

MUNICIPAL YEAR 2019/2020 REPORT NO. 193A

MEETING TITLE AND DATE:
Council: 26th February 2020

REPORT OF:

Executive Director – Place
Contact officer and telephone number:

Joanne.Drew@enfield.gov.uk

Fay.Hammond@enfield.gov.uk

Claire.Eldred@enfield.gov.uk

Agenda – Part: 1

Item: 8

Subject:

**Housing Revenue Account (HRA)
Business Plan Budget 2020/21, Rent Setting
and Service Charges
KD5008.**

Cabinet Member consulted: Cllr Needs

1. EXECUTIVE SUMMARY

1.1 This report sets out the proposed HRA 30-Year Business Plan, the detailed HRA Revenue Budget for 2020/21, the ten-year Capital Programme and Right to Buy (RTB) One for One Receipts programme (2020/21 to 2024/25).

1.2 The report seeks approval for the following:

- The levels of rents, service charges and heating charges to be charged with effect from 1st April 2020 for HRA Council Tenants and Leaseholders.
- The principles of a revised Financial and Investment Framework.
- 10 Year HRA Capital programme.
- The new pricing structure for Community Halls and Garages as outlined in paragraph 3.46 of the report.
- The adoption of an extensive programme 3,500 new affordable council homes between 2020-2030.
- An increase in the Under-Occupation incentive to support our downsizing strategy.
- A change to Landlord Consent fees to enable us to provide a faster service for residents.
- New arrangements for billing following Thames water decision to charge residents directly.
- Addressing climate change and affordable warmth through our Ground Source Heat Pump strategy and the implications for Leaseholder Charges

2. RECOMMENDATIONS

Council

- 2.1 Approve the HRA 30-Year Business Plan shown in Appendix 1
- 2.2 Approve the detailed HRA Revenue Budget for 2020/21
- 2.3 Notes the 10-year HRA Capital Programme and additional borrowing requirements to deliver 3,500 additional units
- 2.4 Notes the social and affordable rent levels for circa.10,100 properties in 2020/21 and note the London Affordable Rent levels applicable for new homes to new tenants
- 2.5 Approves the level of service charges for 2020/21 for those properties receiving this service.
- 2.6 Approves the new pricing structure for Community Halls and Garages as outlined in paragraph 3.46 of the report
- 2.7 Notes changes to the Landlord consent process and introduction of tiered application fees for 2020/21
- 2.8 Approves increasing the Under-Occupation incentive to support the downsizing strategy as shown in paragraph 3.66. In addition, delegate to Director of Housing and Regeneration to increase the incentive aiming for flexible, bespoke packages that meet the needs of vulnerable tenants on a case by case basis by up to £2,000 per case.
- 2.9 Approves the Leaseholder Ground Source Heat Pump charging proposal outlined in paragraph 3.78.
- 2.10 Notes the change in Thames Water billing, from the Council collecting the charges to Thames Water directly charging residents outlined in paragraph 3.88.
- 2.11 Notes the heating charges for 2020/21 for those properties on communal heating systems. heating systems

3. BACKGROUND

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3.1 This report is presented to Council 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, in line with the Governments Social Housing Rent Policy. 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 October 2019 the Government announced a change to the Social Rent Policy that from April 2020 local authorities would be allowed to increase rents by CPI+1% which has been incorporated into the Business Plan. This follows a 1% reduction in rents for the last 4 years. It should be noted that this reduction had a negative impact on the Business Plan with reduced income of c. £300m over the 30 year plan. If applied going forward this would result in a loss of circa 1,200 capacity for new homes.

3.3 Below are the key changes for Housing since the 2019/20 Rent Setting report:

- The creation of a new 10-year development programme of 3,500 units overall including updated GLA and RTB programme and borrowing requirement
- Investment in our existing council homes arising from stock condition survey results
- Introduction of financial metrics to ensure future investment decisions are financially affordable and can be sustained within the business plan
- 25% (c. £1.3m per annum) efficiency savings in Management and Maintenance over the next 5 years (5% per annum with total saving of £6.8m)
- Disposal of uneconomic properties, estimated to generate forecast additional income of £1m per annum for the next 10 years
- Proposed new pricing structures for community halls and garages.
- An increase in the under-occupation incentive to support our downsizing strategy

