

London Borough of Enfield

Council

Meeting Date: 2 March 2021

Subject: Housing Revenue Account (HRA)
Budget 2021/22, Rent Setting and Service Charges

Cabinet Member: Cllr Needs
Executive Director: Sarah Cary

Key Decision: 5212

Purpose of Report

1. This report sets out the proposed HRA 30-Year Business Plan for which a full review has been undertaken and is reported on elsewhere in the Council agenda, the detailed HRA Revenue Budget for 2021/22, the ten-year Capital Programme and Right to Buy (RTB) One for One Receipts programme.
2. The report seeks approval for the following:
3. The levels of rents, service charges, fees and heating charges to be charged with effect from 1st April 2021 for HRA Council Tenants and Leaseholders.
4. The 2021/22 HRA Revenue budget.
5. 10 Year HRA Capital programme, including the investment in existing homes, estate regeneration and development programme
6. The updated Rent Setting and Tenancy Policy

Proposals

7. Council is recommended:
8. To approve the HRA 30-Year Business Plan shown in Appendix 1
9. To approve the detailed HRA Revenue Budget for 2021/22 as shown in paragraph 20.
10. To approve the 10-year HRA Capital Programme of and borrowing requirements to deliver 3,500 additional units.
11. To approve a rent increase for 1.5% in line with Government guidelines noting the social and affordable rent levels for 10,400 properties in 2021/22.

12. To approve the level of service charges for 2021/22 for those properties receiving this service
13. To approve the charges for community hall hire, garages and parking bay rents
14. To note the heating charges for 2021/221 for those properties on communal heating systems
15. To approve the Rent and Tenancy Policy in Appendix 2
16. To note the introduction of service charges to the later living schemes for existing residents subject to engagement

Reason for Proposals

17. This report is presented to Council on annual basis for the following reasons:

- To ensure that a balanced 30-Year HRA Business Plan is approved by Council.
- To ensure that the HRA Budget is set by the Council and that this budget does not put the HRA into deficit.
- 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.

Relevance to the Council's Plan

18. Develop affordable homes, ensure we set fair rents, improve existing housing stock to create a lifetime of opportunities in Enfield, providing Good Homes in well-connected Neighbourhoods, and Sustaining Strong and Healthy Communities.

Background

19. In October 2019 the Government announced a change to the Social Housing Rent Standard Policy that from April 2020 for a 5 year period, local authorities could increase rents by CPI+1% which has been incorporated into the Business Plan.
20. Below are the key changes for Housing since the 2020-21 Rent Setting report:
 - The GLA announced its Homes for Londoners: Affordable Homes programme (AHP) 2021-2026, which will replace the current Building Council Homes for Londoners (BCHL) funding, allowing Councils to bid for funding for new affordable homes

- Updated development programme, including strategy changes driven by AHP funding changes
- The impact of Covid-19 on the HRA revenue and capital budgets
- The Regulator of Social Housing will now regulate local authorities to promote viable, efficient and well-managed social housing. The service will be under greater scrutiny from the Regulator to ensure we deliver a service that is value for money, meets the Rent Standard and gives tenants of social housing the opportunity to be involved in its management and to hold their landlords to account.
- In November guidance was issued by the Ministry of Housing reiterating what the HRA can be used for. The guidance states that charges to the HRA for services provided must be transparent and fair.

Main Considerations for the Council

21. HRA 30-year Business Plan – the overarching assumptions in the HRA Business Plan are as follows:

Item	Assumption	Information
Inflation on supplies and services	0.5% Consumer Prices Index (CPI) increase for 2021/22, 2% on going	CPI is assumed at 0.5%
Salaries	1% Pay Award	In consultation period
Rent – Existing council housing tenants	CPI (0.5%) plus 1% assumed from 2021/22 for 4 years, then CPI only	CPI is the rate at September which was 0.5%
Rents – Council new build affordable homes	CPI (0.5%) plus 1% assumed from 2021/22 for 4 years, then CPI only	London Affordable Rents (BCHL) Social Rents (AHP)
Repairs & Maintenance cost increases	0.5% Consumer Prices Index (CPI) increase for 2021/22, 2% on going	
Investment Capital Programme	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.	Budget reflects a programme established from updated stock condition information
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 13 years
RTB Sales	60 from 2021/22 to 2022/23	The current trend shows that

	then 20 from 2023/24 onwards	RTB sales are reducing, actual sales in 2020/21 shows 43 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.	Retention agreement entered into to allow a further 3 years to spend the receipts
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 Treasury Management Strategy
Interest rate on balances	0.75% TBC	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 £341m over the next 10 years

