

MUNICIPAL YEAR 2018/2019 REPORT NO. 163

MEETING TITLE AND DATE:

Cabinet 13^h February 2019
Council 27th February 2019

REPORT OF:

Executive Director of Place and Director of Finance

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Agenda – Part:1

Item: 8

Subject:

**Housing Revenue Account (HRA)
Business Plan Budget 2019/20, Rent Setting
and Service Charges**

Wards: All

Key Decision No:4741

Cabinet Members consulted:

Cllr Lemonides & Cllr Maguire

1. EXECUTIVE SUMMARY

- 1.1 This report sets out the proposed HRA 30-Year Business Plan, the detailed HRA Revenue Budget for 2019/20, the five-year Capital Programme and Right to Buy (RTB) One for One Receipts programme (2019/20 to 2023/24).
- 1.2 It also presents the levels of rents, service charges and heating charges to be operative with effect from 1st April 2019 for HRA Council Tenants and Leaseholders.
- 1.3 This report should be read with Cabinet report KD4830 Better Council Homes Workplan and Budgets 19-20 which sets out plans for improving services for residents and investment proposals.

2. RECOMMENDATIONS

- 2.1
 - a) Cabinet approve and recommend to full Council the HRA 30-Year Business Plan shown in Appendix 1
 - b) To approve the detailed HRA Revenue Budget for 2019/20
 - c) To approve the 5 year HRA Capital Programme, RTB One for One receipts programme and additional borrowing requirements to deliver c. 2,300 additional units
 - d) To note the social and affordable rent levels for c.10,100 properties in 2019/20 and the introduction of the London Affordable Rent levels (only applicable to new properties included in the GLA programme)
 - e) To approve the level of service charges for 2019/20 for those properties receiving this service
 - f) To note the heating charges for 2019/20 for those properties on communal heating systems
 - g) To note the proposal to hold the weekly cost of private garages and note the increase garage costs for council lets and parking bay rents

3. BACKGROUND

- 3.1 This report is presented to Cabinet on annual basis for the following reasons
- a) To ensure that a balanced 30-Year HRA Business Plan is approved by 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 affordable and social rent and service charge levels for HRA properties. This decision must be taken early enough for the tenants to be advised of the change at least 4 weeks prior to the date of that change.
- 3.2 In 2015 the Government announced a change to Social Rent policy. 2019/20 will be the fourth and final 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.
- 3.3 In October 2017 the Government announced that from April 2020 local authorities would be allowed to increase rents by CPI+1%. The impact of this announcement has been included in the Business Plan assumptions and sensitivities.
- 3.4 Below are the key changes for Housing since the 2018/19 Rent Setting report:
- In October 2018 the Government announced the removal of the HRA debt cap which will give Council Housing the ability to borrow more to develop more affordable homes
 - The government announced that the High Value Voids policy would no longer proceed removing the risk from the HRA Business Plan
 - The GLA announced its Building Council Homes for Londoners scheme which allowed Councils to bid for funding for new affordable homes. Enfield were successful in securing £18m of GLA grant.
 - The GLA also offered Councils the opportunity to enter into an agreement to ring fence RTB receipts, allowing Councils a further 3 years to spend receipts. Enfield opted into this agreement.

4. HRA 30-YEAR BUSINESS PLAN

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

ASSUMPTIONS

Item	Assumption	Information
Inflation on supplies and services	2.4% Consumer Prices Index (CPI) increase per annum	In line with rent increases

Item	Assumption	Information
Salaries	2% Pay Award	In consultation period
Rent – Existing council housing tenants	Reduced by 1% for a further year (19-20) and then (CPI) plus 1% assumed from 2020/21 for 5 years, then CPI only	CPI is assumed at 2.4%
Rents - Council new build affordable homes	Reduced by 1% for a further one year and then (CPI) plus 1% from 2020/21	
Repairs & Maintenance cost increases	2.4% Consumer Prices Index (CPI) increase per annum	
Capital Programme – Major Works	Annual amounts based on the updated estimated cost of replacing components, kitchens, roofs, windows, bathrooms etc. in the year that they fall due for replacement	Stock condition survey is currently being completed, once finalised this will set the budgets for future years
Fire Safety Works	Based on estimated costs of additional fire safety works	All costs budgeted for included in the capital programme
Capital Programme – Estate Renewal	Costs of current Estate Renewals included in the Business Plan based on the latest capital monitoring information.	
RTB Sales	100 for 2019/20 100 from 2020/21 to 2021/22 then 60 from 2022/23 onwards	it is assumed that sales would reduce due to market prices rendering the RTB less affordable.
Operation of the Governments RTB One for One Replacement scheme.	The Council will operate the scheme without returning receipts to the Government. The RTB receipts are currently match funded by the HRA on a 30/70 basis. In 2018/19 £2.1m was match funded by registered providers who received grant from the Council to provide new affordable housing.	
Interest rate on borrowing	5.5% on existing debt 3.48% on self-financing debt 3% on new debt	Reflects actual debt costs and estimates from Treasury Management
Interest rate on balances	0.75%	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.	HRA debt is expected to increase by £157.5m by 2023-24

