



Cabinet

13 February 2017

Report from the Strategic Director, Community Wellbeing

For Action

Wards Affected: ALL

Housing Revenue Account (HRA) Budget and Rent-setting for Council Dwellings for 2017/18

1.0 Summary

- 1.1 This report sets out the Housing Revenue Account (HRA) forecast outturn for 2016-17 and the proposed HRA budget for 2017-18 as required by the Local Government and Housing Act 1989. The proposed annual budget takes account of the national rent reductions as required by Government. This will reduce rental income by £470,093 in 2017-18 with further reductions required each year to 2020.

To offset this it is necessary to make significant savings to revenue budgets over this period and the budget for 2017-18 includes provision for initial efficiency and other savings. Further savings will be required in future years to assure the future financial sustainability of the HRA and to support the programmes for stock investment and new housing development agreed through the HRA Asset Management Strategy in 2013.

The proposed HRA annual budget for 2017-18 sets out proposed expenditure for housing management services, stock investment and maintenance works and new council housing development programmes as well as rent and service charge setting proposals for 2017-18. This report also sets out rent-setting proposals for other council managed partnerships by Hillside (Hyde Group) and for the Residential Pitches portfolio.

2.0 Recommendations

That Cabinet:

2.1 HRA Business Plan Budget 2017-18:

- a) Note the HRA forecast outturn for 2016/17 as set out in Appendix 1 to this report.

- b) Approve the proposals and agree the savings and budget reductions for the HRA budget for 2017/18, as set out in Appendix 2 to this report and agree that they be included in the overall Budget for 2017/18 for approval by Full Council on 27th February 2017.
- c) Approve the HRA budget growth for 2017/18 of £3.476m and the use of £3.492m of one-off available resources.

2.2 HRA Rent Setting 2017-18:

- a) Approve an average overall rent decrease (excluding service charges) from April 2017 of £0.97 per dwelling per week, for HRA council dwellings, which is an average overall rent decrease of 1% as set out in section 3.2.1 (Table 1) of this report.
- b) Agree an average overall rent decrease from April 2017 of £1.29 per dwelling per week for Hillside Dwellings, which is an average overall rent decrease of 1% as set out in section 3.2.2 (Table 2) of this report.
- c) Approve an average overall licence decrease (excluding service charges) from April 2017 of £2 per pitch, per week, for residential council pitches, which is an average overall licence decrease of 1% as set out in section 3.2.3 (Table 3) of this report.

2.3 HRA Service Charges 2017-18:

- a) Agree to increase the service charges for HRA dwellings from April 2017 by an average of 1% (an average increase of £0.09 per dwelling per week) as set out in Appendix 3 to this report.
- b) Agree an increase in Garage Rents for Council and Private Renters, as set out in section 3.3.3 (Table 4) of this report.
- c) Agree to increase the service charges for Hillside dwellings from April 2017 by an average of 1.8% (an average increase of £0.16 per dwelling per week) as set out in Appendix 3 of this report.

2.4 Management Services 2017-18:

- a) Agree a Management Fee for Brent Housing Partnership of £7.488m for 2017/18.

2.5 HRA Stock Investment Programmes 2017-18:

- a) Approve an overall HRA stock investment programme of (£32.765m) for 2017/18, and an indicative budget of £20m for 2018/19 as set out in section 3.4 (Table 5) of this report.

2.6 HRA Development Programmes 2017-19:

- a) Agree to continue delivery of Phase 1 (Infill) Council New Build Development Programme with HRA budget of £9.990m for 2017/18 and £0.906m for 2018/19 to complete 62 homes.
- b) Agree to continue delivery of Phase 2 (Infill) Council New Build Development Programme with HRA budget of £18.799m for 2017/18 and £5.454m for 2018/19 to develop 95 homes.
- c) Agree to continue delivery of Phase 2 (NAIL) New Accommodation Independent Living Development Programme with General Fund budget of £9.020m for 2017/18 and £1.224m for 2018-19 to complete 40 homes.
- d) Agree a feasibility budget (Revenue Budget) of £0.125m for 2017/18 to work on future pipeline schemes beyond March 2018.

3.0 Detail

3.1 The Housing Revenue Account (HRA):

The Housing Revenue Account contains the income and expenditure relating to the Council's landlord duties in respect of approximately 7,962 dwellings. The HRA is a 'ring-fenced' account receiving no subsidy from the Council's General Fund nor subsidising the General Fund.

