – increased by 34p (10%)

If a tenant received all these services, then the net increase in service charges would be £0.84p. The increase in internal block cleaning reflects the fact that the cost of this service is not fully covered by the income from service charges. This is being gradually addressed over a period of four years, and next year's increase should see the cost of the service fully covered. It is proposed to consult tenants on the Grounds Maintenance contract and possible alternative services, which could deliver savings at the Tenants' Conference on 18th February, 2015.

2.2.5 It is proposed to increase service charges for hostel residents by 1.2% (equivalent to CPI). 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 664 garages let (of which 92 are part of the number earmarked for demolition and will become unavailable to let), and a further 508 empty and available to let. The rents of our high demand garages are about the same as comparable private garages to let. There have been 60 garages let this year (from 1 April 2014), of which 29 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 1.2% and freeze the rent of the remaining low demand garages.

2.4 Support charges – mobile support

2.4.1 The mobile support service who visited residents in their homes, as part of our mobile support service, was formerly funded by a Supporting People grant, which met the charges for elderly residents. This is an unringfenced General Fund grant, and as part of the General Fund budget reductions for 2015/16, this grant has been removed. The Housing Service has therefore conducted a complete review of the service, consulting residents about the future of the service. The residents were offered three options – to remove the service altogether with a saving to those who paid the charge themselves; or to keep the service as the same, but charge the service cost to all residents; or a third option of reforming the service, bringing together the housing management and the support functions and creating a new service, funded through a mix of HRA funding, and service charges. The residents opted overwhelmingly (80%) for the hybrid option, which is being implemented in March 2015. The service charge for this new service will therefore be £6.57 per week (52 weeks).

2.5 Service charges – Careline and Telecare support

2.5.1 It is proposed that the Careline and Telecare service charges be increased by September's CPI (1.2%).

3. THE HRA BUDGET 2015/16

3.1 Attached at Appendix 1 is the proposed HRA budget for 2015/16. A summary of the main movement from the 2014/15 budget is as follows:-

Revised Expenditure Budget 2014/15	£57,307,030
Pay award	£220,260
Contract Inflation	£276,960
Reduction in CSSA (Support Charges)	-£285,570
Interest Payment reductions	-£138,280
Other net Budget movements	-£278,990
On-going Growth items	£500,800
One off Growth Items dropping out	-£504,920
2015/16 Original Expenditure Budget	£57,097,290
Revised Income Budget 2014/15	(£53,459,200)
Rent Increases	(£3,953,520)
Service Charges increase	(£723,110)
Other income reduced	£745,860
2015/16 Original Income Budget	(£57,389,970)
Net Budget	(£292,680)
Increase in Capital funded by revenue	£5,326,000
Gross Budget	£5,033,320

3.2 Reasons for variation – growth items

3.2.1 Pay award – £220,260. A 2.2% pay award has been agreed with the Unions, over a 2 year period. This provision will therefore need to be made within the budget to fund this.

3.2.2 During the course of 2014/15, we have been developing a befriending service jointly with Tapestry, (formerly Age Concern Havering). This will recruit 50 volunteers in the first year, who will be matched with elderly people in the community who suffer from social isolation. This will increase to 100 volunteers in Year 2. This additional cost of £25,000 will fund the services of a Volunteer Co-Ordinator who will recruit, train support and place the volunteers with our residents.

3.2.3 £13,000 will be spent in 2015/16 towards the cost of broadband for our Sheltered Units, where we have installed ICT suites, so that elderly residents can carry out shopping online, contact relatives through Skype and carry out other functions via the internet. This service is currently being used by 20% of the residents in Sheltered Housing, and it is hoped that this will be extended through training and support in 2015/16. We are also installing large screens in Sheltered so that film clubs can be formed and provide entertainment for our residents. There is also provision within this, to fund TV licences for our sheltered schemes.

