

CABINET

13 February 2013

Subject Heading:	HRA Budget for 2013/14 and HRA Capital Programme 2013/14 – 2014/15
Cabinet Member	Councillor Lesley Kelly Councillor Roger Ramsey
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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 Appendices 2-3.
Is this a Key Decision?	Yes
Is this a Strategic Decision?	Yes
When should this matter be reviewed?	December 2013
Reviewing OSC	Towns and Communities

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

Clean, safe and green borough	<input 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 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 is different from previous years because of Self Financing HRAs. 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 deliver the next phase of the Council's Decent Homes Programme. It further sets rents, service charges and other charges for Council tenants for the year 2013/14.

RECOMMENDATIONS

1. To agree the Housing Revenue Account Budget as detailed in Appendix 1.
2. To agree that the average rent for Council properties owned by the London Borough of Havering be increased by £4.55, from £81.21 to £85.76 (5.60%) with effect from 1 April 2013, in line with the Government's policy to restructure rents. This will mean in effect that rents are increased as set out in the table below:

	Rent 2012/13 – 52 weeks	Rent 2013/14 – 52 weeks	Increase (£)	% increase
Bedsit	£62.96	£66.55	£3.59	5.70%
1 Bed	£67.49	£71.91	£4.42	6.55%
2 Bed	£80.11	£84.58	£4.47	5.58%
3 Bed	£97.29	£102.16	£4.87	5.01%
4 Bed	£110.90	£116.17	£5.27	4.75%
5 Bed	£122.20	£127.68	£5.48	4.48%
Average Rent	£81.21	£85.76	£4.55	5.60%

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3. To agree that the rent free weeks for 2013/14 be w/c 26 August 2013, the two weeks commencing 23 December 2013, and the week commencing 31 March 2014.
4. To agree that tenants' service charges and heating and hot water charges for 2012/13 are increased or decreased as follows:

Service Charges reviewed and recommended	2012/13 Weekly Charge – 52 weeks	2013/14 Weekly Charge – 52 weeks	Increase (decrease)	% increase (decrease)
Caretaking	£3.41	£3.33	(£0.08)	(2.3%)
Internal Block Cleaning	£0.71	£1.02	£0.31	43.7%
Bulk Refuse Collection	£0.49	£0.45	(£0.04)	(8.1%)
CCTV - Mobile Service	£0.55	£0.55	£0.00	0%
CCTV - Static Service	£1.30	£1.38	£0.08	6.2%
Neighbourhood Wardens	£0.85	£0.83	(£0.02)	(2.4%)
Door Entry	£1.38	£1.38	£0.00	0%
Ground Maintenance	£2.57	£2.39	(£0.18)	(7.0%)
Sheltered Cleaning	£2.67	£2.93	£0.26	9.7%
TV access	£1.25	£1.32	£0.07	5.6%
Heating	£10.85	£9.52	(£1.33)	(12.3%)
Hot Water	£8.22	£6.02	(£2.20)	(24.3%)

5. To agree that the service charge for homeless households accommodated in the Council's hostels is increased by 3.1% to £24.15 a week.
6. To agree that charges for high and medium demand garages are increased by 2.6% and that rents for low demand garages are frozen.
7. To agree that support charges for mobile support for older people are increased by 3.1% as follows:

Service	Weekly support charge in 2012/13 – 52 weeks	Weekly support charge in 2013/14 – 52 weeks
Support – low level	£5.12	£5.28
Support – medium level	£10.24	£10.56
Support – high level	£12.81	£13.21
Community support (previously called 'Itinerant round')	£1.10	£1.13

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8. To agree that the Careline support charge be increased by 3.1% as follows:

Service	Weekly support charge in 2012/13 – 52 weeks	Weekly support charge in 2013/14 – 52 weeks
Careline – sheltered tenants	£4.10	£4.23
Careline – community users	£4.37	£4.51

9. To agree that Telecare support charges be increased by 3.1% as set out below:

Service	Weekly support charge in 2012/13 – 52 weeks	Weekly support charge in 2013/14 – 52 weeks
Telecare – base unit plus two sensors	£6.37	£6.57
Additional Telecare sensor	£1.06	£1.09