The proposed budget takes account of the rent reductions required by Government under the Welfare Reform and Work Act of 1% per annum between 2016 and 2020.

The Housing and Planning Act includes provision for the council to pay a levy to fund the RTB discount for Housing Association Tenants and requires the council to consider the disposal of vacant higher-value properties to fund this. The government has recently announced that the introduction of the levy has been deferred until April 2018 so no allowance is required in 2017-18

The rent reductions and the loss of stock through RTB and from other factors will significantly reduce the income to the HRA and a number of budget savings are proposed to mitigate the impact of this in order to support the sustainability of the HRA over the longer-term, and these are detailed later in this report.

In view of the challenges presented by the government's reforms and the issues of concern in respect of BHP's performance a review of Housing Management options has been undertaken. In November 2016 Cabinet agreed its preferred option is to bring the service in-house and this is currently being consulted on. If Cabinet should decide to proceed in this way it is expected that some savings

will be realised directly as a result and further savings are expected to be realised through the implementation of new operating arrangements and efficiencies. The extent of such savings has, however, not been determined and they have not been allowed for in setting the budget for 2017/18.

3.1.1 HRA Annual Budget Outturn Forecast 2016/17

A table setting out the 2016-17 budget and current forecast is provided at appendix 1. In summary the forecast position is as follows:

Income - 2016/17 income to the HRA is forecast to be £0.342m less than in the budget. This is largely a result of a shortfall in rental income (of £0.439m because of below-target collection and a higher level of RTBs, and offset by improvement in the garage and leaseholders' service charge income (£0.106m).

Expenditure – this is forecast to be £3.449m below budget. The main differences are:

- A reduced provision for bad debt better reflecting historic performance in debt recovery – a reduction of £0.370m
- Capital Financing – £1.5m less in interest payments reflecting lower than budgeted capital borrowing within the HRA
- Estate Wardens – a saving of c.£0.830m arising from the replacement of this service with a more limited security provision
- Repairs – An overspend mainly due to reclassification of expenditure. This is offset by underspend arising from lower expenditure on responsive and cyclical repairs and maintenance.
- General management underspend due to reclassification of BHP expenditure.

Outturn – The 2016/17 net budget (income minus expenditure) was £4.016m. This was based on the anticipated carried forward surplus from the previous year, it was expected that a remaining surplus of £0.4m would be carried forward to 2017-18.

The current forecast, as a result of the changes outlined above, is that the net forecast will be £0.910m.

In addition a higher starting surplus was carried forward from 2015/16 and as a result it is forecast that a £5.283m surplus will be carried forward into 2017-18 which will be available to support one-off expenditure.

3.1.2 Revenue Budgets

The Government's required rent reductions of 1% per annum in each of the four years from April 2016 will significantly reduce income to the HRA. This will be exacerbated by the loss of stock through Right to Buy, the redevelopment of existing units in the South Kilburn Regeneration Programme and, in future years, the potential disposal of 'high-value' properties to fund required payments to Government.

To compensate for the loss of rental income, revenue costs will need to be reduced both in 2017/18 and in subsequent years in order to ensure that the HRA remains financially sustainable. The Government's rent policy after 2020 is not known and the HRA needs to be put in a strong financial position to maximise its ability to manage any further rent reductions or restraints that are required in the longer-term and the impact of the government's other housing reforms.

Savings - the main savings in the 2017/18 budget are:

- Warden and Concierge service - a saving of £0.830m will be delivered following retendering of the Concierge service and a reduced warden service.
- Responsive repairs – a saving of £0.412m reflecting lower demand for communal repairs and other savings in the contract.
- Council Tax – a saving of £0.130m arising from a reduced void turnaround time and has been aligned with the 2015/16 expenditure, however, it should be noted that the 2016/17 liability is as yet unknown.
- Out of hours service – a saving of £0.050m from new arrangements
- Garage rents – additional income of £0.105m from garage rentals

In addition a reduction of £0.258m in provision for bad debt has been made and the budget of £0.900m for early debt repayment has been removed.

Growth - These savings and budget reductions are counter-balanced by a number of necessary growth items and the main ones of these are:

- Target Operating Model (TOM) – a budget of £1m for the necessary investment in service modernisation and improvement
- Tree works - £0.043m additional budget provision.
- New-build feasibility studies - £0.125m to develop further schemes for new council homes
- Compensation budget – an increase of £0.043m.
- Revenue contribution of £0.700m for future capital works

Overall the budget includes £3.47m Growth and the use of £5.28m of carried forward balances from 2016/17. £0.70m of the carried forward balance will be used to fund future capital expenditure on stock investment works and provide for depreciation. The remaining £4.88m of the carried forward balance is the available unallocated resource after all other HRA budgets for 2017/18 have been compiled. These additional resources will be used in line with the agreed Asset Management Strategy (2013).

