

# MUNICIPAL YEAR 2015/16 REPORT NO. 172A

Agenda – Part: 1

Item: 8

**MEETING TITLE AND DATE:**  
COUNCIL – 24<sup>th</sup> February 2016

**JOINT REPORT OF:**

Director of Regeneration and Environment  
Director of Finance, Resources and Customer Services

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**SUBJECT:**

**Housing Revenue Account (HRA) 30-Year Business Plan, Budget 2016/17, Rent Setting and Service Charges**

**Temporary Accommodation Rents**

**ALL WARDS**

CABINET MEMBERS CONSULTED: CLLR OYKENER  
CLLR STAFFORD

## 1. EXECUTIVE SUMMARY

- 1.1 This report sets out the proposed HRA 30-Year Business Plan, the detailed HRA Revenue Budget for 2016/17 and the five year HRA Capital Programme and Right to Buy (RTB) One for One Receipts Programme (2016/17 to 2020/21). See Paragraphs 4-8.
- 1.2 It also presents the levels of rents, service charges and heating charges to be operative with effect from 4<sup>th</sup> April 2016 for HRA Council tenants and rents for tenants in Temporary Accommodation. See Paragraphs 9-13.
- 1.3 The report has been prepared in the context of the Government's Welfare Reform and Work Bill and Housing and Planning Bill, both of which are progressing through Parliament. The announcement in the Welfare Reform and Work Bill that Social Rents will reduce by 1% per annum for four years commencing in 2016/17 has had a significant impact on the Council's HRA and work has been ongoing since July to address this impact and rebalance the HRA 30-Year Business Plan.

## 2. RECOMMENDATIONS

- 2.1
  - a) To approve the HRA 30-Year Business Plan
  - b) To approve the detailed HRA Revenue Budget for 2016/17
  - c) To approve the HRA Capital Programme and RTB One for One Receipts Programme 2016/17 to 2020/21
  - d) To note the rent levels for 2016/17 for HRA properties (subject to the Welfare Reform and Work Bill receiving Royal Assent in April 2016) and Temporary Accommodation properties
  - e) To increase rents for sheltered accommodation tenants in line with Government guidance. This will result in an average increase of 0.9% for Enfield's Sheltered Accommodation tenants.
  - f) To approve the level of service charges for those properties receiving the services
  - g) To note the heating charges for 2016/17 for those properties on communal heating systems
  - h) To approve of the proposals for increases in garages and parking bay rents

## **2. RECOMMENDATIONS**

- 2.2 To delegate authority to the Cabinet Member for Housing and Housing Regeneration and the Director of Regeneration and Environment to approve tenders for Major Works.

## **3. BACKGROUND**

- 3.1 This report is brought to Cabinet on an annual basis for three reasons:
- a) To ensure that a balanced 30-Year HRA Business Plan is approved by the Council
  - b) To ensure that the HRA budget for 2016/17 is set by the Council, and that this budget does not put the HRA into deficit
  - c) To set the rent and service charge levels for HRA properties and Temporary Accommodation properties for the 2016/17 year. 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.
- 3.2 This year, the report is prepared in the context of the Government's Welfare Reform and Work Bill and Housing and Planning Bill, both of which are progressing through Parliament.
- 3.3 One of the provisions in the Welfare Reform and Work Bill replaces previous National Social Rent Policy with a legal requirement for Social Housing providers to reduce rents by 1% per annum over the next four years commencing in 2016/17. This is with the exception of Sheltered Accommodation rents, which can still be increased in line with National Social Rent Policy in 2016/17 (Consumer Prices Index (CPI) +1%). The Housing and Planning Bill contains two provisions that will directly impact on the HRA 30-Year Business Plan:
- a) The requirement that tenants on higher incomes (over £40,000 in London and over £30,000 outside London) will be required to pay market rate, or near market rate, rents. This is known as the "Pay to Stay" policy.
  - b) The requirement that stock-holding Local Authorities should sell their vacant high value stock.
- 3.4 The impact of the rent reduction has been factored into the HRA 30-Year Business Plan and 2016/17 budget. The impacts of the Pay to Stay and Sale of Vacant High Value Stock policies are not yet clear, so have only been registered as risks to the HRA 30-Year Business Plan at this stage.

## **4. HRA 30-YEAR BUSINESS PLAN**

- 4.1 Cabinet approved an updated 30-Year HRA Business Plan at its meeting in November 2015. This plan had been updated following the announcement regarding rent decreases for four years, and was balanced.

4.2 The detailed figures included in the latest version of the Business Plan are attached as Appendix A. Only minor amendments have been made since November 2015 – not adding inflation to supplies and services, reducing the interest rate on balances from 0.75% to 0.35%, reflecting the introduction of new service charges as set out in this report and updating the plan to reflect the latest predicted stock numbers. These changes have improved the Business Plan position by £500k in 2016/17, and the plan still remains balanced over the next 30 years.

