

MUNICIPAL YEAR 2013/14 REPORT NO. 179

MEETING TITLE AND DATE:
CABINET – 12th February 2014

JOINT REPORT OF:
Director of Health, Housing & Adult Social Care
Director of Finance, Resources and Customer Services

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Agenda – Part: 1

Item: 7

SUBJECT:
Housing Revenue Account Estimates 2014/15 and Rent Setting (HRA & Temporary Accommodation)
ALL WARDS

CABINET MEMBERS CONSULTED: CLLR OYKENER
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1. EXECUTIVE SUMMARY

- 1.1 The report presents for approval the revenue estimates of the Housing Revenue Account (HRA) for 2014/15 and the updated position on the HRA 30 year business plan.
- 1.2 The Council is asked to approve the level of rents and service charges to be operative with effect from 7th April 2014 for Council tenants and for tenants in temporary accommodation.

2. RECOMMENDATIONS

- 2.1 That the detailed revenue estimates of the Housing Revenue Account for 2014/15 be approved.
- 2.2 That the rents be increased in line with national social rent policy. This will result in an average increase of 4.6% for Enfield tenants.
- 2.3 That all void properties be re let at target rent.
- 2.4 The level of service charges as set out in Paragraph 6.1 for those properties receiving the services be agreed for 2014/15.
- 2.5 That the proposals for increases in other income as detailed in Appendices 2 and 11 be agreed for 2014/15.
- 2.6 That the Temporary Accommodation rents as set out in Appendix 6 be agreed for 2014/15 and that authority for any increase be delegated to the Cabinet Member for Housing and the Director of Health, Housing and Adult Social Care and the Cabinet member for Finance and Property Services and Director of Finance Resources and Customer Services.
- 2.7 That the total HRA capital programme of £63.3m be agreed for 2014/15.
- 2.8 That authority should be delegated to the Cabinet Member for Housing and the Director of Health, Housing and Adult Social Care to approve tenders for Decent Homes and General Works.

3. BACKGROUND HRA BUSINESS PLAN AND HRA SELF FINANCING

- 3.1 The Localism Act, replaced the current Housing Subsidy system with a system of HRA self financing which commenced from 1st April 2012.
- 3.2 The thirty year HRA business plan was approved by Cabinet in July 2012. The business plan is based on the following overarching assumptions:
- Rents will be increased in line with current government guidelines until the end of 2015/16 and thereafter increase by CPI plus 1% (thus mirroring the assumptions in the government financial settlement).
 - The council is likely to borrow up to the HRA debt cap in the early years and after that it will set aside reserves to repay debt or actually repay debt. Any treasury management decisions will be taken within the context of protecting the council interests as a whole.
 - The council will improve or renew 19 estates over the next 30 years, six of which will happen in the first 10 years Alma, Dujardin Mews, New Avenue, Ladderswood, Small Sites and Highmead.
 - The Decent Homes backlog plus all elemental backlog will be cleared by the end of year 5 (March 2017).
- 3.3 The business plan also included a treasury management plan and details of planned capital expenditure.
- 3.4 This report updates the previous HRA business plan which was submitted to Housing Board in December 2013. This report also sets out the proposed detailed budget for 2014/15 and the proposed increases in rents and service charges.

4. RENTS and SERVICE CHARGES

- 4.1 Each year the Council is required by law to set the level of rents for Council dwellings for the forthcoming financial year after consultation with tenants. The decision must be taken early enough for tenants to be advised of any change at least 4 weeks prior to the date of that change.
- 4.2 The rent increase for 2013/14 was based on an inflation increase of 2.6%. The rent increase for 2014/15 is based on an inflation increase of 3.2%. This reflects RPI as at September 2013.
- 4.3 The Government decided in 2003/04 that Local Authority and Registered Social Landlord rents should be calculated using a formula based system. Since 2003/04 Enfield rents have been calculated using this National social rents policy. The formula is based on:

- the market value of the property,
- average earnings for London manual workers
- the national average council rent
- the number of bedrooms in the property.

- 4.4 In addition to the rents, tenants may also be charged a service charge for certain communal services as appropriate. Government guidance gives some discretion over which services may be charged separately. The proposed charges for 2014/15 are shown in paragraph 6.1.
- 4.5 The move to formula rents (“rent convergence”), together with the separate charging for services, would have meant significant increases or decreases for some tenants if introduced immediately. In recognition of this the Government decided that the move to the new formula rents would be phased and that no rent should increase by more than £2 per week plus inflation plus 0.5%. It is intended that actual rents should converge with formula rents by 2015/16. A majority of tenants’ rents will converge by then.
- 4.6 The council has the freedom to establish a different rent policy but the impact of any change in policy will have a significant impact on the business plan. The Business plan as agreed in December assumed that the national social rent policy would be followed until convergence in 2015/16.

5. PROPOSED RENT CHARGES FOR 2014/15

- 5.1 As outlined in Paragraph 4.3 it is recommended that the 2014/15 rents be increased in line with National social rent policy. This calculation includes RPI of 3.2% at September 2013 plus 0.5% plus the move to convergence which is an average of 0.9%. This results in total in an average rent increase of 4.6% but because of rent restructuring and the need to move towards formula rents there is a variation in the increase of individual charges.
- 5.2 The formula rents regime sets upper limits on rents for different sized properties. In 2014/15 the caps on weekly rents are as follows:

TABLE 1 CAPS ON WEEKLY RENTS

	£
1 bed bedsit	137.70
2 bed	145.83
3 bed	153.90
4 bed	160.43
5 bed	168.93
6 bed	178.21

In cases where the formula rent exceeds the cap level the formula rent is set at the cap level and the actual rent will be moved in stages to the cap level.

- 5.3 Appendix 5 shows examples of the proposed rents for 2014/15 for different property types and sizes across the Borough. It should be noted that these will vary for each tenant depending on how far the actual rent is from the formula rent.

- 5.4 Rents are expected to converge next year and a majority of rents are close to the formula rent. It is therefore proposed that any voids be relet at the formula rent.