The budget includes a decrease in rent of 1% per dwelling per week excluding service charges. The rent loss will amount to £470k.

The proposed budget and summary movement from 2016-17 is set out in Appendix 2 and shows a balanced budget.

3.1.4 Brent Housing Partnership – Proposed Management Fee for 2017/18

The Management Agreement between the Council and BHP, which expires on 31st March 2023, requires each year that a Management Fee is negotiated and agreed. The fee has to be consistent with delivery plan requirements and the general requirement to reduce operating costs year by year.

In previous years the management fee has been based upon 2-3% efficiency savings in addition to pro rata reductions based upon loss of stock under management which has enabled continuous reductions in the management fee.

For 2017/18 an initial efficiency savings of 3% is proposed plus a reduction of 0.6% relating to stock loss through RTB and the regeneration programme at South Kilburn. A combined reduction of 3.6% is proposed which equates to a reduction of £0.236m. The breakdown of the savings is £0.039m for stock loss and £0.197m efficiency savings. This is offset by the costs of pension increase, pay award and incremental drift of £0.266m, giving a net increase of £0.030m. The proposed Management Fee for 2017/18 is therefore £7.488m.

3.2 Proposed Rent Setting for HRA Dwellings

3.2.1 The Welfare Reform and Work Act 2015 requires the council to reduce rents by 1% per year, for four years with effect from April 2016.

In November 2013, the Council agreed a HRA Asset Management Strategy. This included a five-year Rent Policy for 2014-19 to provide sufficient resources to fund the proposed stock investment and development programmes set out in the strategy.

As a result of the government's rent reduction policy 2017/18 rental income will be £0.470m less than in 2016/17 and £5.727m less than it would have been had the Council's rent policy been allowed to continue. Over the next three years rental income will reduce in cash terms by £1.398m largely as a consequence of the rent reductions required, but also as a result of a reduction in the number of units over this period. In 2019/20 rental income is projected to be £7.465m less than it would have been under the Council's pre-existing rent policy.

The table overleaf sets out the current average 2016/17 rents and the proposed rents for 2017/18, taking account of the 1% reduction required.

Table 1 – Current average rents and proposed rents for 2017/18

| Bed Size | Number of Properties 2016/17 | Average of net rent 2016/17 | 1% reduction 2017/18 | Number of properties 2017/18 | Average of net rent 2017/18 |
|--------------------|------------------------------|-----------------------------|----------------------|------------------------------|-----------------------------|
| | | £ | | | £ |
| Bedsit | 425 | 87.24 | 19,048 | 420 | 86.35 |
| 1 | 2530 | 101.04 | 130,612 | 2483 | 100.15 |
| 2 | 2627 | 114.51 | 152,615 | 2560 | 113.50 |
| 3 | 2062 | 126.45 | 132,650 | 2014 | 125.39 |
| 4 | 413 | 137.56 | 29,754 | 415 | 136.50 |
| 5 | 62 | 147.34 | 4,706 | 61 | 146.89 |
| 6 | 9 | 151.04 | 707 | 9 | 149.53 |
| Grand Total | 8128 | 113.38 | 470,093 | 7962 | 112.41 |

The amount of the rent reduction depends on the property size and current rent and averages £0.97 per week.

3.2.2 Hillside Rent Setting 2017/18 – General Fund

In addition to the Council's dwellings contained within the HRA, the Council also continues to hold dwellings in the General Fund (GF). These dwellings were formerly held by the Stonebridge Housing Action Trust (HAT) and were transferred to Brent Council in August 2007 when the HAT was dissolved. The Council currently owns 328 properties under this scheme and Hillside Housing Trust (part of Hyde Housing Group) manages these properties on the Council's behalf.

The table below sets out the proposed rent levels for 2017/18. The reduction of 1% will decrease weekly rents (excluding service charges) by an average of £1.29 per week.