4.3 The overarching assumptions in the HRA business plan are as follows:

**TABLE 1 – BUSINESS PLAN ASSUMPTIONS**

	<b>Assumption</b>	<b>Notes</b>
Inflation on supplies and services	0% in 2016/17 then 2.5% Retail Prices Index (RPI) increases each year thereafter	A 1% increase has been allowed for the pay award
Rent Increases	- 1% for four years and then Consumer Prices Index (CPI) + 1% thereafter	CPI is assumed as 2%
Repairs and Maintenance cost increases	0% in 2016/17 then 2.5% per annum	Signs are that the new contracts will deliver efficiencies in 2015/16, so inflation has not been added to the budget
Capital Programme – Major Works	Annual amounts based on the updated estimated cost of replacing components (windows, roofs, kitchens, bathrooms, etc) in the year that they fall due for replacement	
Capital Programme – Estate Renewal	Costs of current Estate Renewals included in the Business Plan based on the latest Capital Monitoring information (Quarter 2). 11 future Estate Renewals are included using generic figures commencing in 2017/18 and starting every two years thereafter	
RTB Sales	100 for 16/17 and 17/18, 30 from 18/19 to 23/24, then 0 from 24/25 onwards	It is assumed that sales will reduce due to increases in market prices rendering RTB less affordable, and less desirable stock will be available for purchase

Operation of the Government's RTB One for One Replacement Scheme	The Council will operate the scheme without returning receipts to Government. The 30% receipts are match funded by the HRA in 2015/16 and 2016/17. Between 2017/18 and 2020/21, £15m will have to be matched outside of the HRA	
Sale of Vacant High Value Assets	No assumptions built in at present	The Government is likely to request lump sum payments, but it is not clear when these will start and how much they will be. This is a risk to the HRA Business Plan
Pay to Stay Policy	No assumptions built in at present	This policy may result in additional administration costs, but this is not yet known. It may also lead to an increase in Right to Buy take-up. This is a risk to the HRA Business Plan
Interest rate on borrowing	5.5% on existing debt 3.48% on self financing debt 4% on new debt	Reflects actual debt costs and estimates from Treasury Management
Interest rate on balances	0.35%	Estimated 7-Day London Inter Bank Bid (LIBID) rate

4.4 The two types of potential change (sensitivities) which have the biggest impact on the HRA 30-Year Business Plan are changes to rent levels and changes in the number of RTB sales. The current Business Plan assumes that rents will revert to annual increases of CPI + 1% after the four year rent reduction period. This may not be the case, so it is prudent to test alternative scenarios. It also assumes that RTB Sales will fall from the currently predicted 200 per year (in 2015/16) to 100 per year in 2016/17 and 2017/18, and then 30 per year for the following six years. Latest estimates for 2015/16 suggest that there may now only be 150 RTB sales this year. However, one of the potential impacts of the "Pay to Stay" Policy is that the tenants affected will opt to buy their homes rather than pay higher rents, thereby increasing future sales.

4.5 Table 2 below describes each sensitivity modelled and the outcome.

**TABLE 2 - SENSITIVITIES**

	<b>Revenue Balance 2024/25 £000's</b>	<b>Capital Shortfall 2015/16 to 2024/25 £000's</b>	<b>Amount of RTB Receipts to be funded outside of the HRA £000s</b>
<b>Base</b>	<b>43,179</b>	<b>0</b>	<b>15,000</b>
<b>Sensitivities:</b>			
1. Rent continues to decrease by 1% per year for a further five years after the initial four years' decrease	3,778	3,711	15,000
2. Rent does not increase each year for five years after the initial four years' decrease	17,014	0	15,000
3. Rent increases by 2% each year (ie CPI is only 1% and not 2%) for five years after the initial four years' decrease	33,989	0	15,000
4. Increase RTB sales to 200 per annum in 2016/17 to 2019/20, then 100 per annum in 2020/21 to 2024/25*	46,964	0	56,300

4.6 Clearly, if rent continues to decrease by 1% per year for a further five years as shown in sensitivity 1, then measures will need to be taken to rebalance both the revenue expenditure (so that the minimum balance rises back to the required £6.250m) and the capital expenditure (to address the shortfall). If RTB sales increase as shown in sensitivity 4, although the revenue balance improves, a significant RTB One for One Receipts Programme would need to be put in place which did not rely on HRA resources.

## **5. BASE BUDGET FOR 2016/17**

### **5.1 Financial Monitoring 2015/16**

During the 2015/16 year, work has been ongoing to identify net savings of £1.5m per annum from the HRA. This target was set in response to the predicted loss of rental income arising from 2016/17, and has been met in full. The main reductions to the budget were as follows:

a) Insurance Costs (£166k)

The 2014/15 outturn showed that, following reprocurement of the Council's insurance contract and a review of the assets covered by the policy, this budget could be reduced by £166k per annum.

b) Energy (£100k)

Recent reductions in energy prices and energy saving improvements to the stock through the major repairs programme have meant that this budget can be reduced by £100k per annum.

c) Sheltered Housing (£177k)

The loss of Supporting People funding with effect from 1<sup>st</sup> April 2015 has prompted a review of the service, leading to ongoing savings in salary and running costs of £177k.

d) Deletion of "One-Off" Budgets (£460k)

Two budgets brought forward from 2014/15, one for tree survey work and one for an IT project, were included in the 2015/16 budget, but were no longer required. These have been deleted.

e) Enfield 2017 (£452k)

The HRA share of savings flowing from the Enfield 2017 project will be £452k per year.

f) Base Budget Review (net £145k)

During the 2015/16 year, a review of all HRA budgets has been undertaken, resulting in net ongoing savings amounting to £145k per annum.

It should be noted that the latest monitoring report (November 2015) indicates that there is also likely to be an ongoing saving of £500k per year arising from the new Repairs and Maintenance contracts. This is due to lower average costs of Day to Day repairs jobs. As the contracts have not yet been in place for a full year, no reduction has been made to the 2016/17 budget, but this will be kept under review.

## 5.2 2016/17 Base Budget

Appendix B sets out the base budget for 2016/17 compared to the 2015/16 figures. The assumptions and explanations of the changes between 2016/17 and 2015/16 are outlined below.