6. PROPOSED SERVICE CHARGES FOR 2014/15

- 6.1 It is also recommended that the following service charges be made to those tenants in receipt of the services listed below

TABLE 2 – PROPOSED SERVICE CHARGES 2014/15

	Charge per week 2013/14 £	Charge per week 2014/15 £
Caretaking level (2) (resident)	4.74	4.90
Caretaking level (1) (non resident)	2.92	3.04
Caretaking level (2) Sheltered	From 1.38 to 3.02	From 1.42 to 3.11
Concierge	10.61	10.61
Grounds maintenance	1.20	1.25
CCTV	1.25	1.37

- 6.2 These charges aim to recover the full cost of the service. Concierge charges have remained the same and reflect the cost of the current contract. There has been an increase in caretaking, CCTV and grounds maintenance charges due to inflation.
- 6.3 In addition to the above, water and sewerage charges will continue to be collected through the rents on behalf of the water authorities.
- 6.4 The above charges have also been built in to the expected income from leaseholders where appropriate.
- 6.5 It is proposed that garage rents will increase by the same percentage as housing rents 4.6% (details in Appendix 2). This is in line with previous rent setting practise.

7. SHELTERED HOUSING CLEANING CHARGE

- 7.1 A new sheltered housing cleaning charge is proposed for 2014/15. The Council's Procurement and Contracting Team are proposing to reduce the housing related support paid into the HRA by a total of 20% of the monthly payment from June 2014. The proposed reduction in housing related support equates to a loss of income to the HRA of £96k. A number of options have been considered and it is proposed to introduce a charge from 2014/15. This will generate £56k and other savings have been made to balance the HRA.
- 7.2 Two charging bands are proposed to reflect the number of weekly cleaning hours and these are outlined below.

	Charge per week 2014/15 £
Level 2 service (up to 8 hours per week)	1.75
Level 3 service(9-11 hours per week)	2.50

8. LEASEHOLDER SERVICE CHARGES

- 8.1 Details of estimated service charges for leaseholders are included at Appendix 4. This Appendix includes an estimate of all charges to leaseholders.
- 8.2 The administrative fee proposed for 2014/15 is £199.02 per leasehold unit; this is a 2.07% increase from 2013/14.

9. HEATING CHARGES

9.1 General Heating Costs

Energy costs are estimated to increase by 7% for Electricity and 8% for Fuel Oil in 2014/15. These are the estimated costs from our Energy Management Unit and Corporate procurement Team and are based on estimated price increases from the buying agents "LASER".

9.2 Gas Sheltered Housing (Individual Block Charge)

This new method of charging for Sheltered Housing Tenants in blocks heated by gas was implemented from the beginning of April 2013. These tenants ceased being part of the fund from April 2013 but instead were charged on a block by block basis. It is expected that these charges will reduce in 2014/15; reductions will be in the range of £0.64 to £3.44 per week. This is a pilot scheme and following further consultation may be extended to all blocks in 2015/16.

9.3 Main Fund for residents receiving Electric heating and Oil heated Pruden Close (Pooled charge)

These residents are included in the main fund pooled charge and there will be an increase of 5.91% in 2014/15 resulting in additional charges of between £0.24 and £1.76 per week; dependent on bed size, to balance the fund.

9.4 Alma and Bliss and Purcell (Gas Heated)

There are no proposals to increase heating charges at Alma and Bliss and Purcell as the Energy Management unit has advised that there will be a 0% increase in gas prices from 1st October 2014 as advised by our buying agents "LASER".

9.5 Scott House (Gas heated)

It is proposed to amend the method for charging heating for Scott House tenants and leaseholders as the heating system changes from fuel oil to gas supply. All flats will pay a standing charge of **£3.95 per week** to cover the costs of Wilson Energy systems and of LBE's Energy management unit's administration costs. The standing charge for leaseholders will be subject to consultation. This block will be removed from the heating fund pooled charge from 7th April 2014 and tenants and leaseholders will pay for the amounts used by using a card system for the purchase of heating. The card charge will be **£0.1108** pence per kilowatt hour.

- 9.6 **Curtis House and other Ladderswood properties** including Betspath, Lorne, Danford, Roberts and Mason Houses. (Oil Heated)
Fuel oil charges on these properties will remain the same as 2013/14 as the estate is decanted. The boiler at Curtis house which currently supplies heating to Betspath, Lorne, Danford, Roberts and Mason House is to be decommissioned and tenants will move to individual heating systems i.e. gas heating in Betspath, Lorne and Roberts and electric heating in Mason and Danford.

10. **TEMPORARY ACCOMMODATION RENTS**

Proposed Temporary Accommodation (TA) rents for 2014/15 are attached at Appendix 6. The rents have not changed from 2013/14. TA rents are set at Local Housing Allowance rate for the size of property in January 2011 less 10%, plus a flat rate management fee of £40 per week. The cap of £375 per week continues to limit rents for 4 and 5 bedroom accommodation.

11. **HRA 30 YEAR BUSINESS PLAN**

The updated HRA business plan is attached at Appendix 9. The capital position has been updated to reflect the changes in the estates renewals programmes. The business plan as at December included a number of indicative figures for these schemes which have now been updated.

This includes the changes to the assumptions made to Small Sites and New Avenue estate renewals. In addition the assumptions on the Alma Towers and Dujardin Mews development have been adjusted to reflect the up to date position following recent tendering exercises.

As a result of these updates the profile of the borrowing has changed slightly and there will be no borrowing until 2015/16. Interest rate assumptions have been amended in agreement with treasury management.

The business plan assumes RTB numbers remain at 70 for 2014/15 and reduce to 50 for 2015/16. This will be kept under review.

12. **BASE BUDGET FOR 2014/15**

12.1 **Financial Monitoring 2013/14**

It is necessary to review the projected expenditure against estimates for the current financial year to take into consideration the ongoing impact of any major changes. These have been highlighted throughout the year in the regular financial monitoring reports; the November monitoring report is indicating a net surplus of £1,296k on the HRA. A summary based on the November monitoring position is shown in Appendix1.

12.2 2014/15 Base Budget

Appendix 8 sets out the base budget for 2014/15 compared to the 2013/14 figures. The assumptions and explanations of the changes between 2013/14 and 2014/15 are outlined below.

12.3 Assumptions

Table 3 sets out the assumptions made in compiling the budget and medium term projections.