10. 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 2013/14 this amounts to an increase to the weekly charge (52 weeks) of £0.87.
11. To agree the detailed expenditure items in the 2013/14 and 2014/15 HRA Capital Programmes, based on total resources of £35.7m and £43.781m respectively, as presented in Appendix 2 & 3 and agree to refer the Programmes to Council for final approval for expenditure.
12. To approve the development of an affordable housing scheme consisting of nine bungalows for older people at the Garrick House sheltered scheme in Hornchurch, (the funding for which is included in detail in the exempt Appendix 5), consists of capital grant from the GLA under the Mayor of London's Care and Support Specialised Housing Fund, subject to the successful outcome of a bid made in January 2013. Also included are right-to-buy receipts allocated to new building housing under the agreement signed with the Department for Communities and Local Government in 2012, and s106 commuted sums to meet the remainder, the exact amount being dependent on the level of GLA grant allocated.

REPORT DETAIL

1. BACKGROUND

- 1.1 The Localism Act 2011 has 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 2013/14.
- 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.

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 influences rents by applying a formula called "rent restructuring". While the new HRA 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, should ensure that council and housing association rents for similar properties in an area are 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, but it is now settled as 2015/16.
- 2.1.3 Councils with rents below target, there are many, including Havering, should meet the target rent by or as soon as possible after this date. However due to the limit on rent increases a proportion of the stock will not meet this date for

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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 2012/13, the average rent in Havering is £81.21. Applying the formula of RPI (at September 2012) + 0.5% + £2, gives an increase of £4.55 a week, that is, 5.60%. The average rent in 2013/14 would be £85.76.

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 £160 a week for a one bedroom home to £260 for a three bedroom property
- The proposed council rent for 2013/14 is still within the housing benefit caps for Havering and so the 64.3% 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 2013/14 will be the lowest council rents in London; in fact, Havering's 2013/14 rents will be lower than the 2011/12 rents charged by all other London Boroughs bar four and lower than all other London borough rents for 2012/13. 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 2013/14 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 contribution to the HRA capital programme to directly deliver a greater number of decent homes in 2013/14 and 2014/15 in line with the tenants' number one priority as stated in the tenant survey undertaken in the summer of 2012.

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.

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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 services	-£0.08	-2.3%
• Bulk refuse collection service	-£0.04	-8.1%
• Neighbourhood wardens	-£0.02	-2.4%
• Grounds maintenance	-£0.18	-7.0%

2.2.3 Heating and hot water charges were increased in 2007 to cover the increased cost of gas used and to recover previous years under recovery of costs. An analysis for 2013/14 charges has shown that this charge can now be reduced as follows:

• Heating and hot water	-£1.33	-12.3%
• Hot water only	-£2.20	-24.3%

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

- The cost of providing the internal block cleaning service still exceeds the current charge and it is proposed to increase this charge further. The charge will increase by £0.31 per week. By 2015/16 the charge will equal the costs of the service.
- TV aerial costs have increased per property as all remaining terrestrial points have been replaced by digital ones in time for the digital switch over in 2012. The proposed increase is £0.07 or 5.6%.
- Sheltered cleaning costs have historically exceeded the service charge. In light of the proposed reduction in heating and hot water charges it is proposed to increase the cost of this charge to fully recover costs. The increase will be phased in over the remaining rent restructuring period i.e.3 years. The proposed increase for 2013/14 is £0.26 or 9.7%.
- Static CCTV costs have risen by 6.2% in 2013/14 as further cameras have been installed. The proposed increase is therefore £0.08.

2.2.5 It is proposed to increase service charges for hostel residents by 3.1% (equivalent to RPI + 0.5%). These services have not been fully reviewed, but when the new hostel strategy is fully implemented a full review of the budgets for hostels will be undertaken.

2.3 Garages

2.3.1 There are currently 799 garages let (of which 89 are part of the number earmarked for demolition and will become unavailable to let), and a further 727 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 45 garages let this year, of which 14 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 2.6% and freeze the rents of the remaining low demand garages.

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2.4 Support charges – mobile support

- 2.4.1 The sheltered resident warden service was reorganised to become a mobile support service in April 2011. A new range of charges were introduced at the same time covering the three tiers of support offered. In all cases, the charges were lower than for the resident warden service.
- 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 2012, that is, 2.6%, plus 0.5%. This gives an increase of 3.1%. A detailed review will be undertaken in 2013/14 to review the whole service and costs in light of SP grant withdrawal. It is proposed to withdraw the 'community support' service from April 2013/14.
- 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' 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 continue 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 3.1% equalling an increase of £0.87.
- ### 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 3.1%.