Cabinet, 11 February 2015

- 3.2.4 £15,000 has been built into the budget to provide for uplift in the allowances paid to TMOs, in line with Government guidance and regulations.
- 3.2.5 £25,000 has been put into the budget to pay for the supervision of ex-offenders under the Community Payback scheme. We have successfully funded a pilot scheme in this area in the past, which has led to improvements on estates including redecorations of railings, bollards and other environmental features. We propose to build this into the budget on a regular basis.
- 3.2.6 An additional £110,000 has been built into the budget to increase the staff complement in Property Services. Two of these posts, surveyors will be employed to carry out additional work supervising the repairs contract work, to ensure compliance with the contract terms, and ensure that the quality of work is maintained. One of these posts will be to carry out a similar function, but with our services contractors – supervising work such as gas servicing, asbestos, legionella and electrical contractors.
- 3.2.7 An additional £72,000 has been built into the budget of the Housing Options team. There has been a significant growth in the amount of work carried out both by the Housing Needs team, and also the Lettings Team and additional resources are needed to ensure applications are assessed quickly, and that empty properties are let quickly. These posts will add to this function. There will be a closer look at the structure and function of these teams during the course of 2015/16 in order to ensure that the processes work effectively.
- 3.2.8 An additional £16,000 has been added to the Affordable Housing Team to provide a part time resource to enable the sales of Shared Ownership Units, to be built by the Council to be sold quickly, and in line with the Council's preferred policy of targeting such units to local Havering people.
- 3.2.9 It is proposed to create a post of Tenancy Fraud Officer, to work within the Housing Services Team. (£42,000) This is because the funding from the DCLG to deal with tenancy fraud has now come to an end, and the work will not continue without further funding.
- 3.2.10 It is proposed to create the post of Training officer (£40,000) to ensure that the new housing management system, when implemented will be appropriately used by staff. There is a need to improve the ICT skills of staff generally, and particularly in the light of the introduction of a new Housing Management system.
- 3.2.11 This amounts to total growth (not including pay award) in Supervision and Management of £358,000.
- 3.3 Reasons for Variation – savings items
 - 3.3.1 There is a significant increase in the Service Charge income. Although the individual service charges have not been increased greatly, and in all but one case simply cover the cost, there has been a growth in the number of users of Havering Telecare and Careline services. This has led to a significant increase in income to this cost centre, which is reflected in the budget.

Cabinet, 11 February 2015

- 3.3.2 A reduction of £100,000 has been made in the Estate Services agency budget, as cover will be provided by permanent staff, when staff are absent on leave, sickness and training.
- 3.3.3 An income target of £20,000 has been set for the Community Warden Service, to be achieved by providing services to other Housing providers, such as Housing Associations. This has been done on a temporary basis in the past, over the summer period. The team is confident that this can be established on a more permanent basis.
- 3.3.4 Miscellaneous savings in Community Services amounting to £26,000 have been identified in areas such as equipment, office expenses, car allowances and cleaning materials.
- 3.3.5 Efficiencies have been identified in the Housing Services Team, which will yield £25,000.
- 3.3.6 Savings in Property Services can be found as a result of the new Repairs Contract (£62,920), in the Lifts and Alarms budget (£20,000) and other miscellaneous items such as car allowances, repairs to adaptations and general office expenses. These miscellaneous savings amount to £14,420.
- 3.3.7 Reductions in contingency provision can be made. A provision was set up to carry out the integration of Homes in Havering with the Council. This amounted to £300,000 and is now no longer required. A further reduction in the general contingency of £100,000 can also be made.
- 3.3.8 A saving of £20,000 can be made in the books and subscriptions budgets within the Housing Needs and Strategy Service.
- 3.3.9 This amounts to a total saving of £688,340 in Supervision and Management. The net effect of growth and savings in the Supervision and Management of the service is a saving of £330,340.
- 3.3.10 There is a significant reduction in the income from "other" items. These include Supporting People, insurance charges, halls for hire, and water commission.

4. MAJOR WORKS BUDGET – HRA 2015/16 – 2017/18 major works resources and proposed spend

- 4.1 With the introduction of Self Financing in 2012 it is now possible to plan major works expenditure beyond one year at a time.
- 4.2 Decent Homes Grant Funding from the GLA came to an end in 2014/15. As a result of use of this grant and significant additional investment of HRA resources into the Decent Homes Programme, essentially all properties now meet the Standard, with the exception of around 2% of homes which are currently undergoing works, notably through the non-traditional house refurbishment programme or Decent Homes works at the void stage.
- 4.3 From now on, the main source of funds for investment in the existing stock stems from tenants' rents. Surpluses in rental income net of day-to-day

Cabinet, 11 February 2015

management and maintenance of the stock and meeting the costs of borrowing can be converted to investment in major projects.