Table 2 – Range of Weekly Rents for 2017/18

| | Weekly Rent 2016/17 (£) | Weekly Rent 2017/18 (£) | Decrease (£) | Decrease % |
|------------------|-------------------------|-------------------------|--------------|------------|
| 1 Bed Flat | 102.38 | 101.36 | -1.02 | -1.0 |
| 2 Bed Flat | 121.21 | 120.00 | -1.21 | -1.0 |
| 1 S/croft Elders | 102.38 | 101.36 | -1.02 | -1.0 |
| 2 S/croft Elders | 121.21 | 120.00 | -1.21 | -1.0 |
| 2 Bed House | 131.65 | 130.33 | -1.32 | -1.0 |
| 3 Bed House | 144.28 | 142.84 | -1.44 | -1.0 |
| 4+ Bed House | 151.89 | 150.37 | -1.52 | -1.0 |

3.2.3 Travellers' Site Pitch - Licence Fee Setting 2017/18 – General Fund

For Residential Pitch licence fees it is proposed that current licence are reduced by 1%, in line with rent reductions for social housing, as set out in the table below.

Table 3 – Proposed Licence Charge for 2017/18

| Descriptions | 2016/17 Charges £ | 2017/18 Charges £ | 2017/18 Decrease £ |
|---|-------------------------|-------------------------|--------------------------|
| Weekly Rent | 242 | 240 | 2.00 |
| Total Weekly Rental Income £ (31 lots) | 7,502 | £7,440 | 62.00 |
| % Change | -1% | -1% | -1% |
| Annual Rental Income | 390,091 | 386,880 | 3,211 |

3.3 Proposed Service Charges for 2017/18:

3.3.1 For HRA dwellings it is proposed that each service charge is increased by CPI (1%) as at September 2016. The individual service charge increases are detailed in Appendix 3.

3.3.2 For the Brent tenancies at Hillside the council's management agent has advised that they propose to increase average service charges in 2017/18 by 1.8%. The proposed Service charges in 2017/18 are set out in Appendix 3.

3.3.3 HRA Garage Charges and Asset Portfolio Management.

A review and consultation on the Terms for garage rentals was undertaken in 2015/16 by BHP on the Council's behalf. The current garage charges which average £4.41 per week are in the main significantly below those being charged by other London Authorities. These bring the charges for non residents in line with those charged by other councils. The following increased charges are proposed as set out in Table 4.

Table 4 - Proposed Charges for Garages for 2017/18 - based on average benchmarked figures excluding Camden, RBKC and Hammersmith & Fulham

| | Existing charges | Proposed charges for residents | % increase | Proposed charges for non residents | % increase | Proposed charges for non residents |
|-------------------|---------------------|---|---------------|---|---------------|--|
| | | | | VAT exclusive | | VAT inclusive |
| | 2016/17 | 2017/18 | | 2017/18 | | 2017/18 |
| | £ | £ | | £ | | £ |
| Cage Garages | 2.63 | 2.98 | 13% | 3.12 | 19% | 3.74 |
| Half Garages | 5.25 | 5.95 | 13% | 6.23 | 19% | 7.48 |
| Single Garages | 10.50 | 11.90 | 13% | 12.47 | 19% | 14.96 |
| Double Garages | 21.00 | 23.80 | 13% | 24.93 | 19% | 29.92 |

These proposed charges will generate approximately additional income of £0.035m per annum

3.4 HRA Stock Investment and Improvements

The HRA Asset Management Strategy was approved by the Cabinet in November 2013. This strategy set out a long-term approach to stock maintenance and investment in order to best meet asset management objectives. The HRA Asset Management Strategy requires that all council homes are brought up to a set Investment Standard by 2021.

At the end of quarter 3 expenditure on stock investment and improvement works for 2016/17 was forecast to be £32.6m against a budget of £33.8m, and we expect expenditure to be very close to that forecast given current invoice activity in December.

The planned overall Stock Investment Programme for 2017/18 is budgeted at £32.765m. This includes provision for a programme of cyclical and planned works, health and safety works, energy efficiency and environmental works.

The main areas of expenditure are set out in Table 5 below.

