

MEETING TITLE AND DATE:
COUNCIL – 28th February 2017

JOINT REPORT OF:
Executive Director of
Regeneration and Environment
and Executive Director of
Finance, Resources and
Customer Services

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Agenda - Part: 1	Item: 7
Subject: Housing Revenue Account (HRA) 30-Year Business Plan, Budget 2017/18, Rent Setting and Service Charges Temporary Accommodation Rents Wards: ALL Key Decision No: 4451	
Cabinet Members consulted: Cllr Oykenner Cllr Lemonides	

1. EXECUTIVE SUMMARY

- 1.1 This report sets out the proposed HRA 30-Year Business Plan, the detailed HRA Revenue Budget for 2017/18, the five year HRA Capital Programme and Right to Buy (RTB) One for One Receipts Programme (2017/18 to 2021/22). See Paragraphs 4-8.
- 1.2 It also presents the levels of rents, service charges and heating charges to be operative with effect from 3rd April 2017 for HRA Council tenant and leaseholders, and rents for tenants in Temporary Accommodation. See Paragraphs 9-13.

2. RECOMMENDATIONS

- 2.1
 - a) To approve the HRA 30-Year Business Plan
 - b) To approve the detailed HRA Revenue Budget for 2017/18
 - c) To approve the HRA Capital Programme and RTB One for One Receipts Programme 2017/18 to 2021/22
 - d) To note the rent levels for 2017/18 for HRA properties and Temporary Accommodation properties
 - e) To approve the level of service charges for 2017/18 for those properties receiving the services
 - f) To approve the heating charges for 2017/18 for those properties on communal heating systems and the proposed mid-year review
 - g) To approve of the proposals for increases in garages and parking bay rents
- 2.2 To delegate authority to the Cabinet Member for Housing and Housing Regeneration and the Executive Director of Regeneration and Environment to approve tenders for Major Works.

3. BACKGROUND

- 3.1 This report is brought to Council 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 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. 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 The recommendations in paragraph 2 were agreed at Cabinet when the report was presented on 8th February 2017.
- 3.3 The Government announced a change to Social Rent Policy in its July 2015 Budget. 2017/18 will be the second year of the 1% rent reduction which was agreed over four years and its impact has been factored into the 30-Year Business Plan and budget setting.
- 3.4 In the Government's November 2016 Autumn Statement, it was announced that a new £2.3 billion Housing Infrastructure Fund will be made available. However, no details have been received on how bids from Local Authorities will be assessed.
- 3.5 The Autumn Statement also confirmed that two of the provisions in the Housing & Planning Bill which would have had a direct impact on the HRA 30-Year Business Plan will now not happen in 2017/18.
- a) There will be no requirement for stock-holding Local Authorities to sell their vacant high value stock and therefore there is no requirement for a Higher Value Asset Payment in 2017/18, but further details will potentially follow from Government regarding payments from 2018/19 onwards.
 - b) The Government will not be proceeding with a compulsory "Pay to Stay" policy, which would have required tenants on higher incomes to pay market rate or near market rate rents.

4. HRA 30-YEAR BUSINESS PLAN

- 4.1 The detailed figures included in the latest version of the Business Plan are attached as Appendix A.
- 4.2 It must be noted that, for the purposes of this report, the current 30-Year Business Plan starts at 2016/17 and runs until 2045/46. This is because figures in 2016/17 will be continuously updated until the 2016/17 outturn is finalised, at which point the Business Plan will be rolled forward.

4.3 The overarching assumptions in the HRA Business Plan are as follows:

TABLE 1 – BUSINESS PLAN ASSUMPTIONS

Item	Assumption	Notes
Inflation on supplies and services	2.5% Retail Prices Index (RPI) increase per annum	
Rent Increases	Reduced by 1% in 2017/18, then a further two years, then Consumer Prices Index (CPI) increases from 2020/21.	CPI is assumed as 2%
Repairs and Maintenance cost increases	2.5% Retail Prices Index (RPI) increase per annum	
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 3).	
RTB Sales	100 for 2017/18, 60 from 2018/19 to 2020/21, 30 from 2021/22 to 2023/24 then 20 from 2024/25 onwards	It is assumed that sales will reduce due to increases in market prices rendering RTB less affordable and less desirable stock being available for purchase
Operation of the Government's RTB One for One Replacement Scheme	The Council will operate the scheme without repaying the retained RTB receipts to Government. The HRA is expected to match fund the Government's contribution on a 30/70 basis. In 2016/17 £5.05m was matched funded by a registered provider partner who received a grant from the Council to provide new affordable housing, with the HRA retaining 100% nomination rights. Between 2017/18 and 2018/19, £22.4m will have to be match funded outside of the HRA.	