2021/22 Revenue Budget

22. The table below sets out the base budget for 2021/22 compared to 2020-21 figures.

Category	2020/21 Budget £'000	2021/22 Proposed Budget £'000	Reason for differences
Bad Debts	710	858	The provision has been increased to reflect the impact that Covid-19 could potentially have on the arrears position
Corporate & Democratic Core	367	367	no change to budget
Cost of Capital	10,424	12,345	Increase in interest payments due to an increase in level of debt required
Depreciation	11,168	11,067	The amount set aside for depreciation has reduced to reflect the actual outturn
Interest on Balances	-324	-380	The amount of interest receivable is expected to increase due to a higher level of balances
Rent Rates and other Charges	722	676	decrease in council tax on regeneration void properties charges due to a number of units now being demolished
Rents Dwellings	-57,845	-61,484	Income from dwellings rent is proposed to increase this year, partly due to the rent increase 1.5% and partly due additional properties being developed

Rents Shops-Commercial	-2,319	-2,343	shop income is expected to increase slightly
Repairs and Maintenance	12,889	12,540	Slight reduction due to efficiency savings within the service
Supervision & Management General & Special	21,736	21,623	1% pay award applied to all staff costs has been removed in line with the public sector settlement?, efficiency savings have reduced the overall budget
Leaseholder Service Charges	-4,941	-5,015	Increase in service charge income from leaseholders due to contract inflation
Self-Financing Contribution	8,448	10,848	Balance the Housing Revenue Account
Non-Dwelling Rents	-1,035	-1,102	Inflation increase
Grand Total	0	0	

Efficiency Savings

23. Efficiency savings will need to be delivered in the first 4 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. £4m. 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 future savings. These efficiencies will assist in ensuring the Business Plan remains sustainable.

Capital Finance and Prudential Code

24. 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.
25. The General Fund Budget report for 2021/22 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.
26. The financial framework implemented last year ensures 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).

Capital Programme

27. The table below sets out the overall capital expenditure planned for the next 10 years. These budgets are aligned with the 10-year Capital Strategy report. The programme is broken down into three areas detailed below.

10 Year Capital Programme	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/31	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Estate Renewal Programme	8,127	2,813	2,102	872	756	117	14,788
Development Programme	76,158	69,404	101,123	73,969	82,829	548,878	952,360
Investment Programme	84,345	44,198	31,269	14,933	14,539	69,636	258,920
Total Programme	168,630	116,415	134,495	89,774	98,123	618,631	1,226,069

28. The 10-year capital programme totalling £1,226m will be funded as follows:

10 Year Capital Funding	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/21	Total
	£000	£000	£000	£000	£000	£000	£000
Grants & External Contributions	19,324	12,483	15,514	15,658	25,450	38,287	126,715
Capital Receipts	10,018	9,459	6,213	7,234	7,492	8,664	49,079
Major Works Allowance	11,067	11,257	11,474	5,103	13,287	77,285	129,473
Earmarked Reserves	69,221	22,217	42,294	61,780	45,294	260,438	501,245
Borrowing	59,000	61,000	59,000	0	6,600	233,956	419,556
Total Programme	168,630	116,415	134,495	89,774	98,123	618,631	1,226,069

Investment in Stock

29. Work is underway on a new Asset and Sustainability strategy. Once finalised the affordability will be ascertained against the business plan and the new strategy will come forward to Cabinet for approval with a revised 10-year investment programme, aligned to the new strategy.

30. A significant amount of re-profiling was identified in 2020/21 mainly due to Covid-19, this included tender delays and works which were postponed due to Government guidelines.

31. A revised programme has been included within the updated 10-year capital programme to reflect the impact of these changes. This programme will deliver the following:

- Maintaining and increasing 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

- Reducing lift outages that cause residents inconvenience;
- Prevent water leaks and penetration, leading to mould growth, effecting resident's health and wellbeing;
- Improve building performance, reducing energy consumption and fuel bills.

32. The 10-year programme is as follows:

Scheme Description	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/31	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Stock Condition led Works	28,704	29,649	27,525	14,933	14,539	69,695	185,045
Defined Asset led Projects	18,391	2,813	0	0	0	0	21,204
Demand led Works	3,350	2,550	2,350	0	0	0	8,250
Fire led Projects	33,901	9,186	1,394	0	0	0	44,481
Total	84,345	44,198	31,269	14,933	14,539	69,695	258,979

Estate Renewal Programme and Development Programme (including GLA grant)

33. An updated programme to re-establish a pipeline of schemes has been produced by the development team and these schemes have been built into the business plan. This programme will deliver 3,500 new homes in the next 13 years.