### INCOME

#### **Dwelling Rents and Service Charges – decrease of £732k**

The income from rents has reduced by £1,159k as a result of the 1% rent reduction and the loss of properties through RTB and Estate Renewal. This has been partially

offset by a predicted increase in service charges income from tenants arising from the new proposed charges as explained in Paragraph 10 below.

#### **Leaseholder Service Charges – increase of £424k**

This is due to a combination of factors:

- a) the increase in the number of leaseholders because of the increase in RTB
- b) increases in service charges as explained in Paragraph 10 below
- c) an increase in the amount being billed in respect of repair works

#### **Shops and Commercial Income – increase of £308k**

This arises due to an increase in aereals income and the Council's managing agents, Spencer Craig, estimating an increase in shop rental income for 2016/17.

#### **Interest on Balances – decrease of £276k**

The amount of interest receivable is expected to reduce from £478k to £202k due to a lower rate of interest being applied.

### **EXPENDITURE**

#### **General Management – increase of £252k**

Less administration income will be received this year due to the anticipated reduction in RTB sales from 200 in 2015/16 down to 100 in 2016/17. Also, some management recharges have been increased.

#### **Special Services – increase of £669k**

This increase is due to the addition of a new communal cleaning service and anticipated additional costs of the Concierge and Grounds Maintenance contracts (which will be paid for through tenants' and leaseholders' service charges). There will also be a 5% increase in electricity costs between 2015/16 and 2016/17.

#### **Depreciation – decrease of £196k**

The amount set aside for depreciation is expected to reduce because of the reduction in the number of properties held in the HRA.

#### **Repairs and Maintenance (Admin) – decrease of £118k**

Two one-off budgets for 2015/16 have now been removed. These related to the setting up of the new contracts.

#### **Revenue Surplus to Fund Future Capital Expenditure – decrease of £950k**

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

## **6. CAPITAL FINANCE AND PRUDENTIAL CODE**

6.1 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

6.2 The General Fund Budget report for 2016/17 elsewhere on the agenda sets out the background to the prudential code and shows the indicators for the HRA and the General Fund.

6.3 As part of the self financing determination the government 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 2015/16 is estimated to be £157.72m.

6.4 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.

6.5 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 2016/17. However, the HRA business plan includes assumptions about borrowing in future years and about repaying debt during the lifetime of the business plan.

## 7. CAPITAL PROGRAMME

7.1 The table below sets out the overall capital expenditure planned for the next five years. The programme is broken down into five areas and these are detailed below.

**TABLE 3: HRA 5 Year Capital Programme**

	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Major Works to the Stock	24,512	22,314	17,994	17,502	11,388
Estate Renewal Schemes	14,245	17,449	17,479	13,835	7,665
Non- Estate Renewal RTB projects match funded with HRA resources	6,540	3,402	19,573	10,715	17,159
RTB projects match funded outside of the HRA	0	7,784	5,000	2,000	180
Grants to Vacate	1,000	0	0	0	0
<b>Total</b>	<b>46,297</b>	<b>50,949</b>	<b>60,046</b>	<b>44,052</b>	<b>36,392</b>



7.2 The programme, totalling £237,736k, will be funded as follows:

- Grants - £3,875k
- Capital Receipts - £47,746k
- RTB One for One Receipts - £34,637k
- Revenue - £41,964k
- S106 - £2,000k
- Major Repairs - £67,228k
- Borrowing - £40,286k

7.3 The total capital expenditure for 2015/16 is estimated to be £61.3m. The most recent monitor (Quarter 2) shows a projected underspend of £3.9m. This amount has been committed and will be carried forward into 2016/17.

#### 7.4 **Major Works to the Stock**

The table above shows the programme reducing across the five years. This is because a catch-up programme to replace components which were overdue for replacement has been in operation for four years now. This means that there is less backlog and better information about individual assets and investment requirements. In addition, replacing components with better quality materials will prolong the useful life and save money in the long term. A list of schemes due to start in 2016/17 is attached at Appendix C.

#### 7.5 **Estate Renewal Schemes**

In addition to the works to the stock it is anticipated that £70.7m will be spent on an Estate Renewal Programme over the next five years. This is reflected in the updated HRA business plan. A list of schemes and budgets is attached at Appendix D.

#### 7.6 **RTB One for One Replacement Receipts and Related Expenditure**

The following three Estate Renewal Schemes have already been agreed and all will use some of the RTB One for One Replacement Scheme receipts as part of their funding. This will enable to Council to retain the receipts:

- Small Sites
- Dujardin Mews
- New Avenue

In addition, Ordnance Road has been agreed and is fully eligible for the scheme. Other schemes proposed to be match funded with HRA receipts include:

- Small Sites Rolling Programme
- Lytchet Way/Other Additional Storeys on Existing Blocks
- Leaseholder Buybacks and Other Property Purchases

In order to spend receipts outside of the HRA, the Council is working with Registered Providers who are developing property in the Borough to identify suitable schemes for investment, and has agreed to set up a minority interest Registered Provider Company. Appendix E sets out the RTB Programme for the next five years and updates the 2015/16 Programme (Grants to Vacate have now been excluded from the scheme and Purchase of Properties has been amalgamated into one scheme to allow more flexibility).