Item	Assumption	Notes
Sale of Vacant High Value Assets	No assumptions built in at present	The Government have confirmed that they will not be requiring Higher Value Asset Payments in 2017/18. It is possible that, from 2018/19 there will be a request for a lump sum payment. This remains a risk to the HRA Business Plan
Interest rate on borrowing	5.5% on existing debt 3.48% on self-financing debt 3.5% on new debt	Reflects actual debt costs and estimates from Treasury Management
Interest rate on balances	0.23%	Estimated 7-Day London Inter Bank Bid (LIBID) rate
Repayment of Debt	The loan principal will be paid back in full when it falls due. Interest is charged annually over the life of the loan.	The previous Business Plan paid back loan principal within the 30-year plan. Due to interest premiums charged by the PWLB it is more beneficial to wait for the maturity date.

4.4 There are two types of potential changes (sensitivities) which have the biggest impact on the HRA 30-Year Business Plan; rent levels and RTB sales. The current Business Plan assumes that rents will revert to annual increases of CPI in 2020/21 (2%) 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 current prediction of 100 in 2017/18 as shown in Table 1 above.

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

TABLE 2 – SENSITIVITIES

	Revenue Balance 2024/25 £000's	Capital Shortfall 2016/17 to 2024/25 £000's	Amount of RTB Receipts to be funded outside of the HRA £000's
Base:	36,102	0	32,572
Sensitivity:			
a) Rent continues to decrease by 1% per year for a further four years after the initial four years' decrease and then increases by inflation CPI (2%) each year from 2024/25	13,921	0	32,572
b) Rent continues to decrease by 1% per year for a further four years after the initial four years' decrease and then increases by inflation CPI (2%) plus 1% each year from 2024/25	10,514	0	32,572
c) Rent increases by CPI 2% plus 1% each year from 2020/21	40,518	0	32,572
d) RTB sales of 125 in 2017/18, 80 per annum from 2018/19, 40 from 2021/22 and then 20 from 2024/25	35,189	0	42,852
e) RTB sales of 150 in 2017/18, 100 per annum from 2018/19, 50 from 2021/22 and then 20 from 2024/25	35,515	0	52,114

- 4.6 Sensitivities a) and b) in the table above shows that, if rent continues to decrease by 1% per year for a further four years, then there will be a strain on the Business Plan. It must be noted that the revenue balance figures above are lower when £11m of contingency is taken into account.
- 4.7 If RTB sales increase as shown in sensitivities d) and e), although the revenue balance improves, additional funding would be needed to be provided to other Registered Provider (RP) companies or the Enfield RP Company once it is set up, so that there is no reliance on HRA resources. Rental income will also decrease.

5. BASE BUDGET FOR 2017/18

5.1 FINANCIAL MONITORING 2016/17

During 2016/17, a project has been in place to identify ongoing savings of £2m per annum from the HRA which will start to have a full year effect in 2017/18. These savings are in addition to the savings of £1.955m identified in 2015/16. As at December 2016, a net £2.3m has been found.

The main reductions to the budget are as follows:

a) Repairs (£1,000k)

The 2015/16 outturn position showed that the new contracts were reducing the cost per repair such that a £500k per annum saving was achievable. Monitoring to date in 2016/17 has confirmed that a further £500k saving can be achieved.

b) Management Savings (£202k)

A review of individual budgets with the service managers in Council Housing has resulted in savings of £202k being identified. These savings are mainly associated with vacant posts being removed from the structure.

c) Redundancy (£500k)

Following the Enfield 2017 transformation process, staffing levels were reduced with redundancy payments being paid during 2015/16 and 2016/17. With effect from 2017/18, this budget is no longer required.

d) Rent, Service Charges and Leaseholder Service Charges (£573k)

A review of rental income and service charge income showed that £573k more would be received in 2016/17 than was anticipated when the budget was set. This is linked to the number and types of property sold in previous years, and will feed through to the base budget in future years.

e) Edmonton Centre Rent and Service Charge (£330k)

Council Housing vacated the first floor of the Edmonton Centre during 2016/17, leading to a full year saving of £330k from 2017/18.

There is a net increase in recharges from the General Fund of £305k which partly offsets the above savings.

5.2 2017/18 BASE BUDGET

Appendix B sets out the base budget for 2017/18 compared to the 2016/17 figures. The assumptions and explanations of the main changes are outlined below.

INCOME

Dwelling Rents & Service Charges – decrease of £1,510k

The income from rents has reduced by £2,020k 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 will also increase by £332k.

Non Dwelling Rent – Increase of £65k

An increase in the garage charge has resulted in additional income of £65k.