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

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

36. These schemes will be funded from GLA grant, RTB receipts and additional borrowing.

37. The GLA issued its prospectus for the Homes for Londoners: Affordable Housing Programme 2021-2026 (AHP 2021-26), which included updated grant rates for new homes within this programme. The grant assumptions included in the HRA business plan are as follows:

GLA grant assumption	Original (BCHL)	Revised (AHP)
Affordable	£100k	Maximum: £150k
Shared ownership-equity	£28k	£50k

38. 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. The GLA have confirmed that the new AHP grant will not support the development of re-provision units and S106 units, so its anticipated that recycled RTB receipts

will be used to assist in funding these schemes.

39. New build development units will be charged London Affordable rent levels as part of Building Council Homes for Londoners (BCHL) GLA funding programme and social rents will be charged as part of the new Affordable Homes (AHP) GLA funding Programme. The social rents will be based on the 1999 valuation of the property and will be calculated on a formula rent basis.

Scheme Description	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/31	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Estate Renewals Projects	2,321	0	0	0	0	0	2,321
Alma Buybacks and Project costs	5,434	2,359	1,787	557	646	59	10,842
New Avenue Buybacks and Project costs	205	205	205	204	0	0	819
Ladderswood	160	249,629	110	110	110	0	740
Small sites 1	7,391	0	0	0	0	0	7
Estate Renewal Programme	8,127	2,813	2,102	872	756	59	14,729
Development Programme other & Future GLA schemes	57,066	66,796	100,886	73,969	82,829	548,878	930,423
Electric Quarter	6,683	0	0	0	0	0	6,683
Bury Street	12,409	2,608	238	0	0	0	15,254
Development Programme	76,158	69,404	101,123	73,969	82,829	548,878	952,360

RTB One for One Replacement Receipts and Expenditure

40. 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.
41. In the next 5 years receipts will be used to fund development and regeneration schemes. These schemes are expected to deliver c. 600 additional affordable properties within the borough.
42. 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.
43. In order to continue to spend Right to Buy receipts approval is required for the proposed 5-year programme outlined below:

RTB receipts allocation – 30%	2021/22	2022/23	2023/24	2024/25	2025/26
	£	£	£	£	£
New Avenue	4,392	4,392	4,392	3,560	0

Electric Qtr	1,117,688	0	0	0	0
Newstead	408,692	15,040	0	0	0
Gatward Green	313,056	6,268	0	0	0
GLA Programme	6,417,240	7,627,604	6,559,388	14,192,360	6,655,880
Total RTB receipts	8,261,068	7,653,304	6,563,780	14,195,920	6,655,880

44. 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.

HRA Balances

45. The estimated position on balances is set out below:

	Balance at 31/03/2020	Movement in 2020/21	Estimated balance as at 31/03/21
	£m	£m	£m
HRA General Balances	4.62	0.80	5.42
Repairs Fund	11.39	-0.59	10.80
Major Repairs Reserve	15.96	0.00	15.96
Capital Reserve	10.59	-0.12	10.47
Insurance Reserve	0.32	0.00	0.32
Total Earmarked reserves	42.88	0.08	42.96

Proposed Rent Charges for HRA Properties 2021/22

46. In October 2017 the Government announced that from April 2020 the rent settlement for the next 5 years was CPI + 1%. The table below shows examples of the rents for 2021/22 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 5th April 2021 (the first Monday in the month)

Property Type	Average Rent 2020/21	Average Rent 2021/22	£ Increase	% Increase
Bedsit	82.95	84.19	1.24	1.5%
1 Bed Flat	87.92	89.24	1.32	1.5%
1 Bed House	99.5	100.99	1.49	1.5%
2 Bed Flat	97.13	98.59	1.46	1.5%
2 Bed House	110.67	112.33	1.66	1.5%
3 Bed Flat	107.55	109.16	1.61	1.5%
3 Bed House	121.25	123.07	1.82	1.5%
4 Bed Flat	114.11	115.82	1.71	1.5%
4 Bed House	127.26	129.17	1.91	1.5%
5 Bed House	138.92	141.00	2.08	1.5%
6 Bed House	160.8	163.21	2.41	1.5%
Average Rent	101.57	103.09	1.52	1.5%

47. Within the formula rent calculation there is the ability to charge up to 5% more on the base rent levels for specific reasons, for example, a new build council house, these rents exclude service charges. This flexibility hasn't been applied

to the current HRA stock.