4.2 SENSITIVITIES

The potential changes (sensitivities) which have the biggest impact on the HRA 30-year business plan are: headroom capacity, major works and inflation increases. The following scenarios have been modelled:

As the borrowing cap has been lifted and the HRA can afford to develop affordable housing scenarios have been modelled around the number of homes this could deliver. The modelling identified the potential in the business plan to deliver an additional 100 units per year at social rent levels and 200 per year at affordable rent levels.

Currently the results of the stock condition survey are unknown, this could however identify a number of significant major works to be completed. Modelling increases of 10/20/30% in the capital programme over 5 years would result in additional budget requirement of: 10% - £12.5m, 20% - £25m, 30% - £37.5m.

The Government has agreed that rents will increase from 2020-21 by CPI+1% for 5 years then CPI only thereafter. The current CPI is 2.4%, modelling an increase in CPI of 1% over 30 years would create additional balances of £104m and a reduction in CPI would reduce balances by £84m.

5. 2019/20 BASE BUDGET

5.1 The table below sets out the base budget for 2019/20 compared to 2018/19 figures.

Category	2018-19 Budget £000's	2019-20 Proposed Budget £000's	Reason for difference
Bad Debt Provision	1,392	812	The provision has been decreased to reflect the actual debt position since the implementation of Universal Credit
Corporate & Democratic Core	319	367	Management charge increase
Cost of Capital	8,495	9,414	Increase in interest payments due to an increase in level of debt required
Depreciation	13,311	14,101	The amount set aside for depreciation is expected to increase due to the increase in property numbers held in the HRA - new properties will be generated from the GLA and RTB programme
Interest on Balances	-114	-331	The amount of interest receivable is expected to increase due to an increase in interest rates from 0.2% to 0.75%
Rent Rates and other Charges	554	710	Increase in council tax on regeneration void properties charges due to the introduction of a premium on empty properties
Rents Dwellings	-56,339	-56,477	Income from dwellings rent is expected to increase this year due to additional properties being brought into the HRA stock, this includes buying street properties as part of the RTB programme. The 1% rent reduction and loss of RTB properties has been included in this calculation
Rents Shops/Commercial	-2,236	-2,309	Shop income is expected to increase
Repairs and Maintenance	13,260	14,489	contract inflation increase
Supervision & Management General & Special	19,424	21,679	2% pay award applied to all staff, increase in recharges to the GF and additional Civica costs
Service Charges	-4,555	-4,671	Increase in service charge income from leaseholders due to contract inflation
Self Financing Contribution	7,459	3,110	Balance the Housing Revenue Account
Non Dwelling Rents	-969	-972	Increase in tenant garage charges
Grand Total	0	0	

5.2 EFFICIENCY SAVINGS

The emerging Target Operating Model currently being undertaken will identify efficiency savings in the Council Housing Service in addition to the review of the Sheltered Housing Service.

Phased efficiency savings of 10% are being implemented across various Housing departments to ensure a healthy level of balances are held.

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. In December 2017 the prudential code changed, and It is recognised that indicators of affordability are best determined in the light of local constraints around precepts and ring-fenced and statutory funds such as the HRA and Police Fund. Authorities are encouraged to use local indicators that reflect how capital finance is permitted to be financed locally. For example, for those authorities with a HRA, the ratio of financing costs to revenue budget should be calculated within the HRA ring-fence and an impact on rents calculated.
- 6.2 The General Fund Budget report for 2019/20 along with the Treasury Management and Capital Strategy 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 LB Enfield had a debt cap of £198m and Councils had been lobbying for some time that the restrictions on borrowing should be lifted arguing that the cap should be removed giving boroughs the ability to build new housing. Through the Building Council Homes for Londoners programme the mayor successfully negotiated £500m additional HRA borrowing for councils across London, however on 3rd October 2018 the Government scrapped the HRA borrowing cap to enable more affordable homes to be built. As a result, local authorities are now able to borrow for housebuilding in accordance with the Prudential code.
- 6.4 As a result of the borrowing cap being lifted it will now enable Enfield to fund additional affordable homes within the borough. The current level of HRA debt is £157.7m and the expected level of borrowing will increase to £315.2m. The increase in debt is affordable within the current business plan and ensures that the HRA retains a healthy level of reserves to fund the future development programme.
- 6.5 The HRA budget will continue to develop increasing stock levels, a low-cost maintenance service and prioritise investment opportunities to maintain a healthy sustainable 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 four areas detailed below.