Shops Income – increase of £60k

An increase in shop rental income has arisen due to additional shop units being let in 2017/18.

Interest on Balances – decrease of £55k

The amount of interest receivable is expected to reduce from £202k to £147k due to a lower rate of interest being applied, and lower balances on the HRA.

EXPENDITURE

General Management – decrease of £490k

A £500k budget provision for redundancy was built into the budget last year, this provision is now not needed resulting in a saving.

Special Services – increase of £188k

An increase in this budget is due to additional recharges in Communal services.

Cost of Borrowing – increase of £332k

Additional borrowing is required in 2017/18, which has increased the cost of borrowing to allow for additional loan repayments.

Depreciation – decrease of £155k

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 – decrease of £366k

An on-going saving of £500k in the repairs base budget has been identified, this is partly offset by additional staff costs.

Provision for bad and doubtful debts – increase of £500k

The implementation of universal credit is due in October; the budget has been increased to reflect this change.

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 2017/18 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 2016/17 is estimated to be £157.728m.
- 6.4 In order to balance the Business Plan, it has been assumed that borrowing will be required over the next three years and that the cap will be reached in 2019/2020. Borrowing will remain at the cap until 2028/29. Increasing borrowing to this level will be subject to review.

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 four areas and these are detailed below:

TABLE 3: HRA 5 YEAR CAPITAL PROGRAMME

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Major Works to the Stock	32,210	30,914	21,576	14,916	7,917
Estate Renewal Schemes	39,895	19,910	14,705	4,883	1,961
Non- Estate Renewal RTB projects match funded with HRA resources	10,267	4,200	4,200	3,600	0
RTB projects match funded outside of the HRA	3,375	6,221	6,310	4,809	2,918
Total	85,747	61,245	46,791	28,208	12,796

- 7.2 The programme, totalling £234,787k will be funded as follows:

- Grants £ 2,424k
- Capital Receipts £ 56,979k
- RTB One for One Receipts £ 32,433k
- Revenue £ 44,173k
- S106 £ 1,064k
- Major Repairs £ 63,414k
- Borrowing £ 34,300k

7.3 The most recent monitor (Quarter 3) shows that the total capital expenditure for 2016/17 is estimated to be £55,256k.

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 five 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 2017/18 is attached at Appendix C.

7.5 **Estate Renewal Schemes**

In addition to the works to the stock it is anticipated that £81.4m will be spent on an Estate Renewal Programme over the next five years. This is reflected in the updated HRA Business Plan and a list of schemes and budgets is attached at Appendix D. This list is based on current schemes. It is more than likely that there will be a need for more schemes in the future. However, each scheme will need to be reviewed individually to ascertain whether it is both viable in its own right and affordable within the Business Plan.

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

The following Estate Renewal Schemes 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:

- Dujardin Mews
- New Avenue
- Small Sites Rolling Programme
- Newstead House
- Upton Road / Raynham Avenue
- Ordnance Road

In addition, other schemes proposed to be match funded with HRA receipts include:

- Lytchet Way / Other Additional Storeys on Existing Blocks
- Leaseholder Buybacks and Other Property Purchase

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. The Council has also 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 2017/18 Programme.

8. HRA Balances

8.1 The estimated position on balances is set out below:

TABLE 4: HRA BALANCES

	Balance at 31/03/16	Movement in 2016/17	Estimated balance as at 31/03/17
	£m	£m	£m
HRA General Balances	9.09	0.50	9.59
Repairs Fund	5.54	0.43	5.97
Major Repairs Reserve	15.28	0.70	15.98
RTB One for One Receipts	19.97	2.62	22.59
RTB Useable Receipts	0.00	0.00	0.00
Non – RTB Receipts	0.94	0.85	1.79
Capital Reserve	20.25	(18.47)	1.78
Total	71.07	(13.37)	57.70

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 £5m as a contingency for repairs and maintenance. This is particularly likely to be required in years where there are severe weather conditions.

8.3 In addition to the above reserves, a bad debt provision of £964k is assumed at 31st March 2018. 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 with the introduction of Universal Credit likely to be November 2017.

8.4 The 30-Year Business Plan's revenue balance is expected to be £21.5m at the end of 2017/18. It will then reduce until it reaches £13.4m in 2019/20, which is only just above the level of the HRA contingency. The balance will then grow for the remaining years until it reaches a level of £189.3m at 2045/46. An analysis of the 30-Year Business Plan at regular intervals is shown at Appendix A.