48. 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.
49. Rents for re-provision in regeneration projects will be charged at re-based social rent levels.
50. As part of the GLA grant conditions all future development schemes will be charged the 'London Affordable Rent' or 'Social Rents' instead of 'Enfield Affordable Rent'. Tenants currently on Enfield Affordable rents will remain and increased as part of the Social Rent Policy.
51. The Enfield Affordable Rents are inclusive of service charges and have been increased in line with the Social Housing Rent Standard which is 1.5% (CPI +1%) as follows:

Bedroom size	2020/21	2021/22
1 bed	161.05	163.47
2 bed	195.27	198.20
3 bed	212.38	215.57
4 bed	227.48	230.89

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

53. The following table shows the published rents for 2021/22:

Bedroom size	2020/21	2020/21
Bedsit and one bedroom	159.32	161.71
Two bedrooms	168.67	171.20
Three bedrooms	178.05	180.72
Four bedrooms	187.42	190.23
Five bedrooms	196.78	199.73
Six or more bedrooms	206.15	209.24

54. The below table shows the increase in Council owned properties over the next 10 years, this is based on Council Housing's development programme.

Current stock numbers	10,432
RTB sales	-300
GLA grant funded & RTB programme	2,968

Proposed Tenants Service Charge 2021/22

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

Service	Current 2020/21	Proposed 2021/22	Change	Reason for change
	£	£	£	
Concierge	10.67	10.72	0.05	1 block receiving this service – increase in line with costs and 0.5% increase over last year
CCTV	From 0.15 to 2.03	From 0.16 to 2.04	From 0.01 to 0.01	Increase in line with costs
Grounds Maintenance	1.94	1.96	0.02	Increase in line with costs ,1% increase over last year
Caretaking Service	From 2.24 to 5.95	From 2.28 to 6.07	From 0.04 to 0.12	Increase in line with costs
Sheltered Caretaking	From 1.60 to 3.50	From 1.61 to 3.52	From 0.01 to 0.02	Increase by CPI (0.5%)
Sheltered Housing Mgt Fee (new tenants only)	From 23.50 to 29.50	From 23.62 to 29.65	From 0.12 to 0.15	Increase by CPI (0.5%)
Sheltered Cleaning – Level 1 *	0.89	0.9	0.01	Increase by CPI (0.5%)
Sheltered Cleaning – Level 2 *	2.07	2.08	0.01	Increase by CPI (0.5%)
Sheltered Cleaning – Level 3 *	2.95	2.96	0.01	Increase by CPI (0.5%)
Landlord Communal Service Charge	From 0.28 to 3.27	From 0.29 to 3.29	From 0.01 to 0.02	Increase by CPI (0.5%)
Communal Electricity (Average)	15.16	15.28	0.12	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.

56. Sheltered Housing Service is continuing with the work to re-designate some of the unsuitable sheltered housing schemes and the improvements to the blocks that will become the later living schemes. The outcome of the re-designation will also be the introduction of enhanced housing management service charge fee for all residents living in the later living schemes to reflect the actual cost of services received. The progress of the re-designation had

been adversely affected by the pandemic, as the basis of the engagement with residents is a personalised face-to-face discussion as well as capital investment works undertaken in communal areas and individual flats. The savings and additional income will be partially archived during the year 2021/2022

57. In the meantime, all new tenancies granted after 1 April 2019 to all existing sheltered housing schemes attract a full enhanced housing management fee.
58. The garages which are let to Council tenants, leaseholders and private tenants are standard lock-up. A non-Council tenant premium' is charged on all lets to private tenants, and any Council tenant or leaseholder who rents more than 2 garages.
59. In 2020/21 a new concessionary rate was introduced for private tenants in receipt of certain welfare benefits.
60. The garage charges have increased by an average of 5%, the charges are as follows:

	2020/21 weekly Rent per week £	2021/22 Proposed Rent per week £	Change %
Standard lock-up Garages	13.00	13.50	4%
Private Garage Rental	25.00	26.50	6%
Private Garage Rental Concessionary (New)	20.00	21.00	5%
Garage Storage	25.00	26.50	6%
Parking Bay	8.00	8.40	5%

61. The HRA Community Halls have increased by an average of 5%, the charges are as follows:

Community Hall Hourly Rate	2019/20 £	2020/21 Proposed Charges £	Change %
Private Hire	31.00	32.50	4.8%
Charitable	18.36	19.50	6.2%
Council Housing resident	23.00	24.00	4.3%
Enfield resident rate	25.00	26.50	6.0%

Leaseholder Service Charges

62. 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.

63. It is estimated that in 2020/21 a total of 4,892 properties will have been sold under leasehold arrangements.
64. At the end of each financial year, the actual cost is determined, and an appropriate adjustment made to the charge.
65. The cost of administration and management for 2021/22 is estimated at £1.075m and it is therefore recommended that the charge is set at £211.16 per leasehold unit.
66. The charges below are estimates for 2021/22. Adjustments will be made mid-year to reflect actual charges.