TABLE 3 - ASSUMPTIONS

Pay award	0%	1% set aside in a reserve
Inflation on supplies and services	0%	this reflects efficiency savings
R&M cost increases	0%	due to significant increase in budget for 2013/14
Garage income	4.6%	As rent calculation 4.6%
RTB	80	Based on actuals
Management fee	3% reduction	in line with the business plan
Interest rate on borrowing	5.5% on existing debt 3.48% on new debt	Reflects actual debt costs and estimates from Treasury Management
Interest rate on balances	0.5%	Libid rate

13. DETAILED BUDGET CHANGES

13.1 Dwelling rents income – increase of £1.820m

This represents the additional income from an actual average increase in rents of 4.6%. This has been adjusted for the expected level of voids and the reduction in the number of properties due to estate renewals.

13.2 Leaseholder Service charge income – increase of £145k

The initial charges to leaseholders are based on estimated costs but leaseholders pay actual costs for services and this increase in expected income reflects that adjustment.

13.3 Special Services – increase of £143k

This heading represents the following services: caretaking, cleaning, concierge, CCTV, grounds maintenance, sheltered accommodation and energy costs.

13.4 Council tax on void properties – increase £398k

An increase in the council tax on void properties budget is due to a high number of estate renewal properties being decanted and remaining void for 2014/15.

13.5 Repairs and maintenance

Following a base budget review an additional £3.1m was drawn down from the repairs reserve in 2013/14. The budget for repairs and maintenance has been set

at this higher level for 2014/15 and then reduces by of £1m in future years following the retendering of the service.

13.6 Contribution to bad debt provision - decrease of £526k

The budget was increased significantly from £500k to £2m because of the risks associated with the government changes to the benefit system. However the projected level of contribution required in 2013/14 is only £500k so the budget has been reduced to £1.47m for 2014/15 but this will be kept under review.

13.7 Revenue surplus to fund future capital expenditure - decrease of £1,520k

This represents the amount set aside from revenue to fund future year's capital expenditure. This figure is determined by the HRA business plan. This takes account of the capital programme and the other sources of funding available.

14. ENFIELD HOMES MANAGEMENT FEE

14.1 The management of the Council Housing stock was reviewed in 2012 (report to cabinet 18th July 2012) and the contract with Enfield Homes was extended for a two year period to the end of March 2015.

14.2 Enfield Homes is paid a management fee by the Council for managing and maintaining the Housing stock. Details of the services to be provided are included in the management agreement. The management fee agreed for 2013/14 was £15.1m.

14.3 It is proposed that the management fee for 2014/15 should be £14.8m. This fee has been agreed between the Council and Enfield Homes. The management fee for 2014/15 includes expenditure in Appendix 8 under the headings General Management and Special Services and part of the expenditure listed under Repairs.

14.4 A number of revenue budgets remain within the Council's accounts but are delegated to Enfield Homes to manage. These are outlined below:

- Rents dwellings (including service charges)
- Leaseholders service charges
- Garage income
- Repairs and maintenance
- Contracts for services i.e. concierge, cctv and grounds maintenance

15. CAPITAL FINANCE AND PRUDENTIAL CODE

15.1 The Prudential Code for Capital Finance requires the authority to have regard to affordability, prudence and sustainability when considering its capital investment plans and to set and keep under review a range of prudential indicators. The prudential indicators for the HRA are:

- estimated capital financing charges as a percentage of net revenue stream
- estimated capital expenditure
- estimated capital financing requirement
- incremental effect of capital investment decisions on housing rents.

- 15.2 The General Fund Budget report for 2014/15 elsewhere on the agenda sets out the background to the prudential code and shows the indicators for the HRA and the General Fund.
- 15.3 As part of the self financing determination the government has imposed a cap on HRA borrowing. This relates to the valuation calculation as determined by the self financing model. The cap for this Council is £198.015m. Actual borrowing at the end of 2013/14 is estimated to be £153.576m.
- 15.4 In essence the Prudential regime gives scope for the HRA to borrow for capital investment if the forecasts show that the resulting charges can be afforded over the medium to long term.
- 15.5 The Code, subject to an assessment of prudence, affordability and sustainability, gives scope to borrow above current levels. There is no additional HRA borrowing planned for 2014/15. However, the HRA business plan includes assumptions about borrowing in future years and about repaying debt during the lifetime of the business plan.
- 15.6 The CLG has made available Decent Homes funding of £94m so far (£15m in 2009/10, £35m in 2010/11, £14m in 2011/12, £18m in 2012/13 and £12m in 2013/14). Additional funding of £14.6m in total has been confirmed for 2014/15 and this will be paid as a capital grant.
- 15.7 Enfield Homes originally prepared a five year capital programme for works which was approved by cabinet and council in October 2012. The programme has now been updated and agreed by Housing Services Board in December. Projected expenditure for 2014/15 is £35.4m.
- 15.8 In addition to the works to the stock it is anticipated that the estates renewal programme will cost £24.9m in 2014/15. This is reflected in the updated HRA business plan.
- 15.9 Overall capital programme 2014/15

	£m
Works to Stock	35.4
Estate Renewals	24.9
Grants to Vacate	0.5
Asbestos Contingency	2.5
	63.3

- 15.10 The capital programme for 14/15 is £63.3m as shown in the business plan in appendix 10. However in addition to this it is estimated that £8.8m relating to work to stocks projects started in 13/14 will not be spent until 14/15. The total estimated capital budget for 14/15 will be £72.1m.
- 15.11 Capital expenditure for 2013/14 is estimated to be £43.720m; this includes the brought forward figure (£11.877m) from the previous year. The most recent monitor confirms that expenditure is on target. Whilst all the resources are committed to projects a number of these projects (including estate renewals) will not be completed until 2014/15 so some of this expenditure (£16.590m) will not take place until next year.

HRA 5 Year Capital Programme

Scheme	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
General Work	35,411	35,941	33,250	20,867	21,180
Grants to vacate	500	500	500	500	500
Estate Renewals	24,907	10,377	6,150	10,222	10,294
Asbestos Contingency	2,500	0	0	0	0
HRA 5 year Capital Programme	63,318	46,818	39,900	31,589	31,974

A reserve for asbestos was created in 13/14, this hasn't been used so has been carried forward into 14/15.