3.4 HRA 30-YEAR BUSINESS PLAN

3.5 The overarching assumptions in the HRA Business Plan are as follows

ASSUMPTIONS

Item	Assumption	Information
Inflation on supplies and services	1.7% Consumer Prices Index (CPI) increase for 20-21, 2% on going	CPI is assumed at 1.7%
Salaries	2% Pay Award	In consultation period
Rent – Existing council housing tenants	CPI (1.7%) plus 1% assumed from 2020/21 for 5 years, then CPI only	CPI is assumed at 1.7%
Rents - Council new build affordable homes	CPI (1.7%) plus 1% assumed from 2020/21 for 5 years, then CPI only	London Affordable Rents
Repairs & Maintenance cost increases	1.7% Consumer Prices Index (CPI) increase for 20-21, 2% on going	
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. This excludes any costs for any Decent Homes enhancements arising from the forthcoming Social Housing White paper	Budget reflects updated stock condition survey
Fire Safety Works	Based on estimated costs of fire safety works but excluding any new requirements arising from legislation	All costs budgeted for included in the capital programme. Still awaiting Government guidance on the new Building Safety Standards
Capital Programme – Estate Renewal and Development	Costs of current Estate Renewals included in the Business Plan based on the latest capital monitoring information.	3,500 new homes built into the plan over the next 10 years
RTB Sales	60 from 2020/21 to 2022/23 then 20 from 2023/24 onwards	The current trend shows that RTB sales are reducing, actual sales in 19-20 shows 48 sales up to the end of Q3
Operation of the Governments RTB One for One Replacement scheme	The Council will operate the scheme in accordance with Government guidelines. The RTB receipts are currently match funded by the HRA on a 30/70 basis.	
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	0.75%	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	HRA debt is expected to increase by £341m over the next 10 years

	the life of the loan.	
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3.6 2020/21 BASE BUDGET

3.7 The table below sets out the base budget for 2020/21 compared to 2019/20 figures.

Category	2019/20 Budget	2020/21 Proposed Budget	Reason for differences
Bad Debts	812	710	The provision has been reduced to reflect the actual debt position
Corporate & Democratic Core	367	367	no change to budget
Cost of Capital	9,414	10,424	Increase in interest payments due to an increase in level of debt required
Depreciation	14,101	14,168	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	-331	-280	The amount of interest receivable is expected to decrease due to a reduction in balances
Rent Rates and other Charges	710	722	increase in council tax on regeneration void properties charges due to the introduction of a premium on empty properties
Rents Dwellings	-56,477	-58,724	Income from dwellings rent is expected to increase this year due to the increase in rental income of 2.7% and additional properties being developed
Rents Shops/Commercial	-2,309	-2,350	shop income is expected to increase
Repairs and Maintenance	14,485	14,764	Contract inflation
Supervision & Management General & Special	22,007	22,318	2% pay award applied to all staff costs and a reduction in the Councils pension contribution
Leaseholder Service Charges	-4,671	-4,848	Increase in service charge income from leaseholders due to contract inflation
Self-Financing Contribution	2,787	3,624	Balance the Housing Revenue Account
Non-Dwelling Rents	-894	-894	Charges remain the same as last year
Grand Total	0	0	

3.8 EFFICIENCY SAVINGS

3.9 Efficiency savings will need to be delivered in the first 5 years of the Business Plan. Its proposed that 5% efficiency saving in Management and Maintenance will be applied per annum ending 2024-25. This will generate

additional revenue of c. £6.8m. The efficiencies will be partly achieved by the introduction of a new IT system (Civica CX) and insourcing the repairs, these changes are expected to make long term savings. The service is working on a delivery plan on how to achieve these savings. These efficiencies will assist in ensuring the Business Plan remains sustainable.

3.10 CAPITAL FINANCE AND PRUDENTIAL CODE

3.11 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 an HRA, the ratio of financing costs to revenue budget should be calculated within the HRA ring-fence and an impact on rents calculated.

3.12 The General Fund Budget report for 2020/21 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.

3.13 On 3rd October 2018 the Government scrapped the HRA borrowing cap to enable more affordable homes to be built. This will now enable Enfield to fund additional affordable homes within the borough. The current level of HRA debt is £315.2m and the expected level of borrowing will increase to £656m. As reported to Cabinet in January through the comprehensive review of the HRA Business Plan, 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.

3.14 A financial framework has been implemented this year to ensure the business plan remains financially viable and within affordable limits. This framework will also enable us to assess future investments decisions. The metrics are Interest Cover Ratio (ICR) and Loan to Value (LTV).

3.15 CAPITAL PROGRAMME

3.16 The table below sets out the overall capital expenditure planned for the next 10 years. These budgets are aligned with the P8 capital monitoring report. The programme is broken down into four areas detailed below.