## 8. HRA BALANCES

8.1 The estimated position on balances is set out below.

**TABLE 4: HRA BALANCES**

	<b>Balance at 31/03/15</b>	<b>Movement in 2015/16</b>	<b>Estimated balance as at 31/03/16</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
HRA General Balances	13.46	(0.08)	13.38
Repairs Fund	2.90	2.25	5.15
MRA to fund capital expenditure	12.82	5.84	18.66
RTB receipts held for 1- 4-1 replacement	5.93	3.88	9.81
Capital Reserve	24.03	(4.60)	19.43
<b>Total</b>	<b>59.14</b>	<b>7.29</b>	<b>66.43</b>

- 8.2 It is considered prudent to retain at least £6m in General Balances given the risks and uncertainties associated with running a business of this size. In addition, the HRA retains a further £250k as a contingency for asbestos.
- 8.3 In reality the business plan has considerably greater balances than £6m next year. The balances are outlined above and are estimated to total £66.43m by the end of this year. The balances will be used to fund the capital programme over the next three years and will reduce to £35.7m by 2018/19.
- 8.4 The £5.15m 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.
- 8.5 In addition to the above reserves, a bad debt provision of £1.3m existed at 31 March 2015. 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.

## 9. PROPOSED RENT CHARGES FOR HRA PROPERTIES FOR 2016/17

- 9.1 The Welfare Reform and Work Bill requires that Social Rents will reduce by 1% per annum for four years commencing in 2016/17, and that this will be law. This will replace the previous National Social Rent Policy for all HRA properties, except Sheltered Accommodation properties which can be increased by CPI +1% for 2016/17 only, and the Council will have no choice but to comply with the Bill once it receives Royal Assent.

9.2 Appendix F shows examples of the General Needs rents (ie excluding Sheltered Accommodation) for 2016/17 for different property types and sizes across the Borough. It should be noted that these will vary for each tenant. The new rents will be operative from 4<sup>th</sup> April 2016 (the first Monday in the month).

9.3 In October 2015, Cabinet agreed the updated HRA Rent-Setting Policy (KD4126). This allowed the Council to consider letting properties at a higher rent level (“affordable rent”) where it builds or acquires new or additional properties. Additional properties funded by the Greater London Authority or through the Government’s RTB One for One Replacement Scheme were always intended to be offered at affordable rent levels, with the Council determining what it means by affordable rent levels, ie not necessarily as high as 80% of market rent. Currently no HRA tenants are being charged a higher rent level, but some new properties will be available in 2016/17. The proposed rent levels to apply to these properties will be brought back for decision prior to them being let.

**10. PROPOSED SERVICE CHARGES FOR 2016/17**

10.1 It is recommended that the following service charges are made to those tenants in receipt of the services listed below:

**TABLE 5 – PROPOSED SERVICE CHARGES 2016/17**

	<b>Charge per week 2015/16 £</b>	<b>Charge per week 2016/17 £</b>
Caretaking level (1) (non-resident)	3.19	3.38
Caretaking level (2) (resident)	5.18	5.44
Caretaking level (2) Sheltered	From 1.45 to 3.18	From 1.49 to 3.27
Cleaning level (2) Sheltered	1.79	1.84
Cleaning level (3) Sheltered	2.56	2.62
Communal Cleaning	N/A	0.59
Concierge	10.61	11.23
Grounds maintenance	1.25	1.44
CCTV internal cameras	1.37	1.37
CCTV external cameras	N/A	0.82
Communal electricity for lighting/lifts/door entry	From 0.15 to 3.00	From 0.20 to 3.00

10.2 These charges aim to recover the full cost of the service. Concierge and Grounds Maintenance have increased due to the introduction of new contracts and management arrangements. Caretaking, Cleaning and Communal electricity charges have increased due to the provision of an enhanced service and inflation. The charges for CCTV internal cameras have remained the same and reflect the cost of the current contracts.

10.3 Two new charges are proposed:

- CCTV external cameras – 82p per week. The provision of CCTV cameras on external walls will better protect tenants and leaseholders and their homes from antisocial behaviour and crime. The charge is based on the estimated costs of providing the cameras and supporting surveillance and will affect 937 properties.
- An enhanced cleaning service in communal areas – 59p per week. It is proposed that 15 new cleaners will be appointed to clean the communal areas in blocks of flats. This will enhance the appearance and safety of the blocks. The charge will be based on the estimated costs of providing the new service and will affect 6,349 properties.

10.4 The Council's Housing Board and Customer Voice (the tenant and leaseholder consultation body) have considered these charges and are of the view that higher charges and new charges are acceptable so long as they are linked with better quality services that make a difference to their homes.

10.5 In addition to the above charges, water and sewerage charges will continue to be collected through the rents on behalf of the water authorities.

10.6 It is proposed that garage rents and parking bay charges will increase as set out in Appendix G.

## **11. LEASEHOLDER SERVICE CHARGES**

11.1 Details of estimated service charges for leaseholders are included at Appendix H. This Appendix includes an estimate of all charges to leaseholders.

11.2 The administrative fee proposed for 2016/17 is £196.20 per leasehold unit. This is a 2.4% decrease from 2015/16.

11.3 The charges outlined in Paragraph 10 have also been built in to the expected income from leaseholders where appropriate.

## **12. HEATING CHARGES**

12.1 The Council has some 2,000 properties in 71 blocks of flats serviced by communal heating systems.

### **12.2 Electricity Charges**

Whilst the cost of electricity itself has decreased and is looking likely to decrease further next year, the Government has announced that it will add "non-commodity" charges to electricity bills next year. These include 'feed-in-tariffs', 'Climate Change Levy' and 'Contract for Difference' charges. At the moment, the charges have not been confirmed by the Government, but the Council's buying agents "LASER" are estimating that the average electricity bill will increase by 5% next year.

