London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 01/02/2021

Subject: The Housing Revenue Account (HRA) 2021/22 Budget And Rent Increase

Report of: Councillor Lisa Homan - Cabinet Member for Housing,
Cllr Max Schmid - Cabinet member for Finance and Commercial Services

Responsible Director: Tony Clements - Strategic Director for Economy
Emily Hill, Director of Finance

Summary

This report sets out proposals for the Housing Revenue Account (HRA) budget for the financial year 2021/22 including changes to rent levels and other charges. The report also explains the financial pressures and risks facing the HRA and sets out the proposed savings plan.

Recommendations

That Cabinet agrees:

1. To approve the Housing Revenue Account 2021/22 budget for Council homes as set out in Table 1.

2. To approve plans to deliver on-going annual revenue savings of £3.8million per annum from 2021/22 rising to £5.7million per annum from 2024/25 (see Appendix 1).

3. To approve a rent increase of 1.5% (based on the Consumer Prices Index (CPI) at September 2020 plus 1% in line with government policy) from 5 April 2021 which equates to an average weekly increase for tenants of £1.64 in 2021/22.

4. To approve an increase to shared ownership rents of 1.5% (based on the CPI at September 2020 plus 1% in line with government policy) from 5 April 2021.

5. To approve an increase to tenant service charges of 0.5% (based on the Consumer Prices Index (CPI) at September 2020) from 5 April 2021 which equates to an average weekly increase for tenants of £0.04 in 2021/22.

6. To approve an increase to the management fee for temporary on licence properties of CPI (0.5% as at September 2020) from 5 April 2021.

7. To delegate authority to the Strategic Director for Economy in consultation with the Cabinet Member for Housing to agree the average increase in water charges for homes supplied by a bulk meter.

8. To increase garage charges for council tenants, resident leaseholders and for other customers from April 2021 by 1.5% and to uplift all the 200 accounts that are paying historic prices for their garage rents despite either living in a private property or having left the borough to be in line with standard charges.

9. To note that any change to parking charges on housing estates will be considered in a separate report on the Council's parking plans.

10. To increase car space rental charges for all customers by 2.2% from April 2021.

11. To approve an increase in the Leasehold After Sale – Home Buy Fees from £160 to £200.

Wards Affected: All

Our Values	**Summary of how this report aligns to the H&F Values**
Building shared prosperity	The HRA budget is aligned with the HRA long term financial plan which provides for a significant step change in the Council's ambitions of delivering more genuinely affordable homes on HRA land. This will be through an increased level of borrowing, capital receipts and government grants to invest over the long term in the delivery of new homes either directly or in partnership.
Creating a compassionate council