10 Year Capital Programme	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 to 2029/30	TOTAL
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Estate Renewal Programme	21,962	6,379	2,195	1,712	1,150	1,625	35,023

Development Programme	71,449	79,211	150,355	135,976	81,471	363,827	882,289
Major Works Programme	38,421	29,456	27,856	27,956	14,539	71,199	209,427
Fire led Projects	12,732	12,316	13,749	7,450	0	0	46,247
	144,564	127,362	194,155	173,093	97,160	436,651	1,172,985

3.17 The 10-year capital programme totalling £1,172m will be funded as follows:

Funding	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 to 2029/30	TOTAL
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
External Grants	14,004	14,450	49,048	6,460	9,464	80,900	174,326
Revenue Contributions	30,119	7,454	6,385	5,570	8,872	14,705	73,105
Capital Receipts including RTB receipts	51,440	41,458	44,222	67,063	72,825	183,046	460,054
Borrowing	49,000	64,000	94,500	94,000	6,000	158,000	465,500
Total	144,563	127,362	194,155	173,093	97,161	436,651	1,172,985

3.18 Major Works to the Stock (including fire safety works)

3.19 A stock condition survey was completed in 2019/20 on 25% of the stock. This concluded that the overall provisions within the previous HRA business plan were generally sound over the long term but recommended alternative phasing and investment profiles.

3.20 These results have enabled us to develop a detailed 10 year major works programme and has identified the key areas of required works:

- Maintaining decent homes standards
- A risk-based programme of building safety works across our high rise and specialised housing units
- Delivering the existing Enfield Homes standard on stock which has a long-term life and taking a life cycle

3.21 The 10 year programme is as follows:

Scheme Description	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 to 2029/30	TOTAL
	£'000	£'000	£'000	£'000	£'000	£000's	£000's
Stock Condition led Works	18,720	24,883	24,883	24,983	12,444	60,780	166,693
Defined Asset led Projects	13,825	1,600	0	0	0	0	15,425
Demand led Works	5,400	2,497	2,497	2,497	1,850	9,250	23,991
Support Services	476	476	476	476	246	1,169	3,319
Major Works Programme	38,421	29,456	27,856	27,956	14,539	71,199	209,427
Fire led Projects	12,732	12,316	13,749	7,450	0	0	46,247

Total	51,153	41,772	41,606	35,406	14,539	71,199	255,675
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3.22 Estate Renewal Programme and Development Programme (including GLA grant and RTB receipts)

3.23 In the updated Business Plan report it was proposed to increase the number of new affordable homes to 3,500 in the next 10 years (currently 1,031 over 3 years). A high level programme to establish a pipeline of schemes has been produced by the development team and these schemes have been built into the business plan.

3.24 The programme contains estate regeneration projects, new build schemes on Council owned land and strategic partnerships to be developed.

3.25 The estate regeneration projects are replacing existing properties and the development programme is developing new properties.

3.26 These schemes will be funded from GLA grant, RTB receipts and additional borrowing. GLA funding assumptions are based on £100k per home for social and affordable rent and £28k for shared ownership. It is planned that RTB receipts will be spent in line with Government requirements (within 3 years). However, 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 if required.

3.27 Rents for re-provision in regeneration projects will be charged at social rent levels and new build developments will be charged London Affordable rent levels as part of GLA funding requirements.

Scheme Description	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 to 2029/30	TOTAL
	£'000	£'000	£'000	£'000	£'000	£000's	£000's
Estate Renewals Projects	1,329	2,000	0	0	0	0	3,329
Alma Buybacks and Project costs	17,298	4,078	1,940	1,347	895	1,625	27,183
New Avenue Buybacks and Project costs	3,335	301	255	365	255	0	4,511
Estate Renewal Programme	21,962	6,379	2,195	1,712	1,150	1,625	35,023
Development Programme other & Future GLA schemes	28,744	42,403	26,775	37,708	34,244	186,753	356,627
Joyce and Snells			70,830	70,830	35,415	177,074	354,149
Electric Quarter	13,366	6,683	0	0	0	0	20,049
GLA Programme - Alma additional units	8,250	8,250	7,500	7,500	0	0	31,500
GLA Programme - Rooftops	8,375	21,875	21,625	8,125	0	0	60,000
GLA Programme -	0	0	23,625	11,813	11,813	0	47,251

Ladderswood additional units							
GLA Programme - New Avenue additional units	7,638	0	0	0	0	0	7,638
Bury Street	5,076	0	0	0	0	0	5,076
Development Programme	71,449	79,211	150,355	135,976	81,471	363,827	882,289