Table 5: Proposed Stock Investment Expenditure for 2017/18

| Programme | Proposed Budget | Estimated Tenanted Costs | Estimated Leasehold Costs |
|---|-----------------|--------------------------|---------------------------|
| | £'000 | £'000 | £'000 |
| Total M&E / Health and Safety | £4,765 | £3,781 | £985 |
| Total Planned Cyclical Maintenance | £20,200 | £17,145 | £3,055 |
| Total Energy Efficiency & Environment Works | £2,900 | £2,050 | £850 |
| Total Other Works Expenditure | £3,350 | £2,950 | £400 |
| Total Overheads Costs | £1,550 | £1,550 | 0 |
| TOTAL STOCK INVESTMENT BUDGET | £32,765 | £27,476 | £5,290 |

The budget of £32.765m includes an estimated £5.29m of expenditure on leaseholder properties that is rechargeable. In advance of any works proceeding detailed costings and statutory consultation will be undertaken with leaseholders on the prospective works and rechargeable costs.

To ensure the efficient delivery of this multi-year capital programme, it would be prudent to allocate an indicative 2018/19 budget. The total budget has been estimated at £30m, so an allocation of at least £20m for works commencing in April 2018 would be appropriate.

3.5 Development Services 2016-18

The development of new council homes is a key priority of the council's Housing Strategy and of the HRA Asset Management Strategy. Two phases of development are currently underway.

Phase 1 - this is supported by GLA grant, will provide 62 Affordable Rent homes and 40 NAIL units. The first units have been completed, a number of further schemes are on site with the great majority of these due for completion by March 2018 with the remainder completing in the first half of 2018-19.

Phase 2 - this is also supported by GLA grant will provide 95 Affordable Rent homes units with the great majority of these due for completion by March 2018 with the remainder completing in 2018-19.

The GLA has recently published a new Affordable housing funding prospectus for the period 2016-21 with bids invited by April 2017. It is proposed to submit a bid to this programme which will include for a third phase of new-build HRA development for approximately 67 new homes.

The recommendations in this report set out the required capital budgets to progress the above new-build development phases and further detail is provided in Appendix 4.

3.6.1 Development and Agency Services Management Fee 2017/18

The Cabinet have previously agreed for BHP to be responsible for the delivery of the council's first phase development programmes under a Development Management Services Agreement entered into in 2015/16. It is proposed to commission the further phases of development of both general needs and NAIL homes provision under this existing Agreement.

The fee for managing the development programme which is included in the total capital programme is £0.416m.

4.0 Financial Implications

- 4.1** This report is concerned with financial issues associated with setting the HRA budget for 2017/18 under the self-financing system for council housing, and for setting the level of rents for Council dwellings in 2017/18. Cabinet are required to approve a budget that meets the statutory requirements as contained in Part VI of the Local Government and Housing Act 1989. Sections 76 (2) and (3) of that Act requires Members to ensure that their proposals are realistic and that the Council's Housing Revenue Account does not show a debit balance.

Estimates have been compiled on the basis of the Council's corporate guidance for budget preparation and on the basis that the spending budgets should be adjusted in relation to the stock numbers. The advantage of this approach (which ignores fixed costs) is that managers are able to reduce their expenditure on a planned basis.

4.2 HRA Borrowing Limit:

In order to ensure that borrowing is affordable nationally, each local authority was set an HRA borrowing limit under self-financing, and it will not be possible for that limit to be exceeded. Where a local authority's Housing Capital Financing Requirement (HCFR) is less than the limit set for self-financing valuation, a "headroom" to increase borrowing under self-financing will be created. The government determinations for self-financing set out that Brent's borrowing limit is £199.291m. The HCFR is estimated to be £127.989m on 1 April 2017, giving estimated "headroom" to increase borrowing of approximately £71.302m.

4.3 Allowance for Inflation:

Budgets have been prepared on an outturn basis and include an allowance of 1% for pay. The budget for the Employer's Superannuation Contributions for BHP staff has been increased from 26.3% to 29.3% to reflect an estimated increase from the actuarial review although the level of increase remains subject to confirmation.

4.4 Stock Loss/Efficiency Savings:

The rent budget has been updated to reflect anticipated stock loss through Right to Buy. Applicable expenditure budgets have been reduced by 0.6% to reflect the estimated stock loss in 2017/18 in addition to efficiency savings.