16. TREASURY MANAGEMENT STRATEGY AND BORROWING PROPOSALS

The original business plan as agreed at cabinet in July proposed that there would be no additional borrowing in 2014/15, this position has not changed.

17. HRA BALANCES

17.1 The estimated position on balances is set out below.

TABLE 4: HRA BALANCES

	Balance at 31/03/13	Use of balances/ increase in balances in 2013/14	Estimated balance as at 31/03/14	Estimated use of balances 2014/15	Projected balance at 31/03/15
	£m	£m	£m	£m	£m
HRA General Balances	12.67	1.31	13.98	0	13.98
Repairs Fund	3.34	0.50	3.84	0	3.84
Total	16.01	1.81	17.82	0	17.82

17.2 It is considered prudent to retain at least £6m in General balances given the risks and uncertainties set out in the following section.

17.3 In reality the business plan will have considerably greater balances than £6m next year. In addition to the balances of £17.82m outlined above the HRA will also have monies from depreciation and revenue surpluses to fund the capital programme and receipts to fund the estates renewals programme. These balances are estimated to total £12.66m at the start of 2014/15.

17.4 Previously the HRA has retained £25m in balances to support internal borrowing. However it is beneficial for the HRA to use these balances before going out to borrow externally so it is proposed that these balances be used first to fund HRA

expenditure. This does not change the spending plans it only changes the way in which they are funded.

17.5 The £3.84m in the repairs fund is intended for any significant increase in repairs costs. This is particularly likely in years where there are severe weather conditions.

17.6 In addition to the above reserves, a bad debt provision of £1.3m existed at 31 March 2013. The adequacy of this amount will be reassessed at the end of the financial year to reflect the level of rent arrears. It is considered prudent to sustain the current level of provision as there is a risk associated with the government changes to the benefit system and introduction of universal credit.

18. RISKS AND UNCERTAINTIES

18.1 HRA 30 year business plan and self financing

The reform of the HRA has had a major impact on the operation of the Housing Revenue Account from 2012/13. The freedoms and flexibilities for the HRA have been in operation for two years and are a major change for the management of the HRA.

18.2 Estate renewals

The following estate renewals are ongoing

Ladderswood

Highmead

Alma Towers

Small Sites

New Avenue

Dujardin Mews

The above estate renewal projects are factored into the HRA business plan and assumptions regularly updated as the schemes progress but any additional costs or receipts can have a significant effect on the business plan.

18.3 Benefit changes

The implementation of benefit changes will impact on the HRA. Implementation started in 2013/14. The change to the method of payment of benefit and the cap on benefits will impact significantly on tenants' ability to pay their rent and potentially on the level of arrears. The prospect of the economic outlook may also impact on the level of arrears. It is therefore prudent to significantly increase the contribution to the bad debt provision. This may change once the full impact of the benefit changes is known. Some of this resource will also be used to fund staffing to help prevent an increase in the level of rent arrears.

18.4 Right to Buy

The increase in the RTB discount to a maximum of £100k has seen applications increase four fold over the last two years. These applications have resulted in a large increase in actual sales. The total number of sales at the end January is 66, it is expected that sales in 2013/14 will total 80. The projected total of sales for 2014/15 is 70.

18.5 Council tax on void properties

Due to the high number of estate renewal properties being decanted and held void there has been an increase in council tax charges. There are currently 180 void estate renewal properties resulting in an increased charge of £200k.

19. ALTERNATIVE OPTIONS CONSIDERED

Two alternatives were considered; these were not increasing rents in line with the national social rent policy as recommended by the Government and increasing rents above this guideline. These two options were both discounted. If rents were not increased this would mean significant loss of income and would undermine the business plan in future years. The HRA self financing settlement was based on the assumption that rents were increased in line with national social rent policy. If rents were increased above this policy this would put additional unnecessary financial pressures on tenants.

20. REASONS FOR RECOMMENDATIONS

In view of the implications of the alternatives mentioned in paragraph 19, it is recommended to increase rents in line with national social rent policy and Government guidance on self financing.

21. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES & CUSTOMER SERVICES OTHER DEPARTMENTS

21.1 Financial Implications

The Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of estimates and the adequacy of proposed financial reserves. The 2014/15 HRA estimates have been prepared taking into account the following:

- The estimated impact of inflationary pressures. Allowance has been made for cost increases over and above the general rate of inflation where these are known;
- The estimated impact of increasing demands on resources where these are unavoidable;
- The estimated impact of underlying cost pressures, evidenced by financial monitoring reports in the current year; and
- An assessment of key risks and uncertainties.

It is therefore the view of the Director of Finance and Corporate Resources that the HRA budget is robust and that the balances held are prudent.

21.2 Legal Implications

Sections 167 to 175 of the Localism Act 2011 introduced self financing. This replaces the Housing Revenue Account (HRA) Subsidy system and local authorities currently operating HRA will be able to keep all of their rental income and use it to support their housing stock. It also provides for the determination of settlement payments calculated in accordance with such formulae as the

Secretary of State may issue from time to time. The settlement payment under the 2011 Act replaced subsidy payments made under the HRA.

This report includes recommendations on the charges made by the council in respect of its HRA residential accommodation. Local authorities have the power to set their own rents under section 24 of the Housing Act 1985, as amended by section 162 of the Local Government and Housing Act 1989. Such charge must be reasonable for the tenancy or occupation of their premises. Section 24 also requires local authorities to periodically review rents and make such changes as circumstances may require. The section confers a broad discretion as to rents and charges made to tenants. It is noteworthy that The Guide to Social Rent Reform issued by the Office of the Deputy Prime Minister (ODPM) in 2003 states that local authorities retain the discretion to decide what services can be charged for in addition to rent. Local authorities are expected to set reasonable and transparent charges which closely reflect what is being provided to tenants. The Guide recommends that protecting tenants from sudden large increases in their rent and service charges should take priority.