### 12.3 Gas Charges

The cost of gas will not increase in 2016/17. However, a review of the charges made in 2015/16 has revealed a number of adjustments that will need to be made in 2016/17 to those blocks which are heated by gas.

### 12.4 Other Charges

The gas standing charge and fuel oil charges will remain unchanged next year.

### 12.5 Work Undertaken by the Council to Reduce Heat Loss and Bills and Make Billing Fairer

#### *Major Works*

Over the past five years, the Council has sought to reduce heat loss and tackle fuel poverty issues in its blocks of flats by undertaking the following works:

- a) Replacing single-glazed windows with double-glazing – 65% of blocks have now been upgraded.
- b) Upgrading gas boilers with newer energy efficient models.
- c) Negotiating eco-works with Energy Companies such as British Gas and EDF who have funded energy efficiency measures at Scott House and at six other tower blocks on the Kettering and Exeter Road estates. These works have included External Wall Insulation, Window Replacement, Roof Insulation upgrades and a heating fuel change (from Oil at Scott House and Electric heating on the other blocks).
- d) The introduction of individually metered heating and electricity usage at Scott House.
- e) Attracting Renewable Heat Initiative payments to supplement funding for ground source heat pump powered heating systems on the Exeter Road Estate. This heating renewal work will be undertaken in this financial year and will allow the introduction of individually metered heating and electricity usage on this estate from April 2016 onwards.

This type of work will continue into the future as blocks are upgraded.

#### *Estate Renewal*

All new properties built by the Council through the Estate Renewal Programme will be built to sustainable code 4 and will be more energy efficient than current accommodation.

In addition, Ladderswood will house the first CHP (Combined Heat Power) boiler which will be connected to the Lea Valley Heat Network. A heat network is a system of highly insulated pipes that move energy in the form of hot water from low carbon, low cost heat sources where it is produced, to where it is needed, much like an electricity network.

The Lee Valley Heat Network will initially use heat from the Energy from Waste facility at the Edmonton EcoPark. This facility already generates enough heat which can be used to kick-start a strategic network.

The network will also connect additional heat sources elsewhere in the Lee Valley, including local gas-fired Combined Heat and Power schemes, with the intention to use renewable fuels in the future.

### *Education*

During 2016/17, the Council will work with tenants and leaseholders to ensure that they take all reasonable and safe measures to reduce their energy consumption and remain warm.

## **13. TEMPORARY ACCOMMODATION RENTS**

13.1 As part of the Comprehensive Spending Review the Government has announced intended changes to the funding for temporary accommodation. The management fee for temporary accommodation will no longer be administered through the housing benefit system, as local authorities will be given funding directly to enable them to manage temporary accommodation and homelessness pressures as they see fit. Further details on this are awaited.

13.2 Until this change is implemented the current subsidy formula remains in place, ie 90% of the local housing allowance (LHA) plus a management fee of £40. The local housing allowance remains pegged at the 2011 rate for temporary accommodation. This means that the rents will remain unchanged for 2016/17. A cap of £375 per week continues to limit rents for 4 and 5 bedroom accommodation. Where temporary accommodation is procured outside of Enfield, the formula used to calculate the rental charge will be 90% of Local Housing Allowance for that area, pegged at 2011 rates, plus a £40 per week management fee. Temporary Accommodation rents for 2016/17 are attached at Appendix I.

## **14. ALTERNATIVE OPTIONS CONSIDERED**

The Council no longer has a choice about the level of rents it sets for General Needs Council tenants, and Temporary Accommodation rents cannot increase whilst LHA rates are pegged. The Council could have chosen to reduce Sheltered Accommodation rents along with General Needs rents, but this would have resulted in a loss of £78k additional income in 2016/17 and £3.3m over the life of the Business Plan. The Council cannot afford to forgo available income in the current financial climate. A number of different options have been considered around budget levels required both for 2016/17 and in the medium term, and the preferred option, to meet the priorities of the service and the Council, is presented in this report. Service charges can be set at alternative levels, but those set out in Paragraph 10 will result in improved services to tenants and leaseholders.

## **15. REASONS FOR RECOMMENDATIONS**

15.1 The Council must comply with the law in setting its rents for General Needs Council tenants, and Temporary Accommodation rents cannot be increased whilst LHA is

pegged. It is recommended that Sheltered Accommodation rents are increased by CPI+1% in line with National Social Rent Policy. This will bring in additional income to the HRA. Setting an annual budget, capital programme and balanced HRA 30-Year Business Plan are also legal requirements. Increasing service charges will allow the Council to provide new and better services to tenants, and the charges set out in this report are supported by the Council's Housing Board and Customer Voice (the Tenant and Leaseholder representative body).

15.2 Cabinet is requested to delegate authority to the Cabinet Member for Housing and Housing Regeneration and the Director of Regeneration and Environment to approve tenders for Major Works in order that contracts can be let and works carried out more efficiently. This delegation has been in place for a number of years.

## **16. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES & CUSTOMER SERVICES OTHER DEPARTMENTS**

### **16.1 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 2016/17 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.

### **16.2 Legal Implications**

Local authorities have the ability to set their own rents under section 24 of the Housing Act 1985. The 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. However when the Welfare Reform and Work Bill comes into force in March or April 2016, landlords of social housing would be required to reduce General Needs social housing rents by 1% for the next four years, and Sheltered Accommodation rents by 1% for the three years commencing 2017/18.