	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

Heating Charges

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

Electricity Charges

68. Prices across gas and power contracts have reduced in the past 18 months falling to historical lows. Some of the main drivers have been:
- High gas storage levels
 - Impressive LNG delivery volumes
 - Demand destruction caused by Covid-19
 - Commodity prices tumbling on weak demand and market instability
 - Strong renewable generation and mild temperatures.
69. All the above factors resulted in a very low wholesale commodity price on both power and gas (the latter more so) in the 2020/21 delivery period. However, these low prices are not expected to continue as the development and deployment of Covid-19 vaccines will likely drive demand higher into 2021 and inevitably have some weighting on energy complexes too.
70. Due to these changes the estimated overall electricity charges for 2021/22 will increase by 0.8%.
71. The electricity charges are made up of two elements, the non-commodity standing charge and the non-commodity charges of delivering electricity, balancing the grid, all network costs including maintenance and development and Government taxes and levies.
72. LASER (energy procurement consultants) have over the past few months taken advantage of low market prices not only for short-term contracts but out until the end of the current framework. This has allowed us to mitigate any future market fluctuations and spikes over the coming years.
73. We are currently in one of the most unpredictable and unprecedented times in history where we have both Covid-19 and Brexit likely to cause volatility in equity, commodity and energy markets in the coming months. Therefore, we have made, and continue to protect your volume against volatility or extremity. Covid-19 is likely to cause ramifications to non-commodity costs moving into next year with balancing elements, Contract for Difference and Feed in Tariff charges potentially rising to cover the shortfall this year.
74. It should be noted 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.

Gas Charges

75. Similarly, gas prices have seen low prices, however, this is shifting in the coming years as efforts to decarbonize the gas market intensifies, therefore the overall increase in gas charges for 2021/22 is 0.6%

Other Charges

76. The gas standing charge and fuel oil will increase by CPI at 0.5%

Under Occupation Project

77. This 3 year project started in 2020-21 to ensure best use of Council stock by moving tenants that are under-occupying Council Homes into suitably sized accommodation thereby freeing up larger accommodation. There was an increase in the incentive and flexible bespoke packages including support that meet the needs of tenants.

78. The charges remain at the 2020-21 approved levels 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

Safeguarding Implications

79. There are no safe-guarding implications

Public Health Implications

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

81. 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

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

83. There are no Environmental and Climate Change considerations

Risks that may arise if the proposed decision and related work is not taken

84. The Grenfell fire in 2017 and the Government led Building Safety programme has placed a significant burden on the HRA over the last three 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.

85. 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.
86. 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.
87. A final bill is expected in 2021. As such financial requirements in this area, will need to be kept under review.
88. 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 2021/22 as part of the business planning process.
89. 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.

Financial Implications

90. 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 2021/22 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;
 - An assessment of key risks and uncertainties; and
 - The impact of additional borrowing requirements on the 30 year business plan.
91. It is therefore the view of the Director of Finance that the HRA budget is robust and that the balances held are prudent.

Legal Implications

92. 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.
93. 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.
94. 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.
95. 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.
96. 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.
97. 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.
98. 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.
99. 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.
100. 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).

Workforce Implications

101. Additional resources to deliver capital programme and comprehensive developments may be a requirement however a restructure of the services is being undertaken to ensure the team's capacity to deliver projects.