3. THE HRA BUDGET 2013/14

3.1 Attached at Appendix 1 is the proposed HRA budget for 2013/14. An analysis of the variations between 2012/13 revised budget and 2013/14 proposed budget is shown in the table below. The £300k savings from HiH reintegration is not fully shown yet as the restructures have not taken place yet. The budgets will be revised during the year once implemented.

Revised expenditure budget 2012/13	48,289,360
Pay award contingency	102,760
Contract inflation contingency	226,640
Saving from deletion of ex HiH CEO post	(142,740)
Bad and doubtful debt provision contribution	347,000
Reduction in interest charge from transfer of commercial properties	(682,830)
End capitalisation of repairs	500,000
Growth in Careline/Telecare clients	(135,410)
Remove ex HiH budget contingency	(394,530)
Other net budget movements	58,430
Ongoing growth items	548,400
One-off growth items	342,960
2013/14 expenditure budget	49,060,040
Final income budget 2012/13	(48,766,890)
Rent increases	(1,927,660)
Service charge increases	(237,260)
Other income	23,870
Investment income reduced	53,190
Reduction in commercial property rental income	316,720
Transfer of commercial properties budget	1,272,130
Supporting people grant reduced	192,000
2013/14 income budget	(50,662,750)
Net budget movement	(1,602,710)
Capital expenditure funded by HRA	6,198,000
Gross budget movement	4,595,290

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.

3.2.2 Contract inflation contingency – contract inflation has been budgeted for at 3% in line with general fund but only where the contracts are based on an inflationary increase. 4.1% has been assumed for inflation on communal electricity.

3.2.3 Deletion of ex HiH CEO post – this saving is from the deletion of the post and associated on costs.

3.2.4 Bad and doubtful debt provision contribution – the contribution to the provision has been doubled for 2013/14. The current contribution is comparatively low compared to other London Boroughs. With the volume of welfare reforms

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during 2013/14 it is anticipated that rent arrears will start to increase. This revised contribution will ensure adequate provision has been made for any increase in arrears.

- 3.2.5 Commercial property – Net income from the commercial property portfolio is expected to be lower in 2013/14 due to an increase in the number of vacant properties expected, an increase in the bad debt provision and increased insurance costs. The general fund budget report is recommending that the financial assets and liabilities of commercial properties currently on the HRA should be appropriated to the general fund. The result is a transfer to the general fund of £1.272m of net income. However there is also a transfer to general fund of the debt associated with the shops (£19m) resulting in a reduction of interest on the HRA of £0.683m. The HRA business plan approved in February 2012 already had this transfer allowed for in the figures from 2013/14 onwards. For information the self financing debt settlement figure was based on tenanted stock and no account was taken for any commercial portfolio.
- 3.2.6 Capitalisation of repairs – the council has capitalised repairs for a number of years. The amount has been reduced from £1.5m in previous years to £0.5m in 2012/13. It is recommended that this be ceased all together in 2013/14. Since the introduction of self financing, apart from decent homes grant, all capital expenditure is funded from the HRA so there is no point continuing with the capitalisation.
- 3.2.7 Remove budget contingency from Homes in Havering budget – in 2012/13 HiH identified £480k of efficiency gains. This amount was removed from budgets and accounted for as a contingency to be released if required by a joint HiH / LBH decision. This contingency has been removed from the budget in 2013/14 except where posts were to be removed. This will be done via the reintegration restructures in 2013/14 and therefore not budgeted for as yet.
- 3.2.8 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 £20.5m should be made in 2013/14. This is an increase of £6.198m. This additional contribution will be used to deliver a greater number of decent homes in 2013/14. 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.

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3.3 Growth Items proposed for 2013/14 are listed below (these are included in the variance analysis in para. 3.1:

Growth Item	One off Amount	Ongoing Amount	Reason for Growth
Downsizing Payments	£200,000		Allowance for downsizing payments re under-occupation/welfare reforms. 400 payments at an average £500 each.
Specialist Cleaning Services		£10,000	Required for possible specialist cleaning in exceptional circumstance for hoarders or persons with issues in maintaining their property to a required standard and who are vulnerable with no other agency involvement.
Pest Control		£20,000	An uplift of £20k is required to address pigeons on estates. Hilldene (two visits per week) and (Napier and New Plymouth three visits per week). Cost per visit of £80.
Garage Site Cleaning	£10,000		Garage Redevelopment Project - Funds required to clear garage sites prior to handing over the land for re-development. There are roughly one hundred and fifty garages including sites that are overgrown and in need of clearance.
Replacement Internal Notice Boards	£5,000		Replacement of damaged internal notice boards. The boards contain fixed notices re caretaking standards and services provided and visits recorded.
Fly tipping and grounds maintenance		£10,000	To fund works carried out on white land (pockets of land - service roads etc). The budget for the current year stands at 5K and due to the number of complaints an additional budget is required.
Briar Road Probation Project	£20,000		In January 2012 the London Probation Trust were approached to introduce a team two days a week to address the tasks listed throughout the Briar Road estate. This budget is for a dedicated supervisor trained by the London Probation Trust and the provision of additional equipment and welfare facilities. The following tasks will be undertaken on the estate <ul style="list-style-type: none"> • Paint kick rails • Paint gallows gates • Paint metal bollards restricting vehicle access • Edge all around the perimeter of grass verges and remove weed growth • Sweep garage areas and any communal vehicle hard standing areas
Welfare Benefit Advisors	£83,060		The Welfare Act 2012 is bringing in significant changes to the welfare benefit system that are likely to have an impact on the Council's finances/arrears position and on residents in terms of their abilities to manage their finances, seek employment, move home and generally receive sound advice and support regarding coping with the changes. A Working Group has already being set up to direct the Council's approach to the reforms and as part of the actions, there was a need to employ two Welfare Benefit Advisors to advice and support residents on six month contracts ending March 2013. The changes mainly kick in from April 2013, for continuity, it is proposed that the two posts be kept on one year contracts ending March 2014

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Home Ownership Land Registry		£2,000	Cost to obtain office copy entries from land registry plans which will help to better resolve boundary issues.
ASB Legal fees	£24,900		The growth required is based on an estimate of £80,000 needed next year for ASB legal fees and is based on a prediction of having 12 cases needing an outright possession order costing an average of £6,000 per case, needing to have to apply for 5 injunctions at an average cost of £1,000 per case and to spend around £3,000 on general legal advice.
Resident Involvement		£6,400	In the RI action plan there is a requirement to set up new groups and a number of these groups are entitled to funding (8 groups given £450) and (10 sheltered groups receive £200 each) total £6400. In addition £800 will be given out in grant aid to groups as a contribution to their hall hire costs
Estate Improvements		£500,000	In the HRA Business plan £1.9m of backlog estate improvements works have been identified along with an ongoing estimate of £0.5m per year required. Previously small elements of this work have been funded from the capital programme. It is proposed that this amount be set at £500k in 2013/14 to deal with the backlog of repairs. A schedule of works to be undertaken will be created in April 2014. Backlog issues dealt with will include communal fencing / walling, concrete repairs and continuing with the communal flooring replacement programme.
Total	£342,960	£548,400	

4. CAPITAL BUDGET – HRA 2013-14 and 2014/15

4.1 HRA Capital Programme – 2013/13 and 2014/15 capital resources

4.1.1 As covered in the report to Cabinet on 12 December 2012, with the introduction of HRA self-financing and confirmation by 6 September 2012 of the final two tranches of Decent Homes grant, it is now possible to plan capital investment beyond a one year time horizon.

4.1.2 This report seeks approval of the HRA capital programme for the years 2013/14 and 2014/15, the latter being the final year of Decent Homes grant. The resources available for both years are laid out in the table below. It should be noted that it is assumed that no capital receipts available to the Council will be applied to the HRA capital programme over this two year period.

Funding source	2013/14	2014/15	TOTAL
	£'000s	£'000s	£'000s
Decent Homes grant	15,000	23,581	38,581
Revenue funding	20,500	20,000	40,500
Leaseholder contribution	200	200	400
TOTAL	35,700	43,781	79,481