5.0 Risks

The main associated risks are set out below:-

- Risks associated with the introduction of direct payment to tenants and from the provisions of the Welfare Reform and Work Act 2016, and the reduction in the Overall Benefit Cap during 2016-17. The phased introduction of Universal Credit which will bring direct payment of housing benefit to tenants will have an impact on rent collection figures and costs, meaning both expenditure and income will be put under pressure.
- The recovery of Leaseholder Service Charges (Major Works) also remains a challenge for officers and compliance with legislation is often difficult. In addition there are often differences between tenants and leaseholders in respect of works undertaken.
- Recent Government Policies being introduced will put pressure on HRA Business plan and will need to make £3.6m Savings over next 3 years
- The Government's rent reductions of 1% per annum in each of the four years from April 2016 will significantly reduce income to the HRA

6.0 Legal Implications

6.1. Legal Implications for the Housing Revenue Account and Rent Setting:

Under section 74 of the Local Government and Housing Act 1989 ("the 1989 Act"), the Council is required to keep a separate Housing Revenue Account of sums falling to be credited or debited in respect of its housing stock. Sections 75 and 76 of the 1989 Act set out the rules for establishing and maintaining that

account. Under section 76 of the 1989 Act, the Council is required to formulate in January and February of each year proposals for the HRA for the following year which satisfy the requirements of that section and which relate to income, expenditure and any other matters which the Secretary of state has directed shall be included.

In formulating these proposals the Council must secure that upon their implementation the HRA will not show a debit balance assuming that the best assumptions and best estimates it can make at the time prove to be correct. Put simply, the legislation requires the Council to prevent a debit balance, to act reasonable in making assumptions and estimates and to act prudently.

The 1989 Act also requires the authority to review the proposals from time to time and make such adjustments as are necessary to ensure that the requirements, as set out above, continue to be met. This report sets out the forecast outturn for the current financial year and also the proposals for the coming year.

The Council may make such *reasonable* charges as it so determines for the tenancy or occupation of their dwellings and shall review those rents and charges from time to time. In so doing the Council shall have regard to the principle that the rents for different types of houses should bear broadly the same proportion to private sector rents for those different types of houses. This means that the difference between the Local Authority rent for, say, a bedsit and a two bed house with a garden should be broadly comparable to the difference between the rents for those types of dwellings in the private sector. In making such reasonable charges officers have given consideration to the Government's policy aims of introducing social housing rents that will ultimately produce rents being set (both in the council and Registered Provider/RSL sectors) on a nationally determined basis (whilst taking into account local factors such as the value of dwellings). This aim is not prescriptive in so much it remains the responsibility of the local housing authority to set rents.

The Council's discretion as to setting rents is now subject to the mandatory provisions of the Welfare Reform Act 2016, which become law on 16 March 2016. Section 23 of the 2016 Act requires that as from 1 April 2016 for a period of four years, an annual reduction of the rent payable by social tenants. Schedule 2 to the 2016 Act introduces, for a period of 4 years, requirements about the maximum levels of rent for social tenancies beginning after the beginning of 8 July 2015. These requirements apply to tenancies of new homes and re-lets to a new tenant, but not the grant of a new tenancy to an existing tenant.

The Welfare Reform and Work Act 2016 (Commencement No. 1) Regulations 2016 set out exceptions to and circumstances in which exemptions may be given from the rent reduction regime otherwise applicable, and make alternative provision for certain excepted categories.

In respect of social rent properties, the mandatory reduction applies to the rent element and not to service charges.

The rent income estimates included for 2017/18 are based upon the rent reductions required under the Welfare Reform and Work Act 2016 and adjusted for Right to Buy.

The decisions recommended in this report are an exercise of the Cabinet's rent-setting function and must take into account the implications of the Council's overall budget.

Under section 76(8) of the Local Government and Housing Act 1989, the Council is required to prepare a statement of the revised estimates and new proposals within one month of the proposals and this requirement will be satisfied by Council approval of the overall budgets for 2017/18 on 7th March 2016.

- 6.1.1.** The Secretary of State issued a Direction (under section 74(3)(d) of the Local Government and Housing Act 1989) in March 2008 which allows the Council to hold outside the Housing Revenue Account the rent accounts of the Council owned properties on the Stonebridge estate that were transferred from the Stonebridge HAT to the Council in 2007.

Section 313 of the Housing and Regeneration Act 2008, which adds section 80B to the Local Government and Housing Act 1989, makes it possible for councils and specified properties belonging to Councils to be excluded from the subsidy system subject to agreement with the Secretary of State and it allows the Secretary of State to make directions in relation to such agreements.

Once Cabinet decides on the setting of the rents in respect of the Council's housing stock that is managed by Brent Housing Partnership and the Brent Stonebridge Dwellings that are managed by Hillside Housing Trust, notices of variation will be served on the tenants pursuant to section 103 of the Housing Act 1985 to give them notification of the changes in rent which will come into effect from 3rd April 2017.