Property Implications

102. These implications are to be found throughout this report

Other Implications

103. There are no other implications

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Director of Housing

Date of report

Appendices

Appendix 1 30 year Budget
Appendix 2 10 year Budget
Appendix 3 Rent Policy

Appendix 1

HRA Revenue Budget 30 years	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032-2050	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Dwelling Rents	55.9	58.0	59.8	61.9	68.5	73.1	77.5	79.6	81.8	88.2	90.5	2,122.2	2,917.1
Service Charges Tenants	3.5	3.7	3.7	3.8	3.9	4.0	4.2	4.3	4.4	4.8	4.9	113.5	158.6
Service Charges Leaseholders	4.9	5.0	5.1	5.2	5.3	5.4	5.5	5.6	5.7	5.8	5.9	138.3	197.6
Voids	-0.6	-0.6	-0.6	-0.7	-0.7	-0.8	-0.8	-0.8	-0.9	-0.9	-0.9	-22.2	-30.5
Non Dwelling Rents	3.7	3.7	3.7	3.8	3.9	4.0	4.0	4.1	4.2	4.3	4.4	102.1	145.9
RTB Administration Income	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	1.0	2.3
Total Income	67.6	69.9	71.9	74.2	80.9	85.7	90.5	92.9	95.4	102.2	104.8	2,455.0	3,391.0
Responsive Repairs	11.7	12.5	12.8	13.1	13.7	14.8	15.3	15.7	16.1	16.9	17.2	404.3	564.1
Supervision and Management	14.9	14.4	14.7	15.0	15.6	16.7	17.2	17.6	18.0	18.9	19.3	440.8	623.2
Special Services	7.5	7.5	7.7	7.8	8.0	8.1	8.3	8.5	8.6	8.8	9.0	209.5	299.3
Rents & Rates Taxes	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	12.9	20.3
Bad Debt	0.8	0.9	-0.9	0.7	0.7	0.8	0.8	0.8	0.9	0.9	0.9	22.2	31.3
Depreciation of Fixed Assets Total	10.9	11.1	11.3	11.5	12.3	12.9	13.6	14.0	14.4	15.5	15.9	369.8	513.0
Expenditure	46.6	47.0	48.0	48.8	51.0	54.0	56.0	57.2	58.6	61.6	63.0	1,459.4	2,051.2
Net (Cost) Of Services	21.0	22.9	23.9	25.4	29.9	31.8	34.5	35.6	36.8	40.6	41.8	995.6	1,339.9
Loan Interest	10.3	12.3	14.4	16.5	16.5	16.7	18.8	23.8	24.9	24.2	24.2	443.6	646.3
Interest Income	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-9.6	-11.9
Notional Cash Interest	-0.3	-0.3	-0.1	-0.1	-0.1	-0.3	-0.4	-0.2	-0.2	-0.1	-0.2	-65.0	-67.2
Capital Account Adjustments	10.0	11.9	14.2	16.2	16.2	16.2	18.1	23.3	24.5	23.9	23.7	369.1	567.2
Net Operating Income/(Expenditure)	11.1	10.9	9.7	9.2	13.8	15.6	16.4	12.3	12.3	16.7	18.1	626.6	772.7

HRA 10 year Capital Budget	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
CAPITAL PROGRAMME											
Investment Programme	84.3	44.2	31.3	14.9	14.5	14.5	14.5	14.5	13	13	258.7
New Build Properties - Eligible	8.7	3.1	11.1	15.9	17.9	46.4	75.7	39.4	0	0	218.2
New Build Properties - Non-Eligible	75.6	69.1	92.1	59	65.7	106.9	137.1	86.3	38	19	748.8
Total Capital Programme	168.6	116.4	134.5	89.8	98.1	167.8	227.4	140.3	51.1	32	1,226
CAPITAL RESOURCES											
Major Repairs Reserve	11.1	11.3	11.5	5.1	13.3	20.4	14	14.4	15.5	26.9	143.5
Borrowing	59	61	59	0	6.6	58	143	33	0	0	419.6
Grant Funding	19.3	12.5	15.5	15.7	25.5	17.1	9.8	3	4.2	4.2	126.8
Useable One-to-One RTB Receipts	8.3	7.7	5.4	6.4	6.7	1.2	1.3	1.3	1.3	0	39.6
Other RTB Useable Capital Receipts	1.8	1.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	10.5
Other Sources of Finance	33.5	12	37.2	61.8	45.3	37.8	44.9	73.7	28.2	0	374.4
Revenue Contributions to Capital	35.7	10.2	5.1	0	0	32.5	13.6	14.1	0.9	0	112.1
Tota10 year budget	168.6	116.4	134.5	89.8	98.1	167.8	227.4	140.3	51.1	32	1,226

London Borough Of Enfield

Council Housing

RENT SETTING POLICY 2021-2026

Introduction

The purpose of this policy is to explain how the London Borough of Enfield (the Council) will set rent levels and service charges for its Council Housing properties for 2021-2026.

This policy sets out the method of calculating rents for different tenure types in accordance with the Social Housing Regulators rent standard and GLA conditions in respect of new homes funded from grant (London Affordable Rent and Shared Ownership). Maximising rents in the Housing Revenue Account (HRA) enables the Council to deliver effective services, invest in its properties to ensure homes are of a modern standard and to provide new housing to rent

Rents will increase at CPI+1% from 2021-2025 in line with the government rent settlement with CPI only rent increases assumed in the business plan from 2025 onwards.

Proposal

The policy applies to Council Homes either already accounted for within the Council's Housing Revenue Account or to be added in the future. The council is committed to the following.