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- 4.1.3 Owing to efficiencies and a favourable interest rate on the HRA opening debt loan, the HRA Business Plan is able to support an additional £5m expenditure in 2013/14 over the indicative figure included in last year's HRA budget report and an additional £2.75m in 2014/15 over the previous indicative figure. The priority for these resources is accelerating the Decent Homes programme with the impact being that the anticipated decency rate at the end of 2013/14 can be increased from 80.5% to 84.2%.
- 4.1.4 It is anticipated that by the end of 2014/15 97.5%-100% of all the Council's homes will have met the Decent Homes Standard. The exact projection will be reviewed and verified during 2013/14 with any amendments to the 2014/15 being brought to Cabinet, and full Council, later in 2013/14 to enable if at all possible the achievement of 100% by March 2015.
- 4.2 Proposed 2013/14 programme
 - 4.2.1 The proposed 2013/14 is largely in line with the indicative programme presented to Cabinet at its meeting of 8 February 2012. In addition, advance approval of a total of £12.932m for Decent Homes and £2.4m for other capital expenditure in 2013/14 has already been granted by Cabinet at its meeting of 12 December 2012 and subsequently by full Council on 30 January 2013. These budgets are included in the draft 2013/14 HRA capital programme set out at Appendix 2.
- 4.3 Proposed 2014/15 programme
 - 4.3.1 Appendix 3 gives the proposed capital programme for 2014/15. This represents the final year of Decent Homes grant.
- 4.4 Bungalow scheme for older people
 - 4.4.1 This report also seeks approval for a housing capital scheme using resources outside of the HRA Business Plan.
 - 4.4.2 The Extra Care Housing Strategy approved by Cabinet on 23 March 2011 signalled a review of the opportunities posed by the Council's sheltered schemes to meet the needs of older people across the borough. To this end, the opportunity to develop bungalows for older people within the grounds of the Garrick House sheltered scheme in Hornchurch has been identified.
 - 4.4.3 A scheme of nine two-bedroom bungalows, built to lifetime homes standard, to be set within an enlarged footprint of the existing sheltered housing scheme has been developed in partnership between Housing and Adult Social Care. The footprint of the scheme is to be enlarged by including adjoining Council owned amenity land and purchasing an adjacent privately owned parcel of land, the costs for which are included in the scheme costs – see exempt Appendix 5.
 - 4.4.4 The bungalows are to be self contained, although they will enjoy the communal gardens of the scheme rather than having their own garden. Occupants will also be able to benefit from the communal and support facilities of the scheme. The properties are intended for Havering Council tenants

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wishing to downsize from larger under-occupied homes, thus releasing family accommodation from those on the Council's housing register.

- 4.4.5 Residents at Garrick House have been consulted and are supportive of the scheme.
- 4.4.6 The Housing Service has made a bid to the GLA for grant funding under the Mayor of London's Care and Support Specialised Housing Fund to support this scheme, in addition the right-to-buy receipts up to the maximum of 30% of total scheme costs under the agreement governing the retention of right-to-buy receipts by the Council for new build made with the Department for Communities and Local Government last year. The outcome of the bid is expected in May 2013, although s106 resources are available to support the scheme, thus approval to commence is now sought.

5. 30 year Business Plan 2013/14 to 2043/44

- 5.1 Attached at Appendix 4a 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 2013/14 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 4b that such a need remains until 2020/21. 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 Overall there is little movement in the business plan financial model from that approved by cabinet in February 2012.

6. CONCLUSION

- 6.1 The Self Financing Business Plan (Appendix 4) 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 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

8. Financial implications and risks:

HRA Revenue

8.1. This whole report largely concerns the Financial Implications and risks concerning the setting of the HRA budget for 2013/14, 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 £3.83m at the end of 2013/14 and at least £2m beyond this.

8.2. 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 2013/14. Capitalisation, an approach to help a previously poor revenue position is now no longer required. 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.

8.3 In addition to £3.83m working balance reserve the HRA the following estimated provisions / reserves as at 31 March 2013:

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- Bad and doubtful debt provision of £2.358m (including leaseholder major works) - calculated according to best practice
- Major Repairs Reserve of £2.677m – this reserve is matched by capital programme slippage from 2012/13
- Leaseholder Major Works Reserve of £0.598m – 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.
- Right to Buy Pooling Reserve of £750k - from 2012/13 the council can retain a proportion of right to buy receipts on the HRA to offset debt taken on by the HRA debt settlement. No assumption has yet been taken / proposed on the use of this reserve. The reserve must however, be used for HRA purposes. The business plan assumes that all debt is repayable from ongoing funding so no assumption has been made for the use of this for debt settlement purposes.
- Right to Buy Pooling Earmarked Reserve of £0.884m - from 2012/13 the council can retain a proportion of right to buy receipts to fund affordable housing development. Section 4.3 of this report proposes the first use of this reserve in 2013/14. The balance on this reserve as at 31 March 2013 must be used by 31 March 2015.