In relation to Temporary Accommodation rent, local authorities have discretion over the rents charged to their tenants and consequently have the power to increase the rent so long as some notice is given. The statutory 4 week notice does not apply to this category of tenants as they are not secure tenants but it is advised that a comparable amount of notice is given. The Income-Related Benefits (Subsidy to Authorities) (Temporary Accommodation) Amendment Order 2010 came into force on 1st April 2011. It makes changes to the Income-related Benefits (Subsidy to Authorities) Order 1998 and the way Housing Benefit Subsidy is calculated for tenants in temporary accommodation. The new subsidy scheme has been designed to better reflect the actual cost faced by local authorities in providing this type of accommodation and thereby encourage them to charge tenants a fair market rent for the type and location of the property occupied.

The Council has a duty to show they have consciously addressed their mind to carrying out an Equality Impact Assessment (which includes any decision to increase or introduce charges to tenants).

22. KEY RISKS

These are detailed in Section 18

23. IMPACT ON COUNCIL PRIORITIES

Fairness for All

Providing high quality housing continues to be a priority. Rents are set in line with Government guidance and an increase of 4.6% is low when compared to a number of other London Boroughs.

Growth and Sustainability

The recommendations in the report will ensure that there is a sustainable HRA. The proposals will promote positive investment in the housing stock, ensure adequate funding is made available for the Council's landlord function and encourage compliance with the government regulation on setting rents.

Strong Communities

Setting fair rents, investing in the Council's housing stock and effective management of the Council's housing stock by Enfield Homes are some of the areas of this report that will have positive effect on the local community.

24. EQUALITIES IMPACT ASSESSMENT

The HRA Business Plan supports the delivery of high quality services that promote equality, and value diversity.

25. PERFORMANCE MANAGEMENT IMPLICATIONS

Setting a balanced budget for 2014/15 should enable the HRA performance targets to be met. Sound medium term financial plans are essential to support the delivery of excellent services and the efficient use of resources across the organisation. The budget proposals set out in this paper will ensure that the Council's limited capital and revenue resources are targeted on these key priorities.

26. PUBLIC HEALTH IMPLICATIONS

There are no public Health implications arising directly from setting this rent and detailed budget for 2014/15.

APPENDIX 1

Monitoring Variations for period ending 30th November 2013	
Service Centre	November This Month £'000
<u>Retained</u>	
<u>Capital Financing - Premiums and Discounts</u>	
An updated position on our outstanding loan premium payments has been provided by Treasury, our loans have now been almost fully paid and the outstanding payment is significantly lower than expected resulting in a saving of £70k.	(70)
<u>Rates</u>	
An overspend of £51k in the payments for council tax on void properties has been identified this month, this is due to an increase in the amount of Estate Renewal decants than originally estimated	51
<u>RTB's</u>	
The estimated number of RTB's was 40, at the end of October there have been 44 RTB's to date. Therefore we estimate the number to be around 70 for 13-14, this will result in additional income of £85k.	(85)
<u>Landlords Electricity</u>	
£205k has been set aside as a contingency for heating due to lower estimates produced by the energy management team in 13-14. It is unlikely that this is needed in 13-14 but can be used to offset shortfalls in energy costs due to estate renewal projects.	0
<u>Shops</u>	
Additional income of £39k from shops has been identified this month.	(39)
Total Variation on Retained budgets	(143)
<u>Managed</u>	
<u>Bad Debt</u>	
The bad debt calculation has been reviewed this month and a saving of £1.5m has been identified. Additional budget was added to the bad debt provision to account for the changes to welfare reform; this budget is now not needed as the tenants are receiving discretionary housing payments directly through benefits to cover any shortfall. The remaining £500k budget set aside for bad debt is being monitored closely; £212k is being given to Enfield Homes to fund the additional staff. It is currently estimated that a contribution of £44k will need to be made but further monitoring is being completed to confirm this figure.	(1,500)
<u>Dwellings Rent</u>	
An under-recovery of income in Dwellings Rent and Service Charges of £290k has been identified due to an increase in the void rate, the estimated void rate was 1.6% but the current rate is 1.89%.	290
<u>Garages</u>	
An under-recovery of income in Garages Rent of £57k has been identified due to an increase in the void rate, the current void rate is 58.07% compared to an estimated rate of 55%.	57
<u>Repairs and maintenance</u>	
This is projected to be on budget.	0
Total Variation on Managed budgets	(1,153)
Total HRA Variation	(1,296)

OTHER PROPOSALS FOR INCREASED INCOME IN THE HRA

1. Garage Rents

- 1.1 The garages which are let to Council tenants, leaseholders and private tenants are standard lock-up.
- 1.2 A 'non Council tenant premium' is also charged on all lets to private tenants, and any Council tenant or leaseholder who rents more than 2 garages. It is proposed that the rents be increased by 4.6%. The proposed charges for 2014/15 are:

	2013/14 Weekly Net Rent £	2014/15 Proposed Net Rent £
Category (G1) Standard Lock-up Garages	9.18	9.60
Non Council tenant premium (NCTP)	2.43	2.54

2. Communal Heating Charges

- 2.1 The Council has 1,727 properties in 71 blocks of flats serviced by communal heating systems and all costs of gas electricity and fuel oil were held in a pool and tenants were charged based on the total cost within the pool. However this system is changing and a number of properties are being removed from the main pool, the current position is outlined below.

In 2014/15 only 1,055 properties remain within the pool and the charge for tenants (which are reviewed annually) are calculated on a pooled basis rather than on the cost of the fuel used by individual systems. These blocks are managed within the main fund for energy costs and this is offset with the income collected from tenants and leaseholders and any balances on the fund is used to regularise charges to tenants in future years. These blocks are the electric heated blocks and Pruden Close which is heated by fuel oil. Communal systems do not have individual heating.

In 2013/14 the 412 gas sheltered properties were removed from the pooled charge and now have individual block by block charge and this will continue for 2014/15.

In 2014/15 the 159 Ladderswood Estate properties will be removed from the pool charge as the tenants are moved to individual heating to enable the boiler at Curtis house to be decommissioned and residents will receive individual heating systems.

Also, in 2014/15 Scott house with 101 properties will be charged on a block basis as the fuel type of the block is changed from the more expensive oil fuel to gas heating.

- 2.2 Since 1996 leaseholders have been charged a proportion of the actual cost of the fuel used in their blocks, calculated on the basis of individual property rateable values.