3.28 HRA BALANCES

The estimated position on balances is set out below:

	Balance at 31/03/2019	Movement in 2019/20	Estimated balance as at 31/03/20
	£m	£m	£m
HRA General Balances	4.62	0.08	4.71
Repairs Fund	11.08	-1.20	9.88
Major Repairs Reserve	0.00	0.22	0.22
Capital Reserve	0.91	17.40	18.31
Insurance Reserve	0.18	0.15	0.33
Total Earmarked reserves	16.78	16.65	33.43

3.29 PROPOSED RENT CHARGES FOR HRA PROPERTIES FOR 2020/21

3.30 In October 2017 the Government announced that from April 2020 local authorities would be allowed to increase rents by CPI+1%. The table below shows examples of the rents for 2020/21 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 6th April 2020 (the first Monday in the month)

Property Type	Average Rent 2019/20	Average Rent 2020/21	£ Increase	% Increase
Bedsit	80.77	82.95	2.18	2.70%
1 Bed Flat	85.61	87.92	2.31	2.70%
1 Bed House	96.88	99.50	2.62	2.70%
2 Bed Flat	94.58	97.13	2.55	2.70%
2 Bed House	107.76	110.67	2.91	2.70%
3 Bed Flat	104.72	107.55	2.83	2.70%
3 Bed House	118.06	121.25	3.19	2.70%
4 Bed Flat	111.11	114.11	3.00	2.70%
4 Bed House	123.91	127.26	3.35	2.70%
5 Bed House	135.27	138.92	3.65	2.70%
6 Bed House	156.57	160.80	4.23	2.70%
Grand Total	98.9	101.57	2.67	2.70%

3.31 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.

3.32 As part of the GLA grant conditions all future development schemes will be charged the 'London Affordable Rent' instead of 'Enfield Affordable Rent'. Tenants currently on Enfield Affordable rents will remain and increased as part of the Social Rent Policy.

3.33 These rents are inclusive of service charges and have been increased by 2.7% (CPI +1%) as follows:

Bedroom size	2019/20	2020/21
1 bed	156.82	161.05
2 bed	190.14	195.27
3 bed	206.8	212.38
4 bed	221.5	227.48

3.34 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.

3.35 The following table shows the published rents for 2020/21:

Bedroom size	2019/20	2020/21
Bedsit and one bedroom	155.13	159.32
Two bedrooms	164.24	168.67
Three bedrooms	173.37	178.05
Four bedrooms	182.49	187.42
Five bedrooms	191.61	196.78
Six or more bedrooms	200.73	206.15

3.36 The below table shows the increase in properties in the Borough over the next 10 years, this is based on Council Housing's development programme. These will be a mix of affordable, shared ownership and private sale units across the borough:

Current stock numbers	10,693
RTB sales	-320
Current estate renewal programme	262
GLA grant funded & RTB programme	3,185
Expected stock numbers	13,820

3.37 It is useful to note that national research on housing affordability, suggests that spending a third of net household income (33%) on housing is a reasonable measure of housing affordability. Spending over 40% of net

income, particularly for those on median and lower incomes, could signal serious affordability issues.¹ These households are far more likely to struggle to make housing payments, resulting in arrears and defaults. Research has found they are also far more likely to experience material hardship because the effort required to prioritise their housing commitments creates problems elsewhere in their budgets.²

3.38 Many households in Enfield on median and lower incomes living in the private rented sector are having to spend more than 40% of their disposable income on housing rent. London Affordable Rent levels, set by the GLA, are lower than Local Housing Allowance rates for all bedroom sizes. This means any household receiving Local Housing Allowance would be able to afford London Affordable Rent. As the table below sets out, both social and LAR rents are considerably cheaper than both lower quartile and median private sector rents.

3.39 Latest data on rent levels for Enfield across tenures is set out in the table below

Bedroom Size	Enfield Social Rent 2020/21*	Enfield Target Social Rent 2020/21	London affordable rent 2020/21**	Lower quartile private rented sector	Median private rented sector***	Local Housing Allowance 2020/21
1 bed	93.71	94.62	159.32	231.00	242.00	211.84
2 bed	103.9	118.77	168.67	288.00	300.00	263.00
3 bed	114.4	138.46	178.05	340.00	368.00	324.57
4 bed	120.68	135.42	187.42	404.00	462.00	388.65

Based on average rent levels. There is the ability to charge up to 5% more on social rent levels for specific reasons, for example, a new build council house, these rents exclude service charges