4.4 These HRA resources can also be used to fund new build. HRA Business Plan resources for this purpose can be augmented by right-to-buy receipts as the Council has struck an agreement with the GLA to use 100% of the usable element of right-to-buy receipts on the building of new social housing within three years of their generation. Failure to use right-to-buy receipts in this way would see the Council having to pay the receipts over to the GLA with additional interest. Some council housing new build schemes have also attracted grant from the GLA.

4.5 The table below summarises the available resources across the coming three years.

Funding source	2015/16 £'000s	2016/17 £'000s	2017/18 £'000s	Three year total £'000s
HRA Business Plan resources available for major works use	25,679	22,030	23,157	70,866
Leaseholder contribution	200	200	200	600
GLA affordable housing grant for new build*	1,924	1,268	0	3,192
Right-to-buy receipts for new build**	495	1,554	2,470	4,519
TOTAL	28,298	25,052	25,827	79,177
<p>* GLA grant for Phase 1 schemes, listed in the table below, has been accounted for in previous financial years. GLA grant for Phase 2 schemes, listed in the table below, accounted for in full in year of start-on-site</p> <p>** Right-to-buy funding to Phase 1 schemes has been accounted for in previous financial years. Right-to-buy funding for Phase 2 schemes accounted for in full in year of start-on-site. Includes right-to-buy receipts which will need to be spent in-year on new build housing to avoid repayment to the GLA with interest but for which schemes have not yet been approved</p>				

4.5 The 2014/15 – 2015/16 New Build programme consists of the following schemes:

Project	Type of housing	Number of units
Phase 1*		
Albysn Close bungalow scheme	Affordable Rented	9 bungalows
	Shared Ownership for elderly	10 bungalows
Replacement of hard-to-let bedsit bungalows with two bedroom family homes	Affordable Rented	12 houses
New Plymouth and Napier – conversion of pram sheds	Affordable Rented	3 flats
Phase 2		
New Plymouth and Napier – infill on land at base on the towers	Affordable Rented	11 houses
	Shared Ownership	8 houses
Briar Road Estate – redevelopment of	Affordable	36 flats

Cabinet, 11 February 2015

the centre of the estate	Rented	
	Shared Ownership	10 houses
Block Extensions – flats adjacent to existing flatted schemes	Affordable Rented	27 flats
Diana Princess of Wales	Affordable Rented	1 wheelchair adapted bungalow
	Shared Ownership	5 houses
Lexington Way	Affordable Rented	2 flats
	Shared Ownership	10 houses
Kilmartin Way	Affordable Rented	5 houses
Dewsbury Road	Affordable Rented	5 houses
Taplow House, Rainham	Shared Ownership	16 flats
* Schemes at Garrick House, Ullswater Way, Ravenscourt Grove and Holsworthy House will complete in 2014/15		

4.6 The full proposed Major Works programme – covering investment in the existing council housing stock and building of new properties – for the three years 2015/16 to 2017/18 is included in Appendix 2.

4.7 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 needed 3 bedroom, level access accommodation on the ground floor for households with a disabled person within them. Work has commenced and will continue into 2015/16.

4.8 The Council will be delivering a Tenants Incentive Scheme, to assist 20 first time buyers who are currently Havering Council tenants during 2014/15 and 2015/16 by providing assistance with deposits. This is jointly funded between the Council and the GLA. There are currently 14 households going through the home-buying process, with an average of five fresh enquiries a month.

5. 30 year Business Plan 2015/16 to 2045/46

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 2015/16 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 major works 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 major works 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 beneficial impact caused by the Council's proposals to move directly to formula rents in 2015/16.