- We will set and increase our rents in accordance with the current statutory and regulatory requirements. ensuring that all tenants are advised clearly at the start of their tenancy what their rent is and subsequent rent increases.
- We will retain the allowable tolerance of 10% flexibility to the formula rent for supported and sheltered housing as allowed by the regulations on all new build homes from the 1st April 2021.
- When modelling rents for new housing developments we will use formula rents for social housing and London Affordable Rent.

The policy excludes ground rent, and rent levels, leases and other charges applying to other Housing Revenue Account property, for example, garages and shops. It also excludes General Fund property such as Temporary Accommodation, and property held in the Council's companies (for example, Housing Gateway Ltd and Enfield Innovations Ltd).

Social Rent (Target Rent)

Since 2001, rents for properties let at '**social rent**' also known as **target rent** have been set based on a formula set by government. This creates a 'formula rent' for each property, which is calculated based on the relative value of the property, relative local income levels, and the size of the property. An aim of this formula-based approach is to ensure that similar rents are charged for similar social rent properties.

The basis for the calculation of formula rents is:

- 30% of a property's rent is based on relative property values
- 70% of a property's rent is based on relative local earnings
- a bedroom factor is applied so that, other things being equal, smaller properties have lower rents

This can be expressed as a formula, in which the formula rent for a property is calculated using the following approach.

Weekly formula rent is equal to:	
	70% of the national average rent Multiplied by relative county earnings Multiplied by the bedroom weight
Plus	30% of the national average rent Multiplied by relative property value

Affordable Rent

In October 2016, Cabinet agreed the Affordable Rent levels would apply to all new homes built or acquired by the Council. The rents are based on Local Housing Allowance (LHA) rates and median income in Enfield and included service charges.

The Affordable Rent has now been replaced by the introduction of the Mayor's London Affordable Rent and as at the 1st April 2020 Affordable Rent no longer applies to any homes added to the Housing Revenue Account

London Affordable Rents

From 1st April 2020 the Mayor introduced the London Affordable Rent which is calculated by the GLA specifically for LB Enfield and excludes a service charge which is payable in addition. This rent will be charged on all newly acquired homes and on all new build homes with GLA grant funding.

How is GLA London Affordable Rent calculated

The amount of social rent a person pays depends on the location and size of the property, but this is typically between 50-60% of market rents. The Mayor of London considered the rent setting at 80% of market rent as unaffordable for most Londoners and responded by introducing the London Affordable Rent in 2016, as part of the *Affordable Homes Programme (2016-2021)*.

The council's Good Growth Housing Strategy sets out an aim of ensuring that rents are no more than 33% of household income.

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 subject to the Benefit Cap.

Homes let at London Affordable Rent are substantially below the 80% of market rent level expected for Affordable Rent. Local authorities can make a case to charge below or above these levels so long as they don't exceed the formula cap.

London Living Rents

London Living Rent is a type of affordable home funded by the GLA and is a part-buy part-rent product for those taking their first step onto the property ladder. London Living Rent homes are for middle-income households who now rent and want to build up savings to buy a home. This can be either through shared ownership or outright purchase.

The homes will be offered on tenancies of a minimum of three years and tenants will be supported to save and given the option to buy their home on a shared ownership basis during their tenancy.

The amount of rent tenants pay will vary according to where they live in London. Across London the average monthly rent for a 2-bedroom London Living Rent home is around £1,030 a month, roughly two thirds of the median market rent. The Mayor publishes benchmark London Living Rent levels for every individual ward in the capital. These are based on a third of average local household incomes and adjusted for the number of bedrooms in each home.

In 2020 the current rent in Enfield depending on a ward, a 2 bedroom London Living Rent home is around £897 a month.

Shared Ownership

In 2020 the Government introduced a new Shared Ownership model ensuring more first time buyers can access homeownership. This included the reduction of the initial share to a minimum of 10% of the value of the property reducing the need for a high deposit. Rents for Shared Ownership properties will be no more than 2.75 per cent of the value of the unsold share and subsequent rent increases are limited. Additionally, the Government's new model requires landlords to cover the cost of any repairs and maintenance for new Shared Ownership homes for an initial 10-year period.

The existing "London Shared Ownership" model will continue up to 2023 under the current grant programme. The minimum equity for that is 25% (HRA assumes 30%), 2.75% on the unsold equity and no maintenance costs.

Shared Ownership Service Charges

The government have recognised that service charges on shared ownership homes need to be affordable and expect all investment partners to sign up to the existing [Shared Ownership Charter for Service Charges](#) and to commit to working with the GLA to develop a new and improved Charter, reflecting the new Shared Ownership model. As part of this work, the GLA will work with investment partners to undertake research on service charge levels in London.