** this charge is inclusive of service charges

*** Private rented sector rents from private rented market statistics from Government Valuation Office, March 2019

3.40 PROPOSED SERVICE CHARGES 2020/21

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

PROPOSED TENANTS SERVICE CHARGES

Service	2019/20	Proposed 2020/21	Change	Reason for change
	£	£	£	
Concierge	11.84	10.67	-1.17	1 block now receiving this service
CCTV	From 0.14 to 2.00	From 0.15 to 2.03	From 0.01 to 0.03	Increase in line with costs

Grounds Maintenance	1.90	1.94	0.04	Increase in line with costs
Caretaking Service	From 2.20 to 5.85	From 2.24 to 5.95	0.11	Increase in line with costs
Sheltered Caretaking	From 1.57 to 3.44	From 1.60 to 3.50	From 0.03 to 0.06	Increase by CPI
Sheltered Cleaning – Level 1 *	0.88	0.89	0.01	Increase by CPI
Sheltered Cleaning – Level 2 *	2.04	2.07	0.03	Increase by CPI
Sheltered Cleaning – Level 3 *	2.90	2.95	0.05	Increase by CPI
Landlord Communal Service Charge	From 0.27 to 3.22	From 0.28 to 3.27	From 0.01 to 0.05	Increase by CPI
Communal Electricity (Average)	14.10	15.16	1.06	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.

- 3.42 The Council's Housing Advisory Board and Customer Voice have been consulted on these proposals and consider that the new charges are acceptable.
- 3.43 In addition to the above service charges, water and sewerage charges which were previously collected by Enfield Council will now be collected by Thames Water directly. The impact of this change will result in a reduction of income to the HRA for the administration and collection of this of c. £300k per annum.
- 3.44 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.
- 3.45 It is proposed that from 2020/21 there will be no rental increase in the garage charges. There has been a recognition of the detrimental impact of the substantive price increase set 2018 that gave rise to 87 terminations of licence from licensees. Prior to 2018 rent increase a certain acceptance of daily problems encountered by licensees were tolerable as rent levels were reasonable. The private let terminations contributed to an estimated loss of revenue of £113k (calculated across a 52 week period). We have set out new garage strategy and following the steer from the Cabinet Member for Housing, it was decided that the garage rents should remain the same for 20/21. It was also agreed that a new concessionary rate will be introduced for private tenants in receipt of certain welfare benefits.
- 3.46 We are further proposing to introduce a concessionary rate for Private lets (non-council tenants) for those in receipt of the following benefits:

- Job Seekers Allowance
- Universal Credit
- Income support
- Pension Credit Guarantee
- Employment Support Allowance
- Disability Living Allowance
- Carers Allowance
- Mobility Allowance

3.47 The proposed charges for 2020/21 are:

	2019/20 weekly Rent per week £	2020/21 Proposed Rent per week £	Change %
Standard lock-up Garages	13.00	13.00	0%
Private Garage Rental	25.00	25.00	0%
Private Garage Rental Concessionary (New)	N/A	20.00	N/A
Garage Storage	25.00	25.00	0%
Parking Bay	8.00	8.00	0%

3.48 Following consultation with Residents we are proposing the following revised pricing structure for HRA Community Halls:

Community Hall Hourly Rate	2019/20 £	2020/21 Proposed Charges £	Change %
Private Hire	31.49	31.00	-2%
Charitable	18.36	18.36	0%
Council Housing resident	31.49	23.00	-27%
Enfield resident rate	31.49	25.00	-21%

3.49 In addition to the charge changes its proposed to offer the following:

- Tenant and Resident Associations – 2 hours free hire per month for activities supporting resident priorities
- Reduction in the minimum length of hall hire to 2 hours only
- Public Liability Insurance provided by the HRA in limited circumstances

3.50 LEASEHOLDER SERVICE CHARGES

3.51 The administration and management charge are 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.

3.52 It is estimated that in 2019/20 a total of 4892 properties will have been sold under leasehold arrangements.

- 3.53 At the end of each financial year, the actual cost is determined, and an appropriate adjustment made to the charge.
- 3.54 The cost of administration and management for 2020/21 is estimated at £1.067m and it is therefore recommended that the charge for 2020/21 is set at £209.52 per leasehold unit.
- 3.55 The charges below are estimates for 2020/21. Adjustments will be made mid-year to reflect actual charges.