HRA 5-YEAR CAPITAL PROGRAMME

Capital Programme	2019-20	2020-21	2021-22	2022-23	2023-24	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Major Works to Stock	41,048	25,717	23,966	22,181	12,245	125,157
Estate Renewal Schemes	30,642	6,227	4,379	1,746	1,712	44,706
GLA Funded Development Programme	13,500	22,540	6,567	0	0	42,607
RTB Funded Development Programme	31,524	42,856	31,652	31,767	32,864	170,663
Total	116,714	97,340	66,564	55,694	46,821	383,133

7.2 The 5-year capital programme totalling £383m will be funded as follows:

Funding	£000's
Major Repairs	74,792
Grants	10,608
RTB one for One Receipts	51,199
Capital Receipts	56,291
Revenue	31,963
S106	780
Borrowing	157,500
Total	383,133

7.3 The Council Housing Capital Programme of works will be outlined in the Better Council Homes workplan KD4830 and will outline the affordable housing programme including estate renewal, major works and fire safety programme.

7.4 Major Works to the Stock

The major works programme will aim to deliver the following:

- Priority fire safety works and development of piloting a high-rise homes standard
- Decent homes work on c.7,000 properties, including kitchens and bathrooms
- Environmental and energy improvements

A stock condition survey is currently in progress, the results will enable a more strategic and planned approach to investment in our stock and assist in budget planning for the 30-year business plan.

	2019-20	2020-21	2021-22	2022-23	2023-24	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Committed Major Works Projects	18,638	4,317	0	0	0	22,955
Proposed Major Works Projects	15,860	16,400	18,966	18,731	12,245	82,202
Fire Safety Works	6,550	5,000	5,000	3,450	0	20,000
Total	41,048	25,717	23,966	22,181	12,245	125,157

7.5 Estate Renewal Programme

In addition to works to the stock it is anticipated that £44.7m will be spent on the estate renewal programme over the next 5 years. This figure is reflected in the Business Plan and a list of schemes and budgets are shown below:

	2019-20	2020-21	2021-22	2022-23	2023-24	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Alma	22,753	3,492	4,078	1,491	1,347	33,161
Ladderswood	360	2,401	0	0	0	2,761
New Avenue	5,253	333	301	255	365	6,507
Small Sites 1	1,826	0	0	0	0	1,826
Feasibility	450	0	0	0	0	450
Total	30,642	6,226	4,379	1,746	1,712	44,705

These figures represent gross expenditure as included in the latest HRA capital monitor. If there are any underspend on the projects in 2018-19, these resources will be carried forward to 2019-20.

The estate renewal programme is expected to deliver c.1,500 additional properties within the borough in the next 5 years.

7.6 GLA Programme

The Councils submitted a bid to the GLA reflecting Council Housing's development strategy for the next 3 years which would deliver a minimum of c.150 homes.

The council was successful in securing £18.1m of GLA grant for the next 3 years as part of the Building Council Homes for Londoners scheme. The funding was split between the HRA and GF with the HRA securing £10.6m and the GF £7.5m of grant. Funding is based on £100k per home for social and affordable rent and £38k for shared ownership then £28k thereafter. Rents will be set at social or London Affordable rents.

The table below summarises the GLA programme and grant funding secured for the next 3 years:

	2019-20	2020-21	2021-22	Total
	£000's	£000's	£000's	£000's
Proposed Development Scheme (expenditure)	13,500	22,540	6,567	42,607
GLA Grant Funding (income)*	(2,250)	(5,024)	(3,334)	(10,608)

8. RTB One for One Replacement Receipts and Expenditure

8.1 The Government requires local authorities to spend right to buy receipts within three years of them being received. This is calculated on a quarterly basis. Failure to expend the receipts means the Council must pay them back to Government along with a 4% compound interest charge. Unlike many councils to date the Council has not handed back receipts.