9. PROPOSED RENT CHARGES FOR HRA PROPERTIES FOR 2017/18

- 9.1 The Welfare Reform and Work Act requires that Social Rents will reduce by 1% per annum for four years commencing in 2016/17. The Council has no choice but to comply with the Act, so the HRA rents have been reduced accordingly.
- 9.2 Appendix F shows examples of the rents for 2017/18 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 3rd April 2017 (the first Monday in the month).
- 9.3 In November 2016, the Council agreed to charge a higher rent on some new properties which it has either built or acquired. These rents will only apply to new tenants and were agreed as follows:

Bedroom size	Rent to be applied from 1st April 2017
1 bed	£160
2 bed	£194
3 bed	£211
4 bed	£226

- 9.4 The rents are based on Local Housing Allowance (LHA) rates and median income in Enfield. Since they have only recently been set, and no increase in LHA rates for 2017/18 is expected, it is proposed that they will remain at the same level for 2017/18.
- 9.5 Council is reminded, however, that if any properties are let at this level in 2016/17, then they will need to be reduced by 1% in 2017/18.

10. PROPOSED SERVICE CHARGES FOR 2017/18

- 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 2017/18

Service	2016/17 £	Proposed 2017/18 £	Change £	Reason for Change
Concierge	11.23	11.23	0.00	No change
CCTV Internal Cameras	1.37	1.40	0.03	In line with RPI
CCTV External Cameras	0.82	0.84	0.02	In line with RPI
Grounds Maintenance	1.44	1.89	0.45	Improved management, additional grounds maintenance and tree works and improvements to the environment around HRA land
Caretaking – Non Residents	3.38	3.54	0.16	Reassessment of the full cost of the service
Caretaking – Residents	5.44	5.68	0.24	Reassessment of the full cost of the service
Communal Cleaning	0.59	0.59	0.00	No change
Sheltered Caretaking	From 1.49 to 3.27	From 1.52 to 3.33	0.03 to 0.06	In line with RPI
Sheltered Cleaning – Level 1 *	0.79	0.83	0.04	Reassessment of the full cost of the service
Sheltered Cleaning – Level 2 *	1.84	1.93	0.09	Reassessment of the full cost of the service
Sheltered Cleaning – Level 3 *	2.62	2.75	0.13	Reassessment of the full cost of the service
Landlord Communal Service Charge	From 0.20 to 3.00	From 0.25 to 3.05	0.05	In line with RPI

* Sheltered Cleaning has three different charges based on a combination of the number of weekly cleaning hours and the number of properties within a block.

- 10.3 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 providing they do lead to a better quality service that makes a difference.
- 10.4 This year, a comparison of Enfield's service charges to some other authorities' services charges has been made. Enfield's typical weekly service charge will be £11.50 (excluding those receiving a concierge service), subject to the above proposals being agreed. Other, similar authorities researched are charging £14.53 (proposed 2017/18 charge), £13.08 (2016/17 charge) and £11.23 (2016/17 charge), so Enfield's charges remain relatively low.
- 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 at 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 2017/18 is £197.47 per leasehold unit. This is a 0.65% increase from 2016/17.
- 11.3 The charges outlined in Table 5 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 69 blocks of flats serviced by communal heating systems. It is recommended that, with effect from 1st October 2017, heating charges move to being reviewed and increased or decreased on 1st October each year, rather than April. This means that, in 2017/18, there will be two heating charge reviews, one now and one in October.
- 12.2 The reason for the proposed change is to bring the dates that heating charges are reviewed in line with the dates on which the Council sets its annual contract. At present, energy markets are particularly volatile, so trying to set charges which are based on a six-month “known” position, with the other six months being based on estimates is less reliable. Moving to an October review date will mean that the Council knows what it will be paying and therefore knows what residents should be charged.
- 12.3 The proposed increases and decreases to heating charges to apply from 3rd April 2017 are set out below:

12.4 Electricity Charges

These will be increased by 8% (an average £1.09 per household per week).

The main reasons for this increase are:

- a) There is a known 16% increase in the “standing charge” (non-commodity, non-competitive) element of the electricity price. This represents increasing costs of maintaining the electricity networks, delivering a green agenda and ensuring security of supply at peak times. Continued steady increases in network costs are expected over the next few years. The non-commodity element represents 50-60% of the electricity unit rate.
- b) There has been a significant drop in reliable electricity generating capacity in the UK. The narrower the spare capacity margin, the greater the volatility in the electricity market. Concerns regarding spare capacity are also predicted for the winter of 2017/18. This will have an impact on prices.
- c) Poor electricity generating capacity in the UK increases the grid’s reliance on imports from France, the price for which will depend on the performance of the pound against the euro.

12.5 Gas Charges

An average decrease of 40%. This is because gas prices decreased in October 2016 and the Council is locked into a contract which will ensure that these prices remain the same until the end of September 2017. Estimates are also calculated using the average annual consumption for each block.