ADMINISTRATION / MANAGEMENT / SERVICE CHARGES FOR LEASEHOLD UNITS

	Charge per week 2019/20	Charge per week 2020/21
	£	£
Administration & Management Charge	3.95	4.03
Caretaking Service	From 2.20 to 5.85	From 2.24 to 5.95
Communal Electricity	From 0.28 to 3.39	From 0.29 to 3.54
Concierge	11.84	10.86
CCTV	From 0.14 to 2.00	From 0.15 to 2.03
Grounds Maintenance	1.90	1.94
Paladin Bins	0.57	0.58
<i>INSURANCE</i>		
1 Bed	4.11	4.21
2 Bed	4.83	4.96
3 Bed	5.84	5.98
4 beds	6.34	6.50
Flat Repairs (Annual Charge)	0.02	0.02
Ground Rent (Annual Charge)	0.19	0.19
Estate Charge (Annual Charge)	0.25	0.25

3.56 Heating Charges

- 3.57 The Council has in the region of 1800 properties in 68 blocks of flats serviced by communal heating systems.

3.58 Electricity Charges

- 3.59 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 9.2% in October 2020. 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 4.3%. Affecting prices from October 1st, 2020 – September 30th, 2021. The impact of this will be for 6 months of 20/21 with an overall (estimated) increase in electricity of be 7.5% in 20/21.

3.60 At present the political situation in the UK is unclear with Brexit taking the lead and causing uncertainty in the market. Consequently, the budget data should be treated with some caution as it is possible that predicted pricing from 1st October 2020 – 30th September 2021 may change.

3.61 It should be remembered that whilst prices are increasing Enfield Borough Council have in the past made significant savings on energy through consortium purchasing via LASER (part of Kent County Council) who are experts in energy procurement. They purchase energy for many public bodies enabling Enfield to benefit not only from their expertise but also from cost and price reductions gained through bulk buying. This continues to be the case even in a market with this level of uncertainty.

3.62 Gas Charges

3.63 Similarly, gas prices have been affected with predicted increases from 1st October 2020 (through to 30th September 2021) non-commodity charge of 11% and commodity charge for most sites of 0.4%. The impact of this will be for 6 months of 19/20 with an overall (estimated) increase in electricity of be 4.4% in 20/21.

3.64 Other Charges

3.65 The gas standing charge will rise in line with the Gas increase of 4.4% for 19-20, and fuel oil will increase by CPI at 1.7%

3.66 Under Occupation Project

3.67 The aim of this 3 year project starting in 2020-21 is to make best use of Council stock by moving tenants that are under-occupying Council Homes into suitably sized accommodation thereby freeing up larger accommodation. With an increase in the incentive and flexible bespoke packages including support that meet the needs of tenants, and a supply of good quality homes in the right locations we will aim to do 60 Under-occupation moves per year.

3.68 The main benefits are:

- Freeing up much needed property with more than one bedroom to let to transfers (often severely overcrowded or in medical need), decants, applicants on the housing register and those in Temporary Accommodation. This benefits not only households but reduces the cost to the Council of providing Temporary Accommodation.
- The under-occupation incentive provides a cost effective way of providing larger Council accommodation. At a cost of £1250 to a

maximum of £2500 for the incentive, it is far cheaper than purchasing property. The average cost of purchasing a flat in Enfield is £306,458.

- Prevention of rent arrears and possible eviction for tenant's subject to the 'Bedroom tax' (because their accommodation is too big for their household) and there is a shortfall in housing benefit.

3.69 The current downsizing scheme offers a maximum of £750 towards the cost of moving which is relatively low compared to other London Boroughs. It is important to the tenants we have spoken too that the real cost of the move is covered, and this involves much more than the price of a removal van; This should also include provision for carpets and curtains and the disposal of furniture which by definition all downsizers will need to do.

3.70 Also, in continuing to allow tenants who have been affect by the bedroom tax and accrued arrears to downsize, we can use some of the funding available to pay the rent arrears and still provide enough funds to facilitate the move.

3.71 The increased proposal (from £750 for all sizes of units) is as follows:

£1,250 for giving up 1 x room

£2,000 for giving up 2 x rooms

£2,500 for giving up 3 x rooms

3.72 In addition, with the authorisation of the Head of Housing Services, increase the incentive aiming for flexible, bespoke packages that meet the needs of tenants on a case by case basis (with the authorisation of the Head of Housing Services), up to £2,000 per case.

3.73 Landlord Consent

3.74 We are establishing a new process in which Landlord Consent applications will be processed. The applicable fees for each application type reflect the administration involved and the complexity of the work. The new Landlord Consent process will ensure that the Council is comfortable with the work being completed within leasehold properties and that the conditions of the work are adhered to.