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 major investment in the housing stock that will maintain the Decent Homes standard for our housing stock and carry out additional much needed investment. 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

Reasons and Options

Reasons for the Decision

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

Alternative Options Considered

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 major works 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 2015/16, and the revision of the figures for the 30 year Self Financing Business Plan. The HRA is sufficiently

Cabinet, 11 February 2015

healthy to generate working balance reserves of an estimated £2m at the end of 2015/16, 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 2015/16. 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 £2m reserves on the HRA, the following estimated provisions / reserves are predicted as at 31 March 2015:-

- Bad and doubtful debt provision of £2.532 (including leaseholder major works) - calculated according to best practice
- Leaseholder Major Works Reserve of £1.228m – this is the balance remaining on the reserve. £0.200m is generated from this reserve each year as a contribution to the HRA Investment programme.
- Right to Buy Pooling Earmarked Reserve of £4.56m (estimate) - from 2012/13 the council can retain a proportion of right to buy receipts to fund affordable housing development.

A rent rise directly to raise all rents to formula rent is recommended. This will provide much needed additional resources to enable the Council to deal with the necessary stock investment, and deliver new homes and use the RTB receipts set aside for this purpose, in agreement with the Government.

HRA Investment Capital Budget

The table in paragraph 4.5 gives a confirmed resource position for 2015/16.

Neither the proposed HRA Major Works Capital programmes for 2015/16, nor the new build proposals, pose any liabilities for the Council's resources outside those resources solely available for housing expenditure, that is:-

- HRA resources/revenue surpluses
- Right-to-buy receipts subject to the Council's agreement with the DCLG to use them to fund new housing.

Legal implications and risks:

Under Part V1 of the Local Government and Housing Act 1989 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. The Council is required to prepare proposals in January and February each year relating to the income of the authority from rents and other charges, expenditure in respect of repair, maintenance, supervision and management of HRA property and other

prescribed matters. The proposals should be made on the best assumptions and estimates available and should be designed to secure that the housing revenue account for the coming year does not show a debit balance. The report sets out information relevant to these considerations.

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.

The report sees approval for major investment estimates in relation to a variety of schemes. In compliance with Section 151 of the Local Government Act 1972, the Council has in place Financial Regulations and Financial Procedures which provide appropriate arrangements for the approval of major works estimates. The various major works schemes must be capable of being carried out within the Council's statutory powers. To the extent that the details of the schemes appear from the body of the report, it does appear that the proposed works meet this requirement. In particular the maintenance and repair of dwellings may be considered consistent with the Council's repairing obligation under Section 11 of the Landlord and Tenant Act 1985.

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

The major works 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.

Cabinet, 11 February 2015

BACKGROUND PAPERS

Housing Revenue Account Budget Report 2014/15
Equalities Impact Assessment

APPENDIX 1 – HRA budget 2015/16

	2014-15 Original Budget	2015-16 Original Budget	Variance
	£	£	£
Income and Expenditure			
Income			
Dwelling rents	(45,231,270)	(49,152,660)	(3,921,390)
Garages	(393,930)	(400,710)	(6,780)
Charges for services and facilities - Tenants	(4,866,470)	(5,589,580)	(723,110)
Charges for services and facilities – Leaseholders	(1,574,340)	(1,574,340)	0
Shared ownership	(88,630)	(113,980)	(25,350)
Supporting People Grant	(518,000)	0	518,000
Other	(721,750)	(493,890)	227,860
Total Income	(53,394,390)	(57,325,160)	(3,930,770)
Expenditure			
Repairs and maintenance	7,358,680	7,348,120	(10,560)
Supervision and management plus recharges	22,885,920	22,580,980	(304,940)
Depreciation and impairment	14,184,490	14,184,490	0
Debt management costs	53,780	47,820	(5,960)
Bad debt	665,000	665,000	0
Total Expenditure	45,147,870	44,826,410	(321,460)
Net cost of HRA services	(8,246,520)	(12,498,750)	(4,252,230)
Interest payable and similar charges	5,990,650	5,852,370	(138,280)
Interest and investment income	(64,810)	(64,810)	0
Surplus or deficit for the year on HRA services	(2,320,680)	(6,711,190)	(4,390,510)
Statement on movement of HRA balances			
Surplus or deficit for the year on HRA services	(2,320,680)	(6,711,190)	(4,390,510)
Major works expenditure funded by the HRA	20,353,000	25,679,000	5,326,000
Transfer to or from Major Repairs Reserve (MRR)	(13,934,490)	(13,934,490)	0
Net (income)/Expenditure	4,097,830	5,033,320	935,490
HRA balance brought forward	(7,602,906)	(5,310,044)	2,292,862
Net (income)/Expenditure	4,097,830	5,033,320	935,490
In year Surplus 14-15	0	(1,620,000)	(1,620,000)
RTB receipts (Debt Element)	(1,804,968)	(755,584)	1,049,384
HRA balance carried forward	(5,310,044)	(2,652,308)	2,657,736