12.6 Other Charges

The gas standing charge will remain the same for 17/18, and fuel oil charges have decreased by 5%.

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

12.7.1 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 a number of the Council's tower blocks. 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).

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

12.7.2 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.

12.7.3 Energy Reduction

During 2017/18, the Council will continue to 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 2015, the Government announced intended changes to the funding for temporary accommodation. With effect from 1st April 2017, the management fee for temporary accommodation will no longer be administered through the housing benefit system. The Government proposed to grant fund the loss of the management fee for at least an equal amount for year 1(2017/18). However, details on the new scheme are still awaited, and until the Government consults with Local Authorities and explains what it intends to do, it is difficult to recommend any change to current rents.

13.2 Temporary Accommodation rents are set out in Appendix I.

14. ALTERNATIVE OPTIONS CONSIDERED

Currently, the Council has no choice about the level of rents it sets for Council tenants and the options available regarding Temporary Accommodation rents remain unclear. The Council cannot afford to forgo available income in the current financial climate, so this has been maximised where possible. A number of different options have been considered around budget levels required both for 2017/18 and in the medium term. 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 need to result in improved services to tenants and leaseholders. Advice from the Council's energy management team and energy management advisors, LASER, is that electric communal heating charges should go up by 16% with effect from 3rd April 2017. However this report proposes instead that the charges are reviewed mid-year since charges relating to October 2017 onwards are not yet subject to contract.

15. REASONS FOR RECOMMENDATIONS

- 15.1 The Council must comply with the law in setting its rents for Council tenants and Temporary Accommodation rents cannot be increased whilst the effect of this cannot be properly understood. 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 Council is requested to delegate authority to the Cabinet Member for Housing and Housing Regeneration and the Executive 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 EXECUTIVE 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 2017/18 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 costs pressures, evidence by financial monitoring reports in the current year; and
- An assessment of key risks and uncertainties.

It is therefore the view of the Executive 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.

The Welfare Reform and Work Act came into force in March 2016 and 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 Act will not apply to this category of tenancies and the local authority will not have to decrease the rent by 1% for the next three 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 since 2012/13. The freedoms and flexibilities for the HRA have been in operation for five 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 2% a year (CPI) after 2020/21. The impacts of rents increasing at less than 2% 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

It is assumed that the numbers of Right to Buy sales will reduce with effect from 2017/18 to 100 for a year, 60 from 2018/19 per year for three years, a further 3 years of 30 sales from 2021/22 and then 20 sales a year from 2024/25. The risk on estimating future sales has been reduced following the Government decision not to go ahead with a "Pay to Stay" policy. However, there is still a risk and sensitivity testing is used to understand the likely impact on the business plan in the event of any increases to these figures. This helps with formulating a mitigation plan should any changes in sales arise.

17.4 Estate Renewals

As outlined in the report, there is a predicted spend of £81.3m 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 loss of receipts can have a significant effect on the business plan. Detailed monitoring is key and, if there are any potential changes to a scheme's finances, scenario planning must be used to see what short, medium and long term effects there are, both to the scheme and to the HRA 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 371 void estate renewal properties resulting in a charge of £460k.

17.6 Economic Uncertainty

There are risks associated with the Brexit decision and the world economy at present which may lead to increased inflation or a change in interest rates. The current 2.5% RPI inflation rate included in the Business Plan is deemed to be reasonable, but this will be kept under constant review during 2017/18. The HRA will need to borrow £34.3m over the next 3 years for the Business Plan to balance. There is a risk of further strain on the Business Plan if interest rates rise during this period.

17.7 Benefit changes

The implementation of benefit changes will impact on the HRA. Implementation started in 2013/14. However, Universal Credit has still not been implemented yet, but is likely to in November 2017. 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 from 2018/19, but the size of the impact is still unknown. It is hoped that the Government will make its intentions clearer in the near future.

17.9 Other Government Policies

There is always a risk that at any point during the 30-year Business Plan the Government proposes a plan of action it intends to take which could have an effect on the HRA balance. It is imperative that, at the point where there is reliable knowledge that a change is likely to occur, a full review must be taken to allow mitigation against all of the potential risks.

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 2017/18 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.