7.0 Diversity Implications:

This report deals with the rent setting and budget proposals for the Council's HRA. This report does not propose any significant changes to the operation of this account. The proposals in respect of stock investment and new development are in accordance with the HRA Asset Management Strategy agreed by Cabinet in November 2013.

This report is not concerned with operational service issues.

8.0 Staffing/Accommodation Implications

There are no anticipated direct implications for council staff arising from this report.

Council and BHP staff would be affected by the Council's Housing Management review. Any impact on staff will be reported separately following the completion of the reviews.

9.0 Background Information

- Cabinet Report – HRA Annual Budget and Rent Setting 2016/17 (February 2016)
- HRA Asset Management Strategy (including Rent Policy) (November 2013)

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Appendix 1 – 2016/17 Budget and Forecast Out-turn

| HRA Summary – Forecast Budget 2016/17 Vs Original Budget and Variance | | | | |
|---|--|--|---------------------------|---|
| Description | (1) Original Budget 2016/17 £000's | (2) Forecast Out turn 2016/17£ 000's | (3) Variance £000's | Variance Explanation |
| Rent Income | -50,202 | -49,763 | 439 | Reduced income due to increased RTB sales and increase in the no. of void properties |
| Leaseholder Service Charges | -2,278 | -2,325 | -47 | |
| Non Dwelling Rent | -396 | -455 | -59 | Additional garage rents -income due to increase in rent. |
| Other Income | -11 | -2 | 9 | |
| GROSS INCOME | -52,887 | -52,545 | 342 | |
| Provision for Bad Debts | 928 | 558 | -370 | Forecast reduction in tenant arrears and improvement in rent collection |
| Rent and Rates | 1,191 | 1,122 | -69 | |
| Services | 590 | 590 | 0 | |
| Capital Financing | 8,340 | 6,838 | -1,502 | Reduced interest payment |
| Depreciation | 21,178 | 21,178 | 0 | |
| General Management | 11,503 | 10,641 | -862 | Underspend due to reclassification of BHP expenditure. Reduced by overspend on additional legal, compensation, consultancy and disrepair costs. |
| Special Management | 4,988 | 4,081 | -907 | Reduced spend on Concierge and Warden services due to the retendering of both services |
| Housing Repairs | 8,186 | 8,447 | 261 | Overspend due reclassification of BHP expenditure. Reduced expenditure on responsive repairs, cyclical and planned M&E and additional income on |

| | | | | |
|---------------------------------|----------------------|----------------------|----------------------|--|
| | | | | leaseholders major works income. |
| <u>GROSS EXPENDITURE</u> | <u>56,904</u> | <u>53,455</u> | <u>-3,449</u> | |
| <u>NET BUDGET</u> | <u>4,016</u> | <u>910</u> | <u>-3,107</u> | |
| Surplus B/Fwd | -4,416 | -6,193 | -1,777 | Increase due to higher than anticipated underspend in 2015/16. |
| Transfer from Earmarked Res | 0 | 0 | 0 | |
| Surplus C/Fwd | -400 | -5,283 | -4,884 | Increased surplus due to forecast out turn in 2016/17. |
| <u>TOTAL</u> | <u>0</u> | <u>0</u> | <u>0</u> | |

Appendix 2 - Proposed HRA Budget 2017/18

| HRA Budget Summary – Forecast Budget 2016-17 Vs Original Budget 2017-18 Variance | | | | |
|--|---|--|---------------------------|---|
| Description | (1) Draft Forecast Out Turn 2016/17 £000's | (2) Draft Budget 2017/18 £000's | (3) Variance £000's | Variance Explanation |
| Rent Income | -49,763 | -49,321 | 442 | Reduction of rent by 1% (£473k) offset by increase in service charges income. |
| Leaseholder Service Charges | -2,325 | -2,325 | 0 | |
| Non Dwelling Rent | -455 | -477 | -22 | |
| | | | | |
| Other Income | -2 | -11 | -9 | |
| Gross Income | -52,545 | -52,135 | 410 | |
| Provision for Bad Debts | 558 | 670 | 112 | |
| Rent & Rates | 1,122 | 1,038 | -84 | |
| Services | 590 | 559 | -31 | |
| Capital Financing | 6,838 | 7,507 | 669 | Increase due to additional borrowing in 2017/18. |
| Depreciation | 21,178 | 21,653 | 475 | Expenditure funded by one off balances from 2016/17. |
| General Management | 10,641 | 12,700 | 2,059 | Management fee savings (£236k), offset by growth for 1% pay ward/NC and Pensions £266k and the use of reserves to fund TOM and reclassification of expenditure. |
| Special Management | 4,081 | 3,992 | -89 | Reduction in forecast due to reduction in the cost of providing out of hours service. |
| Housing Repairs | 8,447 | 8,016 | -431 | Reduction Repairs (planned cyclical, responsive, estate services etc.) works, reclassification of expenditure as part of BHP overall based exercise and additional major works income anticipated |
| Gross Expenditure | 53,455 | 56,135 | 2,680 | |
| Net Budget | 910 | 4,000 | 3,090 | |
| Surplus B/fwd | -6,193 | -5,283 | 910 | Additional expenditure to be funded from one off balances from 2016/17. |
| Transfer from Earmarked Res | 0 | 0 | 0 | |
| Surplus C/Fwd | -5,283 | -1,283 | -4,000 | |
| TOTAL | 0 | 0 | 0 | After balances transferred to fund expenditure on Major Repairs |