2.3 General Heating Costs

There will be a 5.91% increase in heating costs for properties in the main fund pool in 2014/15. Electricity costs are estimated to increase by 7% and Fuel Oil costs by 8% in 2014/15. However, with proper management of the pool, this has enabled the Council to keep the charges down to a 5.91% increase. **Appendix 11** below shows the type of fuel in each category and the method used for charging.

ADMINISTRATION/MANAGEMENT CHARGE FOR LEASEHOLD UNITS

1. The administration and management charge is a flat rate added to the cost of services to cover the preparation of estimates and actual costs, billing consultation on repairs and improvement works and estate management.
2. It is estimated that by 31 March 2014 a total of 4,541 properties will have been sold under leasehold arrangements.
3. At the end of each financial year, the actual cost is determined and an appropriate adjustment made to the charge.
4. The cost of administration and management for 2014/15 is estimated at £904k and it is, therefore, recommended that the charge for 2014/15 be fixed at £199.02 per leasehold unit. This compares with the 2013/14 charge of £194.98 per leaseholder unit.
5. The charges below are estimates for 2014/15, adjustments will be made mid year to reflect actual charges.

	Charge per week 2013/14 £	Charge per week 2014/15 £
Administration & Management Charge	3.75	3.83
Caretaking level (1) (non resident)	2.92	3.04
Caretaking level (2) (resident)	4.74	4.90
Concierge		
Merlin House	10.03	10.03
Cormorant House	10.52	10.52
Kestral House	9.94	9.94
Curlew House	10.80	10.80
Walbrook House	11.82	11.82
CCTV		
Alma Road	1.09	1.19
Walbrook House	1.89	2.05
Shepcot House	1.32	1.44
Grounds Maintenance	1.20	1.25
Paladin Bins	1.70	1.75
Insurance		
1 Bed	1.80	1.80
2 Bed	2.03	2.03
3 Bed	2.32	2.32
4 Bed	2.59	2.59
Flat Repairs (Annual Charge)	1.00	1.00
Ground Rent (Annual Charge)	10.00	10.00
Estate Charge (Annual Charge)	10.00	10.00

AVERAGE RENTS

Property Type	Average Rent 13-14	Average Rent 14-15	% Increase	£ Increase
Bedsit	77.35	81.06	4.80%	3.71
1 bed flat	83.01	86.74	4.50%	3.74
1 bed house	92.98	98.41	5.84%	5.43
2 bed flat	92.34	96.10	4.07%	3.76
2 bed house	104.57	109.71	4.91%	5.14
3 bed flat	102.82	106.84	3.90%	4.01
3 bed house	114.89	120.95	5.27%	6.06
4 bed flat	107.58	112.07	4.16%	4.48
4 bed house	125.30	128.41	2.49%	3.11
5 bed house	131.54	137.66	4.66%	6.13
6 bed house	153.88	159.48	3.64%	5.60
Average	95.99	100.43	4.6%	4.43

The above are examples of the average rents likely to be charged for specific properties. They are not necessarily typical, nor the maximum or minimum rents which will be charged.

Service charges have been excluded, but will be payable in addition to the rent subject to the services provided to each property.

The rent calculation is a function of the formula rent (using the CLG formula) and the existing 2013/14 net rent and is subject to various caps and limits.

TEMPORARY ACCOMMODATION RENTS

The Government has not yet given any indication that the rents will increase for 2014/15 and there was no increase for 2013/14.

Category	Weekly rent 2013/14	Weekly rent 2014/15
	£	£
Shared accommodation	178.75	178.75
1 bedroom self contained	200.88	200.88
2 bedroom	247.90	247.90
3 bedroom	310.00	310.00
4 bedroom	375.00	375.00
5 bedroom and larger	375.00	375.00

General Works Block Programme 2014/15

APPENDIX 7

PROGRAMME (14-15)

Project	PROG YEAR	Blocks	Leaseholders	Tenants	BUDGET COST	Made Decent
Bush Hill Park Externals	3	6	22	38	720,000	50
Church Street	3	12	70	98	2,416,000	98
Cowper Blocks	3	31	87	124	2,548,000	104
Hyde Blocks	3	44	59	90	1,713,000	78
Jubilee Blocks	3	23	113	126	3,242,000	114
Lytchet Way Externals	3	17	198	242	6,160,000	179
Dodsey Place	3	1	16	8	420,000	8
Bridport House	3	1	6	3	230,000	3
SuffolkPods Phase 1	3			78	2,340,000	71
Brigader Hill Internals	3			349	2,792,000	205
Channel Island	3	5	61	159	2,200,000	97
Exeter/Welsh & Woolpack	3	10	74	356	3,500,000	0
Others (including: Voids, Aids & Adaptations and Estate Quality Works)					7,130,000	
					35,411,000	1,007

HOUSING REVENUE ACCOUNT 2013/14 TO 2014/15

APPENDIX 8

	2013-14 Estimate	2014-15 Estimate	Variations	See Para
Expenditure				
General Management	14,434,720	14,402,690	-32,030	
Special Services	5,534,530	5,677,480	142,950	13.3
Rent Rates and other Charges	110,640	508,460	397,820	13.4
Cost of Borrowing	6,923,500	7,326,720	403,220	
Depreciation set aside to fund future repairs	13,512,850	13,538,660	25,810	
Repairs and Maintenance	15,865,390	15,864,030	-1,360	
Provision for bad and doubtful debts	2,000,000	1,473,770	-526,230	13.6
Total Expenditure	58,381,630	58,791,810	410,180	
Income				
Dwellings rent and service charges	-57,259,000	-59,079,270	-1,820,270	13.1
Garages	-658,750	-623,060	35,690	
Shops/Commercial	-2,168,540	-2,266,530	-97,990	
Leaseholder service charges	-2,960,530	-3,105,460	-144,930	13.2
Total Income	-63,046,820	-65,074,320	-2,027,500	
Net cost of services	-4,665,190	-6,282,510	-1,617,320	
Cost of Premiums and Discounts	98,100	0	-98,100	
Interest on Balances	-125,000	0	125,000	
RTB Mortgage Interest	-1,000	-1,000	0	
Net Operating expenditure	-4,693,090	-6,283,510	-1,590,420	
Contribution to Reserves for future capital expenditure	7,802,990	6,283,510	-1,519,480	13.7
Draw down from repairs reserve	-3,109,900	0	3,109,900	13.5
Net Operating expenditure	0	0	0	