In the next 5 years receipts will be used to fund development schemes, acquiring land and properties to add to our current assets and funding Registered Providers to assist in developing sites or acquiring properties. The benefit of funding Registered Providers is that there is no obligation for the HRA to match fund. These schemes are expected to deliver c. 675 additional affordable properties within the borough.

Below is the proposed programme, this could be subject to change as there may be delays or unavoidable changes within the development schemes. Different options will be considered. For example, with our continued work with Registered Providers development opportunities may arise. This option would be most financial favourable to the HRA.

In order to continue to spend Right to Buy receipts approval is required for the proposed 5-year programme outlined below:

Schemes (100%)	2019-20	2020-21	2021-22	2022-23	2023-24	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Purchase of Properties and Land	14,633	16,981	0	31,767	32,864	96,245
Proposed Development Schemes	14,992	25,874	31,652	0	0	72,518
Payments to Housing Associations	1,900	0	0	0	0	1,900
Total	31,525	42,855	31,652	31,767	32,864	170,663
RTB receipt funding (30%)	9,457	12,857	9,496	9,530	9,859	51,199

8.2 The Council has also entered into an agreement with the GLA to enable the Council to ringfence right to buy receipts plus any interest for a further 3 years. Enfield's current plan is to spend all RTB receipts within the current criteria but by opting in to the agreement will give the Council additional time to spend receipts and work with the GLA to take a more strategic approach to utilising the spending of receipts.

9. HRA BALANCES

9.1 The estimated position on balances is set out below:

	Balance at 31/03/2018 £m	Movement in 2018/19 £m	Estimated balance as at 31/03/19 £m
HRA General Balances	7.01	-0.11	6.90
Repairs Fund	9.41	0.13	9.53
Major Repairs Reserve	12.64	-0.50	12.14
Capital Reserve	4.23	-0.50	3.73
RTB one for One Receipts	-0.73	0.73	0.00
RTB Usable Receipts	12.73	-3.64	9.08
Non RTB Receipts	2.21	0.50	2.71
Total	47.50	-3.39	44.09

- 9.2 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.
- 9.3 In addition to the above reserves, a bad debt provision of £1.9m is assumed at 31st March 2019. The adequacy of this amount will be reassessed at the end of the financial year to reflect the level of rent arrears.

10. PROPOSED RENT CHARGES FOR HRA PROPERTIES FOR 2019/20

- 10.1 Following the Welfare Reform and Work Bill in 2015 the council are required by law to reduce rents by 1% per annum for four years commencing in 2016/17. The table below shows examples of the rents for 2019/20 for different types and sizes across the borough. It should be noted that these will vary for each tenant. The new rents will be operative from 1st April 2019 (the first Monday in the month)

Property Type	Average Rent 2018-19	Average Rent 2019-20	£ Decrease	% Decrease
Bedsit	81.58	80.77	0.82	1.01%
1 Bed Flat	86.48	85.61	0.86	1.01%
1 Bed House	97.86	96.88	0.98	1.01%
2 Bed Flat	95.54	94.58	0.96	1.01%
2 Bed House	108.85	107.76	1.09	1.01%
3 Bed Flat	105.83	104.72	1.11	1.01%
3 Bed House	119.25	118.06	1.19	1.01%
4 Bed Flat	112.24	111.11	1.12	1.01%
4 Bed House	125.16	123.91	1.25	1.01%
5 Bed House	136.64	135.27	1.37	1.01%
6 Bed House	158.15	156.57	1.58	1.01%
Grand Total	99.90	98.90	1.00	1.01%

*Average rent is adjusted to reflect the removal of properties under RTB

- 10.2 In October 2016, Cabinet agreed Affordable Rent levels to apply to all New Homes built or acquired by the Council. The Rent Setting Policy agreed that 'When the Council builds or acquires new or additional properties then consideration will be given to letting these at the higher affordable rent level inclusive of service charges. Affordable rents are based on Local Housing Allowance (LHA) rates and median income in Enfield.

These rents are inclusive of service charges and have been reduced by 1% as follows:

Bedroom size	2018-19	2019-20
1 bed	158.40	156.82
2 bed	192.06	190.14
3 bed	208.89	206.80
4 bed	223.74	221.50

- 10.3 In 2016 the Mayor of London introduced the London Affordable Rent on all new schemes funded with Greater London Authority (GLA) grants. These affordable rents will only be applicable on properties delivered through our

GLA programme which have received grant. It should be noted that these rents are weekly and exclude service charges.