Appendix 3 - HRA Dwellings Service Charges – 2017/18

| Service | Average Charge 2016/17 (£/Week) | Recommended Average Charge 2017/18 (£/Week) | % Increase 2017/18 |
|--------------------------------|---|--|---------------------------|
| Concierge | 8.92 | 9.01 | 1% |
| Communal Lighting | 1.37 | 1.38 | 1% |
| Grounds Maintenance | 1.20 | 1.22 | 1% |
| Cleaning (External & Internal) | 6.30 | 6.36 | 1% |
| Laundry | 2.29 | 2.31 | 1% |
| TV Aerial | 0.70 | 0.71 | 1% |
| Communal Heating (District) | 8.35 | 8.44 | 1% |
| Hot Water | 2.18 | 2.20 | 1% |
| Helpline Monitoring Service | 1.42 | 1.43 | 1% |
| Total charge | 9.45 | 9.54 | 1% |

Hillside Service Charges – 2017/18

| Property Size | Average Service Charges (£) 2016-17 | Average Service Charges (£) 2017-18 | Increase in £'s | Increase as a % |
|------------------|--|--|--------------------|--------------------|
| 1 Bed Flat | 19.09 | 19.43 | 0.34 | 1.8% |
| 2 Bed Flat | 13.64 | 13.89 | 0.25 | 1.8% |
| 1 S/croft Elders | 42.92 | 43.69 | 0.77 | 1.8% |
| 2 S/croft Elders | 42.92 | 43.69 | 0.77 | 1.8% |
| 2 Bed House | 0.75 | 0.76 | 0.01 | 1.8% |
| 3 Bed House | 0.74 | 0.75 | 0.01 | 1.8% |
| 4+ Bed House | 0.74 | 0.75 | 0.01 | 1.8% |

Appendix 4 – Capital Budget for Development Programme 2017/18 and 2018/19

| Programme | Units | 2016/17 Forecast | 2017/18 Forecast | 2018/19 Forecast | 2019/20 Forecast | TOTAL COSTS (Excl DA & Interest) | 2016/17 GLA Grant | 2017/18 GLA Grant | 2018/19 GLA Grant |
|--|------------|------------------|-------------------|------------------|------------------|----------------------------------|-------------------|-------------------|-------------------|
| General Fund | No. | | | | | | | | |
| Ph1 - GLA NAIL (Approved - 39 units, 8.6m Budget) | 40 | 1,219,405 | 9,020,199 | 1,224,016 | 120,674 | 11,584,294 | 598,000 | 1,040,000 | 442,000 |
| HRA | | | | | | | | | |
| Ph1 - GLA (Approved- 61 units, 17.3m budget) | 62 | 3,365,577 | 9,989,865 | 905,538 | 96,600 | 14,357,580 | 843,500 | 1,300,681 | 505,181 |
| Ph2 - GLA CME (Approved - 94 units, 20.1m Budget) | 95 | 816,662 | 18,799,156 | 5,454,039 | 973,257 | 26,043,114 | TBA | TBA | TBA |
| HRA - RTB Receipts | | | | | | | | | |
| P&R Programme | 11 | 601,594 | 9,839 | 0 | 0 | 611,433 | | | |
| Grand Total | 208 | 6,003,238 | 37,819,059 | 7,583,592 | 1,190,531 | 54,596,421 | 1,441,500 | 2,340,681 | 947,181 |