3.75 The Council proposes to introduce the following tiered application fees for 2020/2021:

- Like for Like Alterations - £50.00
- Minor Structural Alterations - £100.00
- Major Structural Alterations - £200.00
- Retrospective Alterations - £350.00

3.76 It is estimated that there could be 15-20 applications in 2020-21, with estimated income generation of c. £4k.

3.77 Alongside this change we will be committing to provide a response within a 10 day period for like for like alterations reflecting feedback received from residents. Timescales for other more complex alterations are subject to consultation with internal stakeholders and Leaseholders.

3.78 Ground Source Heat Pumps – Leaseholder Charging proposal

3.79 GSHP are renewable heating systems which take free heat from the ground via boreholes and convert this through heat pumps into the provision of heating and hot water to individual properties.

3.80 Whilst the capital cost of these systems is currently higher than that of other systems such as gas, the governments Renewable Heat Incentive (RHI) schemes provides a subsidy which provides the capital repayment within circa 18 years. Essential the cost to Enfield is the carry cost of finance over the 18 years, the management of the installation works and any ongoing maintenance costs which are included in our annual revenue costs.

3.81 Currently RHI is due to end this year but we await an announcement of whether the scheme will be extended, or an alternative scheme developed.

3.82 GSHP only require electricity to run the pumps, the heat from the ground is free, so residents will see lower fuels bills over time. We are working with residents in the first schemes to evaluate the actual costs savings.

3.83 The systems also remove gas from our blocks (which has traditionally been the fuel source) which significantly reduced the risk of fire and explosion in our blocks, which is especially pertinent given the Grenfell Tower disaster.

3.84 On all of the previous GSHP schemes we have only charged leaseholders £2.5k, which reflects Enfield's costs, as a way of encouraging them to be included (we have a duty to provide a means of heating to their flats, but we do not define what that heating will be).

3.85 We design the system to ensure there is capacity for leaseholders to join but if they do not then we cannot get the RHI for their flat (around £14-£15k) so in essence we are paying in full for infrastructure which we could be fully funded from the RHI.

3.86 As part of our commitment to reducing carbon emissions and providing affordable warmth solutions, where we are proposing the installation of Ground Source Heat pumps.

3.87 We are proposing the following charging mechanism for Leaseholders:

1. Where properties are already on a communal heating system that we are upgrading or renewing than the cost to Leaseholders will be chargeable via a major works service, but the cost reduced by the value of the RHI grant so no profit made.

2. For all schemes where leaseholders are on individual boilers and we are introducing an environmentally more energy efficiency system we incentivise leaseholders to join the system. Incentives include a reduction in heating costs, the council to manage and maintain the heating system and where the cost is £2500 or less agree a payment plan over 3-4 years to encourage leaseholders to agree to the installation.

3.88 Thames Water – Billing Changes

3.89 In September 2019 Thames Water advised the Council that the way they were collecting water and wastewater from tenants was going to change.

3.90 Thames Water have reviewed the current arrangements and have decided they would like to have a more direct relationship with residents to discuss the full range of services, including those for people who need extra help and support directly.

3.91 Currently the Council collect the water charges on behalf of Thames Water and we receive an income to cover the cost of administration, this change will result in loss of income of c. £300k per annum.

3.92 All tenants affected have been contacted regarding the change which will commence on 1st April 2020 when billing will be direct.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 Annual efficiency savings of 5% are being implemented across various departments to ensure a healthy level of balances are held and the business plan remains sustainable.

5. REASONS FOR RECOMMENDATIONS

5.1 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 rent and 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).

6. COMMENTS FROM OTHER DEPARTMENTS

6.1 Financial Implications

6.2 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 2020/21 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.
- The impact of additional borrowing requirements on the 30 year business plan.

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

6.4 Legal Implications

6.5 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.

6.6 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.

6.7 The Council is a local housing authority within the meaning of the Housing Act 1985 and is specifically empowered to provide housing accommodation, either by erecting houses, or converting buildings into houses on land acquired by it for the purposes of Part 2 of the Housing Act, or by acquiring houses.

6.8 Right to buy receipts are capital receipts within the meaning of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and those Regulations generally require the Council to pay the amounts received to the Secretary of State on a quarterly basis. However, pursuant to section 11(6) of the Local Government Act 2003, the Council may enter into an agreement with the Secretary of State to retain the whole or part of a capital receipt. An agreement was entered into by the Council in 2012 which specifies circumstances in which the Council is not required to pay specified capital receipts to the Secretary of State.