The following table shows the published rents for 18-19, the GLA are yet to confirm the rent levels for 19-20.

Beds	2018-19 London Affordable Rent
1 bed	150.03
2 bed	158.84
3 bed	167.67
4 bed	176.49
5 bed	185.31
6 bed	194.13

- 10.4 The below table shows the increase in properties in the Borough over the next 5 years based on Housing's Better Council Homes Workplan. These will be a mix of affordable, shared ownership and private sale units across the

Current stock numbers	10,161
RTB sales	-420
Current estate renewal programme	1,537
GLA grant funded & RTB programme	826
Expected stock numbers	12,104

borough:

11. PROPOSED SERVICE CHARGES 2019/20

- 11.1 It is recommended that the following service charges are made to those tenants in receipt of the services below

PROPOSED TENANTS SERVICE CHARGES

Service	2018/19 £	Proposed 2019/20 £	Change £	Change %	Reason for change
Concierge	11.56	11.84	0.28	2.4%	Contract inflation
CCTV	From 0.13 to 1.95	From 0.14 to 2.00	From 0.01 to 0.5	2.6%	Increase in line with costs
Grounds Maintenance	1.89	1.90	0.01	0.5%	Increase in line with costs
Caretaking Service	From 2.12 to 5.64	From 2.20 to 5.85	From 0.13 to 0.36	3.7%	Increase in line with costs
Sheltered Caretaking	From 1.53 to 3.36	From 1.57 to 3.44	From 0.04 to 0.08	2.4%	Increase by CPI
Sheltered Cleaning – Level 1 *	0.86	0.88	0.02	2.4%	Increase by CPI
Sheltered Cleaning – Level 2 *	1.99	2.04	0.05	2.4%	
Sheltered Cleaning – Level 3 *	2.83	2.90	0.07	2.4%	
Landlord Communal Service Charge	From 0.26 to 3.14	From 0.27 to 3.21	From 0.01 to 0.07	2.4%	Increase by CPI
Communal Electricity (average)	13.06	14.10	1.04	8.0%	Increase due to energy price increases

* 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.

- 11.2 Work has continued as part of the service charge review and as a result a new service charge will be introduced in 19-20. Currently the management cost of the sheltered service isn't recovered but after some benchmarking of other London boroughs it is consistent for Enfield to introduce this charge. This will be introduced to new tenants only, this will not be introduced to existing tenants in 2019-20. The charge will range from £23 to £29 per week to ensure full cost recovery.
- 11.3 The Council's Housing Board and Customer Voice have been consulted on these proposals and consider that the new charges are acceptable.
- 11.4 In addition to the above service charges, water and sewerage charges will continue to be collected through the rents on behalf of the water authorities.
- 11.5 The garages which are let to Council tenants, leaseholders and private tenants are standard lock-up.
- 11.6 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 2019-20 are:

:	2018-19 Weekly Rent per week £	2019-20 Proposed Rent per week £
Standard lock-up Garages	12.00	13.00
Private Garage Rental	25.00	25.00
Parking Bay	7.00	8.00

- 11.7 A policy change has been agreed to enable void garages to be let for the use of storage. This enables the HRA to increase rental income and avoid void charges on the current empty garages. The charge for the use of garages for storage will be £25.00 per week.
- 11.8 The community halls charges have been increased by CPI, the charges are as follows:

Community Hall Hourly Rate	2018-19	2019-20 Proposed Charges
Private Hire	30.00	30.75
Charitable	17.50	17.93
Low Rent Agreement	15.00	15.37

12. LEASEHOLDER SERVICE CHARGES

- 12.1 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.
- 12.2 It is estimated that in 2018/19 a total of 4899 properties will have been sold under leasehold arrangements.
- 12.3 At the end of each financial year, the actual cost is determined and an appropriate adjustment made to the charge.
- 12.4 The cost of administration and management for 2019/20 is estimated at £1.048m and it is therefore recommended that the charge for 2019/20 is set at £205.49 per leasehold unit.
- 12.5 The charges below are estimates for 2019/20. Adjustments will be made mid-year to reflect actual charges.