- 8.4 A rent rise in accordance with rent restructuring is recommended. This increase was assumed in the Councils self financing debt settlement – i.e. the CLG assumed Havering would increase rents in this way, when calculating the c£165k debt take on figure,

HRA Capital Budget

- 8.4 The table in paragraph 4.1.2 gives a confirmed resource position for 2013/14 and 2014/15, the two years for which approval is sought for the detailed HRA capital programmes as detailed in Appendices 2 and 3. These budgets, per Recommendation 11, will need to be referred to Council for final approval.
- 8.5 Appendix 5, which is exempt because it gives commercial sensitive information which could prejudice the Council's ability to achieve best value through competitive tendering, gives details of the funding sources for the new build scheme detailed above.
- 8.6 Neither the proposed HRA capital programmes for 2013/14 and 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.

9. Legal implications and risks:

- 9.1 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.

- 9.2. 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.

10. Human Resources implications and risks:

- 10.1 None specific.

11. Equalities implications and risks:

- 11.1 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 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.
- 11.2 64.3% 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
- 11.3 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.
- 11.4 The business plan at Appendix 4 advises that the Government's final Decent Homes funding, totalling £38m, is due to be received in the last two years of the Decent Homes Programme (2013/14 and 2014/15). With the additional funding being made by the HRA the council will be able to deliver an increased number of decent homes during 2013/14 and 2014/15.

BACKGROUND PAPERS

APPENDIX 1 – HRA budget 2013/14

	2012-13 Final Budget	2013-14 Budget
Income and expenditure account	£	£
Income		
Dwelling rents	(41,256,206)	(43,251,888)
Garages	(512,880)	(444,860)
Commercial properties	(1,588,850)	0
Charges for services and facilities - Tenants	(3,856,774)	(3,960,422)
Charges for services and facilities - Leaseholders	(1,441,980)	(1,574,340)
Contributions towards expenditure - General Fund	(50,000)	(50,000)
Shared ownership	(65,290)	(66,540)
Supporting People Grant	(710,000)	(518,000)
Other	(739,020)	(715,150)
Total income	(50,221,000)	(50,581,200)
Expenditure		
Repairs and maintenance	6,442,250	7,086,850
Supervision and management plus recharges	20,439,520	20,964,190
Depreciation and impairment	9,075,500	15,834,010
Debt management costs	103,610	51,350
Bad debt	318,000	665,000
Total Expenditure	36,378,880	44,601,400
Net cost of HRA services	(13,842,120)	(5,979,800)
Interest payable and similar charges	6,673,480	5,990,650
Interest and investment income	(134,740)	(81,550)
Surplus or deficit for the year on HRA services	(7,303,380)	(70,700)
Statement of movement on the HRA balance		
Surplus or deficit for the year	(7,303,380)	(70,700)
Capital expenditure funded by the HRA	14,302,000	20,500,000
Transfer to or from Major Repairs Reserve - Depreciation	(9,065,000)	(15,834,010)
Net (Income) / Expenditure	(2,066,380)	4,595,290
HRA balance brought forward	(8,269,880)	(8,269,880)
Net (Income) / Expenditure	(2,066,380)	4,595,290
HRA balance carried forward	(10,336,260)	(3,674,590)

Appendix 2 – 2013/14 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)	1,632	1,532	100
	Kitchens – including boiler where failure	7,317	6,870	447
	Decent Homes Kitchens at Void stage	1,200	1,127	73
	Heating	2,160	2,028	132
	Electrical	1,080	1,014	66
	Doors Only	1,620	1,521	99
	Roofs	1,482	1,392	90
	Bathrooms	1,605	1,507	98
	Decent Homes Bathrooms at Void stage	360	338	22
	Insulation	58	54	4
	Remedial works to non traditional houses	4,267	4,007	260
	Tower Block refurbishment including windows	4,125	3,873	252
	Sheltered housing and hostels decent homes works	1,750	1,643	107
Decent Homes Programme Total		28,656	26,907	1,749
Additional Capital Works	Major Voids	500	469	31
	Structural	300	282	18
	Electrical Upgrade non decent homes	150	141	9
	Tower Blocks beyond decent homes	922	866	56
	Communal Works inc concrete works	177	166	11
Additional Capital Works Total		2,049	1,924	125
Environmental Improvements	Legionella	180	169	11
	Major Fencing/Boundary Walls	50	47	3
	Drainage	70	66	4
	Asbestos Removal/Management	130	122	8
	Environmental Improvements contingency	400	376	24
	Works to redundant garage sites not earmarked for housing development	100	94	6
Environmental Improvements Total		930	873	57