Under Section 76 of the Local Government and Housing Act 1989, the Council is required to prepare proposals in January and February each year relating to the income of the authority from rents and other charges, expenditure in respect of repair, maintenance, supervision and management of HRA property and other

prescribed matters. The proposals should be based on the best assumptions and estimates available and should be designed to secure that the housing revenue account for the coming year does not show a debit balance.

In relation to Temporary Accommodation rent, local authorities also have discretion over the rents charged to their tenants and consequently have the power to review 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 Welfare Reform and Work Bill will not apply to this category of tenancies and the local authority will not have to decrease the rent by 1% for the next four years.

The Council is required to act in accordance with the public sector equality duty under the Equality Act 2010 and have due regard to the duty when carrying out its functions, which includes making decisions in the current context.

The Council also 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).

## **17. KEY RISKS**

### **17.1 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 four years and are a major change for the management of the HRA. The HRA has a significant capital programme and the flexibility to decide on borrowing.

### **17.2 Rent Levels**

As discussed in the report, there is a risk that rents will not increase by 3% a year (CPI +1%) after 2020/21. The impacts of rents increasing at less than 3% are shown in Table 2. The sensitivity testing carried out in respect of this risk will be used to formulate a mitigation plan in the event that future rent increases are lower than expected.

### **17.3 Right to Buy**

The assumption that numbers of Right to Buy sales will reduce with effect from 2016/17 to 100 per year for two years, then to 30 from 2018/19 per year for six years carries potential risks, especially since the Governments "Pay to Stay" policy announcement. The projected total of sales for 2015/16 is 200. The sensitivity testing carried out in respect of this risk will be used to formulate a mitigation plan in the event that sales do increase.

### **17.4 Estate Renewals**

As outlined in the report, there is a predicted spend of £70.7m on estate renewal projects over the next five years. They 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.



### **17.5 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 296 void estate renewal properties resulting in an increased charge of £440k.

### **17.6 Interest rates**

The HRA is not likely to borrow for another years but interest rates are likely to rise during this period and this remains a risk.

### **17.7 Benefit changes**

The implementation of benefit changes will impact on the HRA. Implementation started in 2013/14. However Universal Credit has not been implemented yet. 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 keep the bad debt provision under review; the business plan assumes an increase will be needed when Universal Credit is implemented.

### **17.8 Sale of "High Value" Void Properties**

This Government policy could have a significant impact on the Council's HRA business, but currently the size of the impact is unknown. It is hoped that the Government will make its intentions clearer on this issue prior to the February Cabinet meeting.

## **18. IMPACT ON COUNCIL PRIORITIES**

### **Fairness for All**

The budgets and charges proposed in this report are designed to allow the Council to continue to provide high quality housing.

### **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 and ensure that adequate funding is made available for the Council's landlord function.

### **Strong Communities**

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

## **19. EQUALITIES IMPACT ASSESSMENT**

The HRA 30-Year Business Plan supports the delivery of high quality services that promote equality, and value diversity.

## **20. PERFORMANCE MANAGEMENT IMPLICATIONS**

Setting a balanced budget for 2016/17 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.

## **21. PUBLIC HEALTH IMPLICATIONS**

Good quality housing plays an essential role in improving public health and wellbeing.

## Housing Five Year Capital Programme – Business Plan

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£000's	£000's	£000's	£000's	£000's	£000's
<b><u>CAPITAL PROGRAMME</u></b>						
HRA Planned Renewals	-22,478	-20,754	-16,395	-15,864	-10,238	-85,730
New Build Properties - Eligible	-12,414	-5,689	-19,601	-10,715	-17,159	-65,578
New Build Properties - Non-Eligible	-8,371	-15,162	-17,451	-13,835	-7,665	-62,484
Receipts Used For Replacement Homes Non HRA		-7,784	-5,000	-2,000	-180	-14,964
Non Dwelling Assets	-1,009	-1,034	-1,060	-1,087	-583	-4,773
Aids And Adaptations	-1,025	-525	-538	-552	-566	-3,206
Other Capital Costs	-1,000					-1,000
<b>Total Capital Programme</b>	<b>-46,296</b>	<b>-50,949</b>	<b>-60,045</b>	<b>-44,053</b>	<b>-36,392</b>	<b>-237,735</b>
<b><u>CAPITAL RESOURCES</u></b>						
HRA Use Of Major Repairs Reserve	13,185	13,278	13,362	13,658	13,746	67,227
Borrowing			14,407	11,986	13,893	40,286
Grant Funding	1,400		1,400			2,800
Useable One-to-One RTB Receipts	3,724	1,707	5,880	3,214	5,148	19,673
Other RTB Useable Capital Receipts	2,783	2,855	1,066	1,095	1,126	8,924
Receipts Used For Replacement Homes Non HRA		7,784	5,000	2,000	180	14,964
Other Capital Receipts*	12,632	12,191	4,142	10,739	2,192	41,897
Revenue Contributions To Capital Total	12,573	13,135	14,788	1,361	107	41,963
<b>Total Capital Resources Detail</b>	<b>46,296</b>	<b>50,949</b>	<b>60,046</b>	<b>44,053</b>	<b>36,392</b>	<b>237,735</b>