APPENDIX 9 Business Plan Revenue

		Income					Expenditure												
Year	Year	Net rent Income	Other income	Misc Income	RTB Admin	Total Income	Managt.	Depreciation	Responsible & Cyclical	Other Revenue spend	Total expenses	Capital Charges	Net Operating (Expenditure)	Provision for repayment of loans	RCCO	Surplus (Deficit) for the Year	Surplus (Deficit) b/fwd	Interest	Surplus (Deficit) c/fwd
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
1	2014.15	59,928	3,460	1	200	63,589	(19,646)	(13,539)	(16,192)	(286)	(49,662)	(7,408)	6,518	0	(12,695)	(6,177)	23,591	205	17,619
2	2015.16	61,029	3,460	1	143	64,633	(19,467)	(13,560)	(15,353)	(286)	(48,665)	(8,583)	7,384	0	(14,214)	(6,830)	17,619	213	11,002
3	2016.17	62,191	3,460	1	86	65,737	(19,347)	(13,573)	(15,553)	(286)	(48,759)	(9,358)	7,621	0	(6,217)	1,404	11,002	176	12,582
4	2017.18	63,495	3,460	1	86	67,042	(19,327)	(13,698)	(15,789)	(286)	(49,100)	(10,009)	7,933	0	(5,132)	2,801	12,582	210	15,593
5	2018.19	64,898	3,460	0	86	68,444	(19,539)	(13,856)	(16,041)	(151)	(49,587)	(10,182)	8,675	(0)	(13,819)	(5,145)	15,593	326	10,774
6	2019.20	66,825	2,902	0	86	69,813	(19,814)	(14,094)	(16,368)	(151)	(50,426)	(10,059)	9,328	0	(14,096)	(4,769)	10,774	210	6,214
7	2020.21	69,576	2,902	0	86	72,564	(20,193)	(14,472)	(16,832)	(151)	(51,648)	(10,059)	10,857	0	(8,242)	2,615	6,214	188	9,017
8	2021.22	72,432	2,902	0	86	75,420	(20,576)	(14,861)	(17,309)	(151)	(52,897)	(10,057)	12,466	(0)	(6,239)	6,227	9,017	303	15,548
9	2022.23	74,583	2,902	0	86	77,571	(20,859)	(15,114)	(17,662)	(151)	(53,786)	(10,019)	13,765	0	(9,950)	3,816	15,548	436	19,800
10	2023.24	76,827	2,902	0	57	79,786	(21,146)	(15,373)	(17,866)	(151)	(54,536)	(10,019)	15,231	0	(290)	14,941	19,800	682	35,422
11	2024.25	79,169	2,902	0	57	82,128	(21,436)	(15,650)	(18,135)	(151)	(55,371)	(9,662)	17,095	(13,000)	(4,041)	55	35,422	886	36,363
12	2025.26	81,583	2,902	0	57	84,542	(21,730)	(15,933)	(18,410)	(151)	(56,224)	(8,947)	19,371	(13,000)	(164)	6,207	36,363	987	43,557
13	2026.27	84,070	2,902	0	57	87,029	(22,028)	(16,220)	(18,690)	(151)	(57,088)	(8,232)	21,709	(13,000)	(4,748)	3,961	43,557	1,138	48,656
14	2027.28	86,632	2,902	0	57	89,592	(22,330)	(16,513)	(18,977)	(151)	(57,971)	(7,517)	24,104	(13,000)	(604)	10,500	48,656	1,348	60,503
15	2028.29	89,273	2,902	0	57	92,232	(22,635)	(16,810)	(19,326)	(151)	(58,923)	(6,802)	26,508	(13,000)	(3,663)	9,844	60,503	1,636	71,983
16	2029.30	91,994	2,902	0	57	94,953	(22,946)	(17,114)	(19,626)	(151)	(59,837)	(6,087)	29,029	(13,000)	0	16,029	71,983	2,005	90,017
17	2030.31	94,798	2,902	0	57	97,757	(23,260)	(17,422)	(19,933)	(151)	(60,765)	(5,372)	31,620	(13,000)	(3,921)	14,700	90,017	2,439	107,156
18	2031.32	97,687	2,902	0	57	100,647	(23,579)	(17,736)	(20,246)	(151)	(61,713)	(4,657)	34,277	(13,000)	0	21,277	107,156	2,949	131,382
19	2032.33	100,665	2,902	0	57	103,624	(23,902)	(18,055)	(20,567)	(151)	(62,675)	(3,942)	37,007	(13,000)	(4,410)	19,597	131,382	3,534	154,513
20	2033.34	103,733	2,902	0	57	106,692	(24,230)	(18,381)	(20,954)	(151)	(63,717)	(3,373)	39,602	(13,000)	0	26,602	154,513	4,197	185,312
21	2034.35	106,894	2,902	0	57	109,854	(24,562)	(18,712)	(21,290)	(151)	(64,714)	(2,554)	42,585	(13,000)	(5,081)	24,504	185,312	4,941	214,758
22	2035.36	110,150	2,902	0	57	113,109	(24,901)	(19,049)	(21,633)	(151)	(65,734)	(1,839)	45,536	(13,000)	0	32,536	214,758	5,776	253,070
23	2036.37	113,504	2,902	0	57	116,464	(25,243)	(19,391)	(21,984)	(151)	(66,769)	(1,118)	48,576	(13,190)	(5,877)	29,509	253,070	6,696	289,274
24	2037.38	116,961	2,902	0	57	119,920	(25,591)	(19,742)	(22,343)	(151)	(67,827)	(756)	51,337	0	(330)	51,008	289,274	7,869	348,151
25	2038.39	120,523	2,902	0	57	123,482	(25,944)	(20,096)	(22,773)	(151)	(68,964)	(756)	53,762	0	(19,875)	33,887	348,151	9,127	391,165
26	2039.40	124,503	2,902	0	57	127,462	(26,303)	(20,458)	(23,193)	(151)	(70,105)	(756)	56,602	0	(7,483)	49,119	391,165	10,393	450,677
27	2040.41	128,928	2,902	0	57	131,888	(26,754)	(20,943)	(23,664)	(151)	(71,512)	(756)	59,620	0	(13,806)	45,814	450,677	11,840	508,331
28	2041.42	132,557	2,902	0	57	135,516	(27,161)	(21,320)	(24,023)	(151)	(72,655)	(756)	62,106	0	(7,564)	54,542	508,331	13,390	576,263
29	2042.43	136,287	2,902	0	57	139,246	(27,576)	(21,703)	(24,388)	(151)	(73,818)	(558)	64,870	(13,169)	(14,386)	37,315	576,263	14,873	628,450