Background Papers

None

APPENDIX A (i)

Housing 5 Year Capital Programme – Business Plan

	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£000's	£000's	£000's	£000's	£000's	£000's
CAPITAL PROGRAMME						
HRA Planned Renewals	-30,687	-29,355	-19,977	-13,794	-6,767	-100,583
New Build Properties – Eligible	-17,207	-4,232	-4,232	-3,632	-32	-29,335
New Build Properties - Non-Eligible	-32,954	-19,877	-14,673	-4,851	-1,929	-74,285
Receipts Used For Replacement Homes Non HRA	-3,375	-6,220	-6,309	-4,809	-2,917	-23,632
Non Dwelling Assets	-1,008	-1,034	-1,060	-569	-583	-4,255
Aids And Adaptations	-512	-525	-538	-551	-565	-2,693
Total Capital Programme	-85,746	-61,245	-46,791	-28,207	-12,795	-234,787
CAPITAL RESOURCES						
HRA Use Of Major Repairs Reserve	13,730	13,892	14,039	14,140	7,611	63,414
Borrowing	17,200	6,700	10,400			34,300
Grant Funding	726	1,697				2,423
Useable One-to-One RTB Receipts	5,162	1,269	1,269	1,089	9	8,800
Other RTB Useable Capital Receipts	2,639	1,731	1,777	1,824	1,084	9,056
Receipts Used For Replacement Homes Non HRA	3,375	6,220	6,309	4,809	2,917	23,632
Other Sources Of Finance*	23,117	16,778	6,044	1,872	1,172	48,984
Revenue Contributions To Capital Total	19,796	12,954	6,950	4,471		44,173
Total Capital Resources Detail	85,746	61,245	46,791	28,207	12,795	234,787

* Includes contributions from developers and non-RTB receipts

Housing Revenue Account 5-year Plan - Business Plan

	2017/18	2018/19	2019/20	2020/21	2021/22
	£000's	£000's	£000's	£000's	£000's
Dwelling Rents	53,651	53,210	52,646	53,120	54,200
Service Charges Tenants	3,199	3,232	3,283	3,337	3,397
Service Charges Leaseholders	4,255	4,361	4,471	4,582	4,697
Voids	-341	-342	-340	-343	-352
Non Dwelling Rents	3,206	3,310	3,392	3,477	3,564
RTB Administration Income	285	171	171	171	86
Total Income	64,254	63,942	63,623	64,344	65,592
Responsive Repairs	-12,895	-13,302	-13,690	-14,033	-14,456
Supervision And Management	-12,100	-12,519	-12,875	-13,189	-13,577
Special Services	-7,210	-7,391	-7,575	-7,765	-7,959
Rents Rates Taxes & Other Charges	-529	-281	-281	-281	-281
Bad Debt	-964	-1,396	-1,379	-1,392	-1,414
Depreciation of Fixed Assets	-13,730	-13,893	-14,040	-14,140	-14,337
Total Expenditure	-47,427	-48,781	-49,840	-50,799	-52,022
Net (Cost) Of Services	16,827	15,162	13,783	13,545	13,570
Loan Interest	-8,492	-8,864	-8,572	-8,754	-8,718
Interest Income	96	94	82	73	66
Notional Cash Interest	85	57	40	36	38
Mortgage Interest	-2				
Capital Account Adjustments	-8,313	-8,714	-8,450	-8,645	-8,614
Net Operating Income / (Expenditure)	8,514	6,448	5,333	4,900	4,956
Revenue Contributions To Capital Total	-19,796	-12,955	-6,951	-4,472	
Appropriations	-19,796	-12,955	-6,951	-4,472	0
HRA Surplus/Deficit	-11,282	-6,507	-1,618	428	4,956
BALANCE BROUGHT FORWARD	32,815	21,533	15,026	13,409	13,837
BALANCE CARRIED FORWARD	21,533	15,026	13,409	13,837	18,793

Housing 30 Year Capital Programme – Business Plan

	2017/2022	2022/2028	2028/2034	2034/2040	2040/2046
	£000's	£000's	£000's	£000's	£000's
	5 years	6 years	6 years	6 years	6 years
CAPITAL PROGRAMME					
HRA Planned Renewals	-100,583	-75,851	-100,584	-140,215	-155,338
New Build Properties – Eligible	-29,336	-32	0	0	0
New Build Properties - Non-Eligible	-74,285	-4,932	0	0	0
Receipts Used For Replacement Homes Non HRA	-23,633	-6,773	0	0	0
Non Dwelling Assets	-4,256	-4,132	-2,782	-1,963	-6,079
Aids And Adaptations	-2,694	-3,704	-4,295	-4,981	-5,777
Total Capital Programme	-234,786	-95,423	-107,661	-147,159	-167,194
CAPITAL RESOURCES					
HRA Use Of Major Repairs Reserve	63,415	74,598	98,997	129,256	110,999
Borrowing	34,300	0	0	0	33,000
Grant Funding	2,424	0	0	0	0
Useable One-to-One RTB Receipts	8,801	10	0	0	0
Other RTB Useable Capital Receipts	9,057	5,571	5,530	6,356	7,420
Receipts Used For Replacement Homes Non HRA	23,633	6,773	0	0	0
Other Sources Of Finance	48,985	8,473	3,134	3,134	3,069
Revenue Contributions To Capital Total	44,173	0	0	8,412	12,706
Total Capital Resources Detail	234,786	95,424	107,661	147,159	167,194