\* Includes contributions from developers and non-RTB receipts

## Housing Revenue Account 5 year Plan - Business Plan

	2016/17	2017/18	2018/19	2019/20	2020/21
	£000's	£000's	£000's	£000's	£000's
Dwelling Rents	55,952	54,403	53,474	53,798	54,824
Service Charges Tenants	2,793	2,819	2,848	2,877	2,905
Service Charges Leaseholders	3,785	3,954	4,104	4,240	4,358
Voids	-1,032	-1,012	-993	-999	-1,009
Non Dwelling Rents	3,262	3,403	3,653	3,744	3,838
RTB Administration Income	285	285	86	86	86
<b>Total Income</b>	<b>65,045</b>	<b>63,852</b>	<b>63,172</b>	<b>63,746</b>	<b>65,002</b>
Responsive Repairs	13,991	14,341	14,699	15,067	15,443
Supervision And Management	12,532	12,845	13,166	13,495	13,832
Special Services	7,002	7,072	7,143	7,214	7,286
Rents Rates Taxes & Other Charges	528	535	302	309	317
Bad Debt	469	1,401	1,374	1,366	1,391
Depreciation of Fixed Assets	13,885	13,624	13,362	13,658	13,746
<b>Total Expenditure</b>	<b>48,407</b>	<b>49,818</b>	<b>50,046</b>	<b>51,109</b>	<b>52,015</b>
<b>Net (Cost) Of Services</b>	<b>16,638</b>	<b>14,034</b>	<b>13,126</b>	<b>12,637</b>	<b>12,987</b>
Loan Interest	-8,159	-8,159	-8,433	-8,370	-8,887
Notional Cash Interest	202	195	175	184	196
Mortgage Interest	-2	-2			
<b>Capital Account Adjustments</b>	<b>-7,959</b>	<b>-7,966</b>	<b>-8,258</b>	<b>-8,186</b>	<b>-8,691</b>
<b>Net Operating Income / (Expenditure)</b>	<b>8,679</b>	<b>6,068</b>	<b>4,868</b>	<b>4,451</b>	<b>4,296</b>
Revenue Contributions To Capital Total	12,573	13,135	14,788	1,361	107
<b>Appropriations</b>	<b>-12,573</b>	<b>-13,135</b>	<b>-14,788</b>	<b>-1,361</b>	<b>-107</b>
HRA Surplus/Deficit	-3,894	-7,067	-9,920	3,090	4,189
<b>BALANCE BROUGHT FORWARD</b>	<b>47,365</b>	<b>43,471</b>	<b>36,404</b>	<b>26,484</b>	<b>29,574</b>
<b>BALANCE CARRIED FORWARD</b>	<b>43,471</b>	<b>36,404</b>	<b>26,484</b>	<b>29,574</b>	<b>33,763</b>

APPENDIX B

HOUSING REVENUE ACCOUNT COMPARISON 2015/16 TO 2016/17

	2015-16 Estimate	2016-17 Estimate	Variations
<b>Expenditure</b>			
General Management	11,995,310	12,247,230	251,920
Special Services	6,332,630	7,001,570	668,940
Rent Rates and other Charges	508,800	527,850	19,050
Cost of Borrowing	8,159,380	8,159,380	0
Depreciation set aside to fund future repairs	14,080,700	13,884,700	-196,000
Repairs and Maintenance	14,108,290	13,990,530	-117,760
Provision for bad and doubtful debts	468,530	468,530	0
<b>Total Expenditure</b>	<b>55,653,640</b>	<b>56,279,790</b>	<b>626,150</b>
<b>Income</b>			
Dwellings rent and service charges	-58,444,370	-57,712,850	731,520
Non Dwellings rent	-781,290	-732,180	49,110
Shops/Commercial	-2,221,560	-2,529,320	-307,760
Leaseholder service charges	-3,360,450	-3,784,580	-424,130
<b>Total Income</b>	<b>-64,807,670</b>	<b>-64,758,930</b>	<b>48,740</b>
<b>Net cost of services</b>	<b>-9,154,030</b>	<b>-8,479,140</b>	<b>674,890</b>
Interest on Balances	-477,940	-202,350	275,590
<b>Net Operating expenditure</b>	<b>-9,631,970</b>	<b>-8,681,490</b>	<b>950,480</b>
<b>Contribution to Reserves for future capital expenditure</b>	<b>9,631,970</b>	<b>8,681,490</b>	<b>-950,480</b>
<b>Net Operating expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>

## APPENDIX C

<b>Proposed Housing Capital Programme 2016/17</b>	
<b>Scheme Description</b>	<b>Budget Estimates £</b>
<b>Decent Homes</b>	
New Southgate	3,800,000
Upper Edmonton	4,400,000
Enfield North	2,300,000
Brimmsdown POD Replacement	3,200,000
Cambridge Road West	5,200,000
Enfield Wide Decent Homes*	3,500,000
Hertford Road*	3,000,000
Ashburton & Crediton	850,000
<b>DECENT HOMES TOTAL</b>	<b>26,250,000</b>
<b>Consultant Fees (3.5%)</b>	<b>918,750</b>
<b>General Works</b>	
Aids & Adaptations	500,000
Adaptations (HOP)	200,000
Boiler Replacement Programme	50,000
Voids Capitalisation	400,000
Legionella (Water Safety Programme)	200,000
Fire Safety Programme	200,000
Environmental Improvements	100,000
Lift Renewal 2016/17	920,000
Minor Capital Works Programme	100,000
Asbestos Programme	40,000
Structural Repairs	25,000
Energy Performance Upgrades (E,F and G)	300,000
Garchey Removals and Associated Kitchen Works	450,000
Door Entry/Security	100,000
<b>GENERAL WORKS TOTAL</b>	<b>3,585,000</b>
<b>Capitalised Staff Costs (Decent Homes and General Works)</b>	<b>1,257,810</b>
<b>HRA TOTAL</b>	<b>32,011,560</b>
<b>Approved Budget (Cash Expenditure) as per HRA Business Plan</b>	24,512,000
<b>Carry Forward into 2017/18</b>	7,500,000
<b>TOTAL</b>	<b>32,012,000</b>
<b>Balance</b>	<b>440</b>