Rent Flexibility

The government's Rent Setting Policy recognises that registered providers should have some discretion over the rent set for individual properties, to take account of local factors and concerns, in consultation with tenants. If applying this flexibility, the council must ensure that there is a clear rationale for doing so which considers local circumstances and affordability. Any flexibility in rents will always be approved as part of the council's annual rent setting process.

Re-lets

As part the rent flexibility we have agreed that as from 1st April 2025 on all new build re-lets which would have originally let to an existing tenant on a social rent level, including estate regeneration schemes we will charge London Affordable Rents.

Initially a new build home developed on an estate regeneration and let to an existing resident we would charge a social rent based on the rent formula. However, once that property becomes void we will charge the London Affordable Rent this will increase the income to the HRA Business Plan enabling the council to develop more affordable homes.

Supported Housing

On all new build homes with additional features we will set rents by the allowable tolerance of 10%, this includes new build development of adapted homes, specialised homes such as new Sheltered homes, Extra Care Housing and Supported Housing.

Estate Regeneration

It should be noted that Council housing tenants who are affected by regeneration projects and who choose to move to a newly built or acquired Council home are likely to experience some rent increase as a result of their move, even where Social Rent levels continue to apply. This is because new homes are likely to have a higher market value than existing homes. which, as detailed in the social rent section above, impacts on the calculation for social rent levels.

Local Lettings Plan

Local Lettings Plans – Where a lettings plan has been developed to prioritise existing council tenants to access a new build home, London Affordable Rents will be applied as tenants have choice on moving to a new build home.

Service Charges

Service charges will continue to be based on the estimated cost of the services for the year in question and will only be payable by those tenants and leaseholders who are in receipt of the services and will be set at a level which ensures that the Council meets its obligations to tenants, maintains stock and continues to function as a financially viable housing provider.

Rent Standard

For the first time, the government has directed the Regulator for Social Housing to apply a Rent Standard to all registered providers – i.e. to both local authority registered providers and private registered providers (the vast majority of which are housing associations). Registered providers must set and increase rents from 1 April 2020 in accordance with the Government's Policy Statement on Rents for Social Housing 2018 or risk being non-compliant

Regulatory data requirements will reflect these new rent rules – the 2020/21 Statistical Data Return for providers will be amended and local authorities will be required to submit a Local Authority Data Return (LADR) to the regulator on an annual basis starting from the 2019/20 financial year.

Rent Validation

To ensure we are compliant with the Rent Standard the council must demonstrate a clear policy on rent increases and the calculations shown in the rent model, a robust process to ensure we are charging the correct rents during the year for new lettings and external validation of the rent model.

Annual Rent Setting

The Government advises all Council's and Registered Providers on rent increases or decreases. As part of the annual budget setting process we consult with Customer Voice, on-line via Enfield Connected and in the newsletter Housing News with the proposed increase

It is the decision of Cabinet and Full Council to confirm the yearly change to rental charges as it forms part of the Council's budget and policy framework. This process is overseen by the Executive Director of Resources and the Director Housing & Regeneration has responsibility to ensure all associated policies and procedures are followed.

Once approved Rent letters are prepared giving tenants at least one month's written notice prior to any rent charge increase or reduction. As part of the rent validation exercise both IT, Finance and Exchequer services sample check rents within the system to ensure the right rent is being charged, once checked rent letters are sent to tenants advising of the new charge.

The Council includes details of the rent policy in its tenancy agreement including the method of setting rents and rent changes, details are included on the council's website..

Rent setting – in year at new lets

As part of rent convergence social rent will be set at target on any void properties let in the year with the exception of properties let at Affordable Rent and the London Affordable Rent.

Guidance published by the Mayor of London in 2020 advised that all new build rented homes funded by the Greater London Authority will now be required to be charged at social rents.

Validation

Internal Validation – In year lets

Rents will be reviewed when the tenancy ends and before the property is re-let this will be undertaken on a monthly basis to ensure the correct rents have been applied to the property on the computer system. A final validation exercise will be undertaken at the end of the calendar year to ensure all rents comply with the rent setting policy.. See in-year validation flow chart.

External Validation

On an annual basis Capita complete a review and update of the rent model. This includes, rolling the rents forward for the new financial year and increasing by the appropriate % increase, validation checks on last year's rent compared to this year's rent, ensures accurate affordable rents are in line with set charges and checks formula is working correctly and flows through the model. This exercise enables us to have assurance that the rents are set within accurate levels and annual increases are validated.

Policy Review

This policy will be reviewed by the Council every five years, or where there have been significant changes to regulation or legislation to warrant a further policy review. The policy may also be reviewed sooner where there is a need to address operational issues or where best practice has evolved and there is a need to incorporate this.

Void Properties – Re-let Rent Validation