ADMINISTRATION/MANAGEMENT/SERVICE CHARGES FOR LEASEHOLD UNITS

	Charge per week 2018-19 £	Charge per week 2019-20 £
Administration & Management Charge	3.64	3.95
Caretaking Service	From 2.12 to 5.64	From 2.25 to 6.00
Communal Electricity	From 0.26 to 3.14	From 0.28 to 3.39
Concierge	11.56	11.84
CCTV	From 0.13 to 1.95	From 0.14 to 2.00
Grounds Maintenance	1.89	1.9
Paladin Bins	0.56	0.57
<i>INSURANCE</i>		
1 Bed	4.01	4.11
2 Bed	4.72	4.83
3 Bed	5.7	5.84
4 beds	6.19	6.34
Flat Repairs (Annual Charge)	0.02	0.02
Ground Rent (Annual Charge)	0.19	0.19
Estate Charge (Annual Charge)	0.25	0.25

13. HEATING CHARGES

- 13.1 The Council has some 1800 properties in 68 blocks of flats serviced by communal heating systems.

13.2 Electricity Charges

The advice that LASER (the Council's energy advisors) have provided shows that the non-commodity element (standing charge) of the electricity

price is likely to increase by 11% in October 2019. The non-commodity charges cover the cost of delivering electricity, balancing the grid, all network costs including maintenance and development and Government taxes and levies. This element represents 50% of the total electricity price. In addition to this there is a predicted commodity price increase of 21%. As the Housing contracts run from October 1st – September 30th, the impact of this will be for 6 months of 2019/20 with an overall increase in electricity will be 8% in 2019/20.

The energy market is extremely volatile being influenced heavily by the uncertainties around Brexit. At present prices only appear to be increasing with no indication of a drop. Consequently, the budget data should be treated with some caution as it is possible that pricing from 1st October 2019 – 30th September 2020 may see greater increases than indicated by LASER.

13.3 Gas Charges

Similarly, gas prices have been affected with predicted increases from 1st October 2019 (through to 30th September 2020) non-commodity charge of 23% and commodity charge for most sites of 17.3%, there are a couple of sites predicting a higher price the highest of these being 22%. The impact of this will be for 6 months of 2019/20 with an overall (estimated) increase in electricity of be 9% in 2019/20.

13.4 Other Charges

The gas standing charge will rise in line with the Gas increase of 9% for 19-20, and fuel oil will increase by 4%

14. ALTERNATIVE OPTIONS CONSIDERED

Since the Government implemented the Social Housing Policy which implemented a rent reduction of 1% the Councils income has considerably reduced. This created a shortfall in the business plan of c. £25m which was funded from maximising other income sources and the use of HRA balances. Several different options have been considered around increasing the level of reserves within the HRA to ensure a sustainable business plan.

Phased efficiency savings of 10% are being implemented across various departments to ensure a healthy level of balances are held.

15. REASONS FOR RECOMMENDATIONS

- 15.1 The Council must comply with the law in setting its rents for Council tenants. 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 also requested to delegate authority to the Cabinet Member for Housing to approve tenders for Major Works and Fire Safety works in order that contracts can be let and works carried out more efficiently. This delegation has been in place for several years.

16. COMMENTS OF 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 2019/20 HRA estimates have been prepared considering 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 Director of Finance that the HRA budget is robust and that the balances held are prudent.

16.2 Legal Implications

Section 111 of the Local Government Act 1972 ("LGA") gives a local authority power to do anything which is calculated to facilitate or is conducive or incidental to the discharge of any of its functions.

Section 21 of the Housing Act 1985 provides the Council with powers for the general management, regulation and control of its dwelling stock.

Section 24 of the Housing Act 1985 allows the Local Authority to set their own rents, and to review these rents periodically and make necessary changes if circumstances allow.

The HRA consists of expenditure on Council-owned housing and there is a statutory requirement whereby the Council is obliged to keep its HRA separate from other housing activities in accordance with Part VI and Schedule 4 of the Local Government and Housing Act 1989. This schedule 4 prescribes all the income and expenditure items that are to be included in the HRA. In addition, there is a requirement not to allow cross-subsidy to or from, the Council's General Fund resources.

The Council is required to prepare proposals in January/February of 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 (Local Government and Housing Act 1989 S76). The Council has to secure that the HRA for any year does not show a debit balance except in unforeseen circumstances. Therefore, any debit balance must be carried forward within the ring-fenced HRA to the following year.

The [Welfare Reform and Work Act 2016](#) and [amendment regulations](#) require registered providers of social housing in England to reduce social housing rents by 1% a year for 4 years from a frozen 2015 to 2016 baseline and to comply with maximum rent requirements for new tenancies. The policy applies from 1 April 2016. If a tenancy starts or ends during the year, the reduction would be on a pro-rata basis.