\* These two schemes may be replaced by heat changeover schemes subject to external funding being made available

## ESTATE RENEWAL EXPENDITURE

<b>Schemes</b>	<b>Total resources allocated over the next 5 years £000</b>
Ladderswood	3,102
Dujardin	1,922
Alma	41,226
New Avenue	3,922
Ordnance Road	3,881
New Schemes (generic)	16,620

These figures represent gross expenditure as included in the latest housing capital monitor. If there are any underspends on the projects in 2015/16, these resources will be carried forward to 2016/17.

## APPENDIX E

### RIGHT TO BUY ONE FOR ONE REPLACEMENT SCHEME PROGRAMME (EXCLUDING ESTATE RENEWAL)

Scheme	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL
	£000	£000	£000	£000	£000	£000	£000
<b>Projects Match Funded with HRA Resources</b>							
Purchase of Properties (Buybacks or S106)	1,500.0	3,000.0	1,600.0	3,600.0	3,600.0	3,600.0	<b>16,900.0</b>
Lytchet Way/Additional Storeys on Existing Blocks		3,000.0	1,600.0	1,600.0	1,600.0	1,000.0	<b>8,800.0</b>
Upton Road/Garage Sites/Next Regeneration Phase		539.6	202.3	14,372.7	5,514.6	12,558.8	<b>33,188.0</b>
<b>Projects Match Funded Outside of the HRA</b>							
Payments to Registered Providers/Upton Road/Garage Sites/Next Regeneration Phase (Delivered by the New Registered Provider Company)	249.9		7,784.0	5,000.0	2,000.0	180.0	<b>15,213.9</b>
<b>TOTAL</b>	<b>1,749.9</b>	<b>6,539.6</b>	<b>11,186.3</b>	<b>24,572.7</b>	<b>12,714.6</b>	<b>17,338.8</b>	<b>74,101.9</b>

For projects match funded with HRA resources, the full cost is shown (ie the 30% RTB receipts plus the 70% HRA match funding). The amount for projects match funded outside of the HRA is the 30% RTB receipts sum only.



## HRA PROPERTIES - AVERAGE RENTS

Property Type	Average Rent 2015/16	Average Rent 2016/17	£ Decrease	% Decrease
Bedsit	82.91	82.08	0.83	1.01%
1 bed flat	88.82	87.96	0.86	0.98%
1 bed house	100.74	99.86	0.88	0.88%
2 bed flat	98.29	97.32	0.97	1.00%
2 bed house	112.16	111.02	1.14	1.03%
3 bed flat	109.20	108.10	1.10	1.02%
3 bed house	123.59	122.36	1.23	1.01%
4 bed flat	115.22	114.07	1.15	1.01%
4 bed house	131.22	129.95	1.27	0.98%
5 bed house	140.62	139.21	1.41	1.01%
6 bed house	162.99	161.37	1.62	1.01%
Average	102.75	101.78	0.97	0.95%

\* Average rent for 2015/16 is adjusted to reflect the removal of properties under RTB

The above are examples of the average rents likely to be charged for specific property types. 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.

**GARAGE RENTS**

The garages which are let to Council tenants, leaseholders and private tenants are standard lock-up.

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. The proposed charges for 2016/17 are:

	<b>2015/16 Weekly Net Rent £</b>	<b>2016/17 Proposed Net Rent £</b>
Category (G1) Standard Lock-up Garages	9.81	10.00
Non Council tenant premium (NCTP)	2.60	2.66
Parking Bay	4.95	5.00

**ADMINISTRATION/MANAGEMENT/SERVICE CHARGES 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 2016 a total of 4,700 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 2016/17 is estimated at £922k and it is therefore recommended that the charge for 2016/17 is set at £196.20 per leasehold unit. This compares with the 2015/16 charge of £200.97 per leaseholder unit.
5. The charges below are estimates for 2016/17. Adjustments will be made mid-year to reflect actual charges.

	<b>Charge per week 2015/16 £</b>	<b>Charge per week 2016/17 £</b>
Administration & Management Charge	3.86	3.77
Caretaking level (1) (non-resident)	3.19	3.38
Caretaking level (2) (resident)	5.18	5.44
Communal Cleaning	N/A	0.59
Communal Electricity	From 0.15 to 3.00	From 0.20 to 3.00
Concierge	10.61	11.23
CCTV Internal Cameras	1.37	1.37
CCTV External Cameras	N/A	0.82
Grounds Maintenance	1.25	1.44
Paladin Bins	1.80	1.75
<i>Insurance:</i>		
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)	13.00	13.00

**TEMPORARY ACCOMMODATION RENTS**

The rents charged for properties in Enfield are as follows:

<b>Category</b>	<b>Weekly rent 2015/16</b>	<b>Weekly rent 2016/17</b>
	<b>£</b>	<b>£</b>
Shared accommodation	178.85	178.85
1 bedroom self contained	200.97	200.97
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

Where temporary accommodation is procured outside of Enfield, the formula used to calculate the rental charge will be 90% of Local Housing Allowance for that area – pegged at 2011 - plus a £40 per week management fee.