Appendix 2 – funded 2015/6 – 17/18 HRA Major works Capital Programme

Major Works Programme 2015-18					
		15/16	16/17	17/18	3yr Totals
New Build Programme and pre-commitments in 2015/16					
New Build Programme		10,508,721	13,323,987	8,947,129	32,779,837
Napier and New Plymouth improvements		873,732	-	-	873,732
Preliminaries Costs		45,000	-	-	45,000
Programme delivery fees		4,050	-	-	4,050
Total		11,431,503	13,323,987	8,947,129	33,702,619
Total less fees		11,427,453	13,323,987	8,947,129	33,698,569
Stock Upkeep Works to maintenance standards including Major Repairs					
Major Voids		600,000	500,000	600,000	1,700,000
Structural		50,000	50,000	50,000	150,000
Electrical Upgrade/Mains Supplies		150,000	150,000	150,000	450,000
Legionella		170,000	170,000	170,000	510,000
Fencing / Boundary Walls		50,000	50,000	50,000	150,000
Drainage/Sewers		50,000	50,000	50,000	150,000
Asbestos Removal/Management		120,000	120,000	120,000	360,000
External Refurbishment (xrd)		1,395,000	-	1,100,000	2,495,000
DDA Fire Protection/Mean of Escape		50,000	50,000	50,000	150,000
Careline equipment		50,000	50,000	50,000	150,000
Stock condition surveys 10%		25,000	25,000	25,000	75,000
Aids and Adaptations		500,000	350,000	350,000	1,200,000
Programme delivery fees		237,150	159,600	70,200	466,950
Total		3,447,150	1,724,600	2,835,200	8,006,950
Total less fees		3,210,000	1,565,000	2,765,000	7,540,000
Stock Reinvestment to improve conditions including any outstanding Decent Homes works					
Non Trad Houses/Flats System Build		600,000	500,000	850,000	1,950,000
Support Consultants		250,000	150,000	-	400,000
Kitchen/Bathrooms at Void stage		700,000	600,000	850,000	2,150,000
Stock Investment "Replacements"		5,737,714	4,222,683	7,100,000	17,060,397
Preliminaries Costs		570,394	425,041	715,500	1,710,936
Programme delivery fees		684,730	804,681	666,085	2,155,496
Total		8,542,838	6,702,406	10,181,585	25,426,829
Total less fees		7,858,109	5,897,725	9,515,500	23,271,333
Stock Remodelling					
Bedsit Remodelling		500,000	90,000	500,000	1,090,000
Preliminaries Costs		45,000	8,100	45,000	98,100

Cabinet, 11 February 2015

Programme delivery fees		49,050	1,962	49,050	100,062
Total		594,050	100,062	594,050	1,288,162
Total less fees		545,000	98,100	545,000	1,188,100
Future Investment					
Tower Block Cladding		-	-	550,000	550,000
Preliminaries Costs		-	-	-	-
Programme delivery fees		-	-	49,500	49,500
Total		-	-	599,500	599,500
Total less fees		-	-	550,000	550,000
		15/16	16/17	17/18	3yr Totals
TOTAL		24,015,541	21,851,055	23,157,464	69,024,060
TOTAL works		23,040,562	20,884,812	22,322,629	66,248,002
TOTAL fees		974,980	966,243	834,835	2,776,058
CAPITAL CONTINGENCY		1,663,853	179,280	(905)	1,842,228
Major Works Resources available from Business Plan		£25,679,394	£22,030,335	£23,156,559	£70,866,287