For social rent properties, the reduction applies to the rent element and not to service charges. For most Affordable Rent properties, the reduction applies to the total amount, inclusive of service charges. Where the social rent is used as a rent 'floor' for an Affordable Rent property, the reduction applies to the rent element only.

The requirements set out by the Welfare Reform and work Act 2016 do not apply to temporary accommodation, the social landlord has the power to review the rent, so long as notice is given, the authority will therefore not need to decrease the rent by 1% for the next 2 years.

The Equality Act 2010 requires the Council to have due regard to its duty of the public-sector equality when carrying out its functions. They must also show they have carried out an Equality Impact Assessment in reaching such decisions as introducing charges to tenants.

16.3 **Property Implications**

Whilst Strategic Property Services (SPS) supports the HRA Rent Setting Report and its objectives, the range of underlying assumptions and their sensitivities means that it is impractical at this stage to speculate on the likely property implications arising from each possible scenario. It would be prudent therefore to re-visit the impact on the HRA arising from specific changes, impacts or initiatives at the appropriate time as and when they occur.

Consideration should also be given to confirming the likelihood or otherwise of income from the commercial portfolio remaining at current levels or whether it would be prudent to introduce a forecast increase/decrease depending upon the status of the portfolio over the programme period.

Consideration should be given to ensuring that programmed land acquisition values adhere to the Council's Property Procedure Rules (PPR's) in relation to third party acquisitions and those between the HRA and General Fund. In particular any transfer between the HRA and General

fund will be at market value at the moment of appropriation and at a figure in accordance with a valuation report and market circumstances as they apply at the time. In addition the PPR's make reference to the procedure for Appropriation at section 8 which must also be adhered to.

17. KEY RISKS

Estate Renewals

This report outlines the predicted spend 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. Significant impact on the business plan could result in planned major works not being completed.

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 five years and are a major change for the plan. The tragedy at Grenfell House has put added pressure on the major works programme and, once the outcome of the Hackett report is known, it is likely there will be a need to increase the capital programme budget to account for more fire safety works

Universal Credit Implementation

Since Universal Credit was implemented across the borough collection performance and arrears for council tenant rent has stabilised this year. Although the risk to the HRA Business Plan has reduced in terms of bad debt it is too early to draw any conclusions from this regarding longer-term performance.

Right to Buy

Right to Buy applications reduced during 2018/19 for the first time since the discount was increased. However, there is still a risk that they may increase again during 2019/20 and sensitivity testing is used to understand the likely impact on the business plan in the event of an increase.

Additional Health & Safety Works

Following the tragedy of the Grenfell Fire a number of health and safety recommendations are being considered by the council to ensure our blocks remain safe. Additionally, once the outcome of the inquiry is known further fire safety measures may be a government requirement which could impact on the major works budget and the plan.

Economic Uncertainty

Risks around Brexit, possible increase in interest rates and details of the removal of the HRA Headroom Cap will all be kept under constant review during 2019/20 as part of the business planning process.

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 influence 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 potential risks.

18 IMPACT ON COUNCIL PRIORITIES – CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD

Good homes in well-connected neighbourhoods

We will ensure the delivery of regeneration to create thriving, affordable neighbourhoods and places by maximising development opportunities.

We will increase the supply of affordable housing including shared ownership by delivering planned estate regeneration programmes. Well maintained council homes have an important impact on the standard of property in the borough. Council rent income is a key income for the housing revenue account to maintain housing stock.

Sustain strong and healthy communities

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

Build our local economy to create a thriving place

Minimising tenant debt by maximising benefit take up will help the local economy.

19 EQUALITIES IMPACT IMPLICATIONS

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

20 PERFORMANCE & DATA IMPLICATIONS

Setting a balanced budget for 2019/20 should enable the HRA performance targets to be met. Sound medium term financial plans are essential to support the delivery of excellent services and efficient use of resources. The budget proposals will ensure that limited resources are targeted at key priorities.

21 HEALTH AND SAFETY IMPLICATIONS

Noted within the report about fire safety to include safety works and installation of sprinklers in all high-rise blocks.

22 HR IMPLICATIONS

Additional resources to deliver comprehensive developments is a requirement and review of the team's capacity is being undertaken to ensure the team has the key staff it requires.