Housing Revenue Account 30-year Plan - Business Plan

	2017/2022	2022/2028	2028/2034	2034/2040	2040/2046
	£000's	£000's	£000's	£000's	£000's
	5 years	6 years	6 years	6 years	6 years
Dwelling Rents	266,827	353,744	394,338	439,084	488,390
Service Charges Tenants	16,447	21,917	25,068	28,708	32,871
Service Charges Leaseholders	22,366	30,752	35,663	41,358	47,962
Voids	-1,718	-2,331	-2,609	-2,911	-3,245
Non Dwelling Rents	16,949	23,336	27,063	31,385	36,397
RTB Administration Income	884	399	0	0	0
Total Income	321,755	427,816	479,523	537,624	602,375
Responsive Repairs	-68,375	-96,297	-111,893	-129,762	-150,713
Supervision And Management	-64,258	-90,227	-104,529	-120,916	-140,129
Special Services	-37,899	-52,109	-60,431	-70,081	-81,272
Rents Rates Taxes & Other Charges	-1,652	-1,685	-1,685	-1,685	-1,561
Bad Debt	-6,545	-9,082	-10,117	-11,281	-12,565
Depreciation of Fixed Assets	-70,140	-91,061	-98,538	-106,527	-115,336
Total Expenditure	-248,869	-340,461	-387,192	-440,250	-501,576
Net (Cost) Of Services	72,887	87,355	92,331	97,374	100,799
Loan Interest	-43,400	-52,000	-48,087	-44,339	-48,271
Interest Income	411	275	251	251	251
Notional Cash Interest	256	725	1,269	1,580	1,885
Mortgage Interest					
Capital Account Adjustments	-42,735	-51,001	-46,568	-42,508	-46,135
Net Operating Income / (Expenditure)	30,151	36,354	45,763	54,866	54,664
Revenue Contributions To Capital Total	-44,173	0	0	-8,412	-12,706
Appropriations	-44,173	0	0	-8,412	-12,706
HRA Surplus/Deficit	-14,022	36,354	45,763	46,454	41,958

APPENDIX B

HOUSING REVENUE ACCOUNT COMPARISON 2016/17 TO 2017/18

	2016-17 Estimate	2017-18 Estimate	Variations
Expenditure			
General Management	12,304,930	11,814,580	-490,350
Special Services	7,022,340	7,210,360	188,020
Rent Rates and other Charges	527,850	528,510	660
Cost of Borrowing	8,159,380	8,491,600	332,220
Depreciation set aside to fund future repairs	13,884,700	13,730,100	-154,600
Repairs and Maintenance	13,260,080	12,893,730	-366,350
Provision for bad and doubtful debts	464,200	964,000	499,800
Total Expenditure	55,623,480	55,632,880	9,400
Income			
Dwellings rent and service charges	-58,349,490	-56,507,300	1,842,190
Non Dwellings rent	-732,180	-796,730	-64,550
Shops/Commercial	-2,341,320	-2,401,170	-59,850
Leaseholder service charges	-3,920,310	-4,251,870	-331,560
Total Income	-65,343,300	-63,957,070	1,386,230
Net cost of services	-9,719,820	-8,324,190	1,395,630
Interest on Balances	-202,350	-147,350	55,000
Net Operating expenditure	-9,922,170	-8,471,540	1,450,630
Contribution to Reserves for future capital expenditure	9,922,170	8,471,540	-1,450,630
Net Operating expenditure	0	0	0

APPENDIX C

Major and Minor Works Programme 2017/18	
Scheme Description	Budget Estimate 2017/18
Major Works	
Brimsdown Pods	114,000
Herford Road	400,000
Kitchen & Bathroom Renewals (Scott House)	800,000
New Southgate	3,610,908
Upper Edmonton	3,080,000
Enfield North Externals	1,700,000
Channel Islands & Beaconsfield HC	5,940,000
Enfield Wide Decent Homes	2,300,000
Cambridge Road West	3,000,000
Winchmore Hill	1,800,000
Lytchet Way - DH Works	6,292,557
Jubilee Blocks - Externals (retention)	121,588
Suffolk Pods -1 (retention)	229,906
Major Works Total	29,388,959
Minor Works	
Aids & Adaptations	500,000
Voids	350,000
Legionella	200,000
Fire Safety Programme	200,000
Environmental Imps	200,000
Minor Works Capital	100,000
Asbestos	50,000
Structural Repairs	50,000
Adaptations HOPs	250,000
Minor Works Total	1,900,000
Capitalised Staff Costs @ 3%	920,341
HRA Total	32,209,300