6.9 Pursuant to Part III, Schedule 6 of the Housing Act 1985, repairing obligations are placed on the Council as Landlord in respect of properties held on leases after having been sold under the Right to Buy

scheme. The Council's standard form of residential Lease with leaseholders further sets out these obligations.

- 6.10 Leasehold service charges are required to be transparent and reflect the actual cost of the services incurred in accordance with the Landlord and Tenant Act 1985.
- 6.11 The Council's Lease entered into with Leaseholders require the Leaseholder to obtain consent for any alterations they wish to make to their home. The Landlord and Tenant Act 1927 is the statutory framework governing such requests which are not to be unreasonably withheld.
- 6.12 Leasehold service charges are required to be transparent and reflect the actual cost of the services incurred in accordance with the Landlord and Tenant Act 1985.
- 6.13 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).

6.14 Property Implications

- 6.15 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.
- 6.16 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.
- 6.17 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.
- 6.18 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 refer to the procedure for Appropriation at section 8 which must also be adhered to.

7. KEY RISKS

7.1 Building Safety

7.2 The Grenfell fire in 2017 and the Government led Building Safety programme has placed a significant burden on the HRA over the last two years and additional funding has had to be identified and bought forward to finance reactive cladding works and large scale door replacement programmes, following the release of advice notes and changes to Approved Documents.

7.3 The Council is considering its building safety programme in preparedness for the forthcoming regulatory framework to ensure the risk of non-compliance at implementation, is mitigated.

7.4 The full financial requirements and implications associated with the new primary legislation are still to be fully understood as the findings of the 2019 consultation and scope have not been confirmed.

7.5 A draft bill is expected in early 2020. As such financial requirements in this area, will need to be kept under review.

7.6 Economic Uncertainty

7.7 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 2020/21 as part of the business planning process.

7.8 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.

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

8.1 Good homes in well-connected neighbourhoods

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

8.3 We will increase the supply of affordable housing including shared ownership by delivering planned estate regeneration programmes.

8.4 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

8.5 Sustain strong and healthy communities

8.6 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.

8.7 Build our local economy to create a thriving place

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

9. EQUALITIES IMPACT IMPLICATIONS

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

10. PERFORMANCE AND DATA IMPLICATIONS

10.1 Setting a balanced budget for 2020/21 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.

11. HEALTH AND SAFETY IMPLICATIONS

11.1 Noted within the report is our approach to fire safety including safety works and installation of sprinklers in all high-rise blocks.

12. HR IMPLICATIONS

12.1 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.

13. PUBLIC HEALTH IMPLICATIONS

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

13.2 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

Appendix 1

HRA 30 year Business Plan	2021	2022	2023	2024	2025	2026-2030	2031-2035	2036-2040	2041-2045	2046-2050
CAPITAL PROGRAMME	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
HRA Planned Renewals	51.15	41.77	41.61	35.41	14.54	71.34	72.86	93.80	103.49	97.35
New Build Properties - Eligible	21.14	32.99	39.99	27.46	6.48	32.41	0.00	0.00	0.00	0.00
New Build Properties - Non-Eligible	64.86	52.60	112.56	110.22	76.14	332.90	0.00	0.00	0.00	37.94
Receipts Used For Replacement Homes Non HRA	7.41	0	0	0	0	0.00	0.00	0.00	0.00	0.00
Total Capital Programme	144.56	127.36	194.16	173.09	97.16	436.65	72.86	93.80	103.49	135.28
CAPITAL RESOURCES										
HRA Use Of Major Repairs Reserve	14.17	14.55	15.03	15.63	16.29	54.63	36.61	38.71	55.10	108.84
Borrowing	49.00	64.00	94.50	94.00	6.00	158.00	0.00	0.00	0.00	0.00
Grant Funding	14.00	14.45	49.05	6.46	9.46	80.90	0.00	0.00	0.00	2.24
Useable One-to-One RTB Receipts	7.60	8.27	6.53	4.64	0	0.00	0.00	0.00	0.00	0.00
Other RTB Useable Capital Receipts	1.86	1.91	1.97	0.8528	0.8736	4.70	5.32	6.03	6.85	7.75
Receipts Used For Replacement Homes Non HRA	7.41	0	0	0	0	0.00	0.00	0.00	0.00	0.00
Other Sources Of Finance	17.13	16.73	20.70	45.95	55.66	123.72	30.93	49.06	41.55	16.45
Revenue Contributions To Capital Total	33.39	7.45	6.39	5.57	8.87	14.70	0.00	0.00	0.00	0.00
Total Capital Resources Detail	144.56	127.36	194.16	173.09	97.16	436.65	72.86	93.80	103.49	135.28