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Planned Preventative Maintenance	External Refurbishments	1,452	1,363	89
Planned Preventative Maintenance Total		1,452	1,363	89
Common & Sheltered	DDA/Fire Protection	180	169	11
	Upgrade Door Entry	-	-	-
	Careline Equipment	50	47	3
	Sheltered conversions beyond decent homes	1	939	61
	Hidden Homes	200	188	12
	Environmental Improvements contingency	400	376	24
	Passenger lift upgrades	200	188	12
Common & Sheltered Total		2,030	1,906	124
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		35,700	33,502	2,143**

* Fees at 11% are available to Adult Social Care

** Fees figure excludes fees payable to Adult Social Care

Appendix 3 – 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	146
	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	2,252
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	920	60

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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	1,648	107
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	41,090	2,636**

* Fees at 11% are available to Adult Social Care

** Fees figure excludes fees payable to Adult Social Care

Appendix 4a: HRA Projection from Business Plan – Years 1-10

Year	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19
	1	2	3	4	5	6
	£000	£000	£000	£000	£000	£000
INCOME:						
Rental Income	44,415	46,711	49,070	51,492	53,970	55,778
Void Losses	(1,110)	(934)	(981)	(1,030)	(1,079)	(1,116)
Service Charges	5,535	5,673	5,815	5,960	6,109	6,262
Non-Dwelling Income	445	456	467	479	491	503
Grants & Other Income	1,350	1,320	1,302	1,335	1,368	1,402
RTB Debt Adjustment	147	126	126	126	126	105
Total Income	50,781	53,352	55,799	58,362	60,985	62,935
EXPENDITURE:						
General Management	(20,714)	(21,232)	(21,763)	(22,307)	(22,865)	(23,436)
Bad Debt Provision	(666)	(934)	(1,227)	(1,545)	(1,619)	(1,673)
Responsive & Cyclical Repairs	(7,087)	(7,264)	(7,446)	(7,619)	(7,796)	(7,974)
Total Revenue Expenditure	(28,717)	(29,687)	(30,698)	(31,740)	(32,555)	(33,367)
Interest Paid & Administration	(6,064)	(6,065)	(6,065)	(6,065)	(6,065)	(6,065)
Interest Received	60	39	35	25	20	20
Net Operating Income	16,060	17,640	19,072	20,582	22,385	23,523
Revenue Contribution to Capital	(20,500)	(17,469)	(20,077)	(21,582)	(22,380)	(23,523)
Total Appropriations	(20,500)	(17,469)	(20,077)	(21,582)	(22,380)	(23,523)
ANNUAL CASHFLOW	(4,440)	171	(1,006)	(1,000)	5	(0)
Opening Balance	8,270	3,830	4,001	2,995	1,995	2,000
Closing Balance	3,830	4,001	2,995	1,995	2,000	2,000

Appendix 4b: HRA Capital Investment Requirement Projection from Business Plan – Years 1-10

Year	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19
	1	2	3	4	5	6
	£000	£000	£000	£000	£000	£000
EXPENDITURE:						
Planned Variable Expenditure	(63,492)	(20,944)	(19,903)	(16,045)	(16,641)	(14,578)
Planned Fixed Expenditure	(4,426)	(1,497)	(1,542)	(1,588)	(1,636)	(654)
Procurement Fees	(5,433)	(1,795)	(1,716)	(1,411)	(1,462)	(1,219)
Previous Year's Overall Shortfall	-	(36,229)	(19,998)	(23,774)	(21,873)	(19,809)
New Build - net cost	-	-	-	-	-	-
Total Capital Expenditure	(73,351)	(60,466)	(43,159)	(42,818)	(41,612)	(36,260)
FUNDING:						
Major Repairs Reserve	2,677	-	-	-	-	-
Other Receipts	15,000	23,581	-	-	-	-
Revenue Contributions	20,500	17,469	20,077	21,582	22,380	23,523
Total Capital Funding	38,177	41,050	20,077	21,582	22,380	23,523
In Year Net Cashflow	(35,174)	(19,416)	(23,082)	(21,236)	(19,233)	(12,737)