ESTATE RENEWAL EXPENDITURE

Schemes	Total resources allocated over the next 5 years £000
Ladderswood	3,102
Dujardin Mews	436
Alma	60,980
New Avenue	10,904
Ordnance Road	2,205
Perry Mead, Padstow Road & Hedge Hill	3,728

These figures represent gross expenditure as included in the latest housing capital monitor. If there are any underspends on the projects in 2016/17, these resources will be carried forward to 2017/18.

APPENDIX E

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

Scheme	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
	£000	£000	£000	£000	£000	£000
Projects Match Funded with HRA Resources						
Purchase of Properties (Buybacks or S106)	2,900.0	2,600.0	2,600.0	2,600.0		10,700.0
Lytchet Way/Additional Storeys on Existing Blocks	4,111.2	1,600.0	1,600.0	1,000.0		8,311.2
Upton Road/Garage Sites/Next Regeneration Phase	3,255.8					3,255.8
Projects Match Funded Outside of the HRA						
Payments to Registered Providers/Upton Road/Garage Sites/Next Regeneration Phase (Delivered by the New Registered Provider Company)	3,375.2	6,220.7	6,309.7	4,809.1	2,917.9	23,632.6
TOTAL	13,642.2	10,420.7	10,509.7	8,409.1	2,917.9	45,899.6

For projects match funded with HRA resources, the full cost is shown (i.e. 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 2016/17	Average Rent 2016/18	£ Decrease	% Decrease
Bedsit	83.23	82.40	0.83	1.01%
1 Bed Flat	88.20	87.32	0.88	1.01%
1 Bed House	99.86	98.86	1.00	1.01%
2 Bed Flat	97.47	96.51	0.97	1.00%
2 Bed House	111.02	109.91	1.11	1.01%
3 Bed Flat	107.89	106.84	1.05	0.99%
3 Bed House	122.36	121.14	1.22	1.01%
4 Bed Flat	114.07	112.93	1.14	1.01%
4 Bed House	130.00	128.70	1.30	1.01%
5 Bed House	139.41	138.02	1.39	1.01%
6 Bed House	161.37	159.75	1.62	1.01%
Average	101.98	100.97	1.02	1.01%

* Average rent 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 2017/18 are:

	2016/17 Weekly Net Rent £	2017/18 Proposed Net Rent £
Category (G1) Standard Lock-up Garages	10.00	11.00
Non Council tenant premium (NCTP)	2.66	2.71
Parking Bay	5.00	6.00

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 2017 a total of 4,760 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 2017/18 is estimated at £940k and it is therefore recommended that the charge for 2017/18 is set at £197.47 per leasehold unit. This compares with the 2016/17 charge of £196.20 per leaseholder unit.
5. The charges below are estimates for 2017/18. Adjustments will be made mid-year to reflect actual charges.

	Charge per week 2016/17	Annual Charge 2016/17	Charge per week 2017/18	Annual Charge 2017/18
	£	£	£	£
Administration & Management Charge	3.77	196.20	3.8	197.47
Caretaking level (1) (non-resident)	3.38	175.76	3.54	184.08
Caretaking level (2) (resident)	5.44	282.88	5.68	295.36
Communal Cleaning	0.59	30.68	0.59	30.68
Communal Electricity	From 0.20 to 3.00	From 10.40 to 156.00	From 0.25 to 3.05	From 13.00 to 158.60
Concierge	11.23	583.96	11.23	583.96
CCTV Internal Cameras	1.37	71.24	1.40	72.8
CCTV External Cameras	0.82	42.64	0.84	43.68
Grounds Maintenance	1.44	74.88	1.89	98.28
Paladin Bins	1.80	93.6	1.85	96.2
Insurance:				
1 Bed	1.80	93.6	1.89	98.28
2 Bed	2.03	105.56	2.14	111.28
3 Bed	2.32	120.64	2.44	126.88
4 Bed	2.59	134.68	2.72	141.44
Flat Repairs	0.02	1.00	0.02	1.00
Ground Rent	0.19	10.00	0.19	10.00
Estate Charge	0.25	13.00	0.25	13.00

TEMPORARY ACCOMMODATION RENTS

The rents charged for properties in Enfield are as follows:

Category	Weekly rent 2016/17	Weekly rent 2017/18
	£	£
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.