23 PUBLIC HEALTH IMPLICATIONS

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

Managing council rental income and mitigating welfare reform is an important part of avoiding debt issues and contributes to the general well-being of residents

Background Papers

Cabinet Report - KD4830 Better Council Homes Workplan and Budgets 2019/20
(elsewhere on the agenda)

APPENDIX 1

30 Year Capital Programme	18-19	19-20	20-21	21-22	22-23	23-28	28-33	33-38	38-43	43-48
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
CAPITAL PROGRAMME										
HRA Planned Renewals	-20,980	-41,048	-25,717	-23,966	-22,181	-18,728	-19,696	-20,298	-22,815	-29,815
New Build Properties - Eligible	-13,785	-30,376	-42,889	-31,661	-31,793					0
New Build Properties - Non-Eligible	-39,081	-43,390	-28,733	-10,916	-1,720					-3,000
Receipts Used For Replacement Homes	-2,062	-1,900				-6,121	-1,360	-1,900	-2,543	
Total Capital Programme	-75,907	-116,714	-97,339	-66,543	-55,694	-24,849	-21,056	-22,197	-25,358	-32,815
CAPITAL RESOURCES										
HRA Use Of Major Repairs Reserve	13,316	14,101	14,603	15,135	15,416	16,247	17,311	18,443	19,646	20,822
Borrowing		62,000	57,000	28,500						
Grant Funding	1,774	2,250	5,024	3,334						
Useable One-to-One RTB Receipts	5,429	7,557	12,857	9,496	9,530					
Other RTB Useable Capital Receipts	2,378	2,317	2,379	1,571	1,612	797	890	997	1,119	1,257
Receipts Used For Replacement Homes	2,062	1,900				6,121	1,360	1,900	2,543	
Other Sources Of Finance	20,406	18,168	2,647	2,298	23,347	522	522	522	522	3,106
Revenue Contributions To Capital Total	30,544	8,420	2,829	6,209	5,789	1,163	973	336	1,528	7,629
Total Capital Resources Detail	75,907	116,714	97,339	66,543	55,694	24,849	21,056	22,197	25,358	32,815
HRA Balance	13,140	7,751	8,587	8,093	9,678	40,997	96,770	153,724	239,316	323,584

30 Year Revenue Budget	2019	2020	2021	2022	2023	2028	2033	2038	2043	2048
	£000's									
Dwelling Rents	53,594	53,286	57,182	61,836	64,326	71,016	77,326	84,417	92,147	100,352
Service Charges Tenants	3,447	3,687	3,781	3,837	3,901	4,196	4,573	4,983	5,429	5,884
Service Charges Leaseholders	4,671	4,673	4,766	4,862	4,959	5,475	6,045	6,674	7,369	8,096
Voids	-561	-560	-599	-645	-670	-739	-804	-878	-958	-1,043
Non Dwelling Rents	3,264	3,292	3,417	3,485	3,555	3,925	4,334	4,785	5,283	5,804
RTB Administration Income	428	285	285	171	171	57	57	57	57	38
Total Income	64,843	64,663	68,832	73,546	76,241	83,931	91,531	100,039	109,327	119,131
Responsive Repairs	-13,266	-14,490	-15,198	-15,920	-16,388	-18,093	-19,976	-22,055	-24,351	-26,754
Supervision And Management	-13,675	-14,584	-15,028	-15,477	-15,665	-16,970	-18,698	-20,606	-22,713	-24,917
Special Services	-7,028	-7,750	-7,905	-8,063	-8,224	-9,081	-10,026	-11,069	-12,221	-13,427
Rents Rates Taxes & Other Charges	-554	-710	-710	-710	-710	-710	-710	-710	-710	-710
Bad Debt	-874	-819	-861	-912	-942	-1,036	-1,128	-1,230	-1,341	-1,459
Depreciation of Fixed Assets Total	-13,316	-14,101	-14,603	-15,135	-15,416	-16,246	-17,311	-18,443	-19,646	-20,822
Expenditure	-48,712	-52,453	-54,305	-56,217	-57,345	-62,136	-67,848	-74,113	-80,982	-88,089
Net (Cost) Of Services	16,130	12,210	14,527	17,329	18,896	21,795	23,683	25,926	28,345	31,043
Loan Interest	-8,145	-9,414	-11,124	-11,942	-11,891	-12,191	-11,496	-11,274	-11,209	-10,641
Interest Income	120	177	243	299	341	318	311	324	339	371
Notional Cash Interest	79	109	71	83	84	274	552	879	1,506	2,108
Net Operating Income / (Expenditure)	8,184	3,082	3,717	5,768	7,429	10,196	13,050	15,855	18,981	22,881