APPENDIX 10
Business Plan Capital

		Expenditure								Financing					
Year	Year	Catch up works	Future Major Repairs	Improvements	Disabled Adaptations	Exceptional Extensive	New Build Development Costs	Other	Total Expenditure	Borrowing	RTB Receipts	Other	MRR	RCCO	Total Financing
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
1	2014.15	2,090	29,467	0	1,045	2,808	24,907	3,000	63,318	0	5,270	29,315	13,539	15,195	63,318
2	2015.16	2,121	29,909	0	1,061	2,850	10,377	500	46,818	12,450	1,810	4,785	13,560	14,214	46,818
3	2016.17	2,153	27,126	0	1,077	2,893	6,150	500	39,900	15,700	798	3,612	13,573	6,217	39,900
4	2017.18	1,240	15,606	0	1,093	2,928	10,222	500	31,589	8,000	831	3,929	13,698	5,132	31,589
5	2018.19	1,259	15,840	0	1,110	2,972	10,294	500	31,974	2,290	864	1,145	13,856	13,819	31,974
6	2019.20	1,277	16,078	0	1,085	3,017	10,368	500	32,325	0	897	3,238	14,094	14,096	32,325
7	2020.21	1,297	16,319	0	1,143	3,062	4,418	500	26,739	0	931	3,094	14,472	8,242	26,739
8	2021.22	1,316	16,564	0	1,160	3,108	4,528	500	27,176	0	966	5,111	14,861	6,239	27,176
9	2022.23	1,336	16,812	0	1,178	3,154	4,642	500	27,622	0	1,001	1,557	15,114	9,950	27,622
10	2023.24	946	13,030	0	1,195	1,648	4,758	0	21,577	0	601	5,313	15,373	290	21,577
11	2024.25	961	13,355	0	1,213	1,672	4,877	0	22,078	0	623	1,765	15,650	4,041	22,078
12	2025.26	975	13,586	0	1,231	1,698	4,998	0	22,488	0	645	5,746	15,933	164	22,488
13	2026.27	990	13,792	0	1,250	1,723	5,123	0	22,878	0	667	1,244	16,220	4,748	22,878
14	2027.28	1,005	14,002	0	1,269	1,749	5,252	0	23,275	0	690	5,468	16,513	604	23,275
15	2028.29	937	14,571	0	1,288	230	5,383	0	22,409	0	713	1,222	16,810	3,663	22,409
16	2029.30	952	15,120	0	1,307	233	5,517	0	23,130	0	736	5,705	16,688	0	23,130
17	2030.31	966	15,544	0	1,327	237	5,655	0	23,729	0	760	1,201	17,847	3,921	23,729
18	2031.32	980	15,788	0	1,347	240	5,797	0	24,152	0	784	5,957	17,410	0	24,152
19	2032.33	995	16,234	0	1,367	244	5,942	0	24,781	0	809	1,180	18,382	4,410	24,781
20	2033.34	1,014	16,556	0	1,387	248	6,090	0	25,295	0	834	6,227	18,235	0	25,295
21	2034.35	1,029	17,027	0	1,408	251	6,242	0	25,957	0	859	1,159	18,858	5,081	25,957
22	2035.36	1,045	17,297	0	1,429	255	6,398	0	26,425	0	885	6,513	19,026	0	26,425
23	2036.37	1,060	17,792	0	1,451	259	6,558	0	27,120	0	911	917	19,415	5,877	27,120
24	2037.38	1,076	18,077	0	1,472	263	6,722	0	27,611	0	938	6,602	19,742	330	27,611
25	2038.39	1,856	31,005	0	1,494	592	6,890	0	41,839	0	965	903	20,096	19,875	41,839
26	2039.40	1,884	31,492	0	1,517	601	0	0	35,494	0	992	6,561	20,458	7,483	35,494
27	2040.41	1,912	32,229	0	1,540	610	0	0	36,291	0	1,020	522	20,943	13,806	36,291
28	2041.42	1,941	32,737	0	1,563	619	0	0	36,860	0	1,048	6,929	21,320	7,564	36,860
29	2042.43	1,970	33,508	0	1,586	629	0	0	37,693	0	1,082	522	21,703	14,386	37,693

APPENDIX 11

Heating Fund Charges 2014/15				
<u>Estate/Block</u>		Type of Fuel	Price Increase to Tenants 2014-15	Comments
ALMA		GAS	No Increase	
BLISS AND PURCELL		GAS	No Increase	
Gas Sheltered Housing		GAS	Reduction	Each property will have reductions between ££0.64 to £3.44 as the full contingency is not needed in the 2nd year of charging on a block by block basis
Scott House		OIL	New charge	Standing charge of £3.95 per week per tenant to cover the admin costs of the company managing the collection of Income; Energy management unit costs for paying the gas bills; Electric pump costs etc. A tariff will be introduced at £0.1108 per kwh
MAIN FUND (Includes all Electric tenants and Pruden close (Oil Heated block)		Electric and Oil	5.91%	5.91 % Increase to tenants and leaseholders. There is an estimated 7% increase for Electric Bills from Oct 14 but we could reduce this as the expensive Ladderswood Oil Fuel Estate and Oil Fuel Scott House tenants are taken away from the fund making savings to the Electric tenants fund) . Increase will range from £0.24 to £1.76 per week increase
LADDERSWOOD ESTATE		OIL	No increase	Boiler at Curtis house to be decommissioned, tenants to go to individual heating; gas in Betspath, Lorne and Roberts, electric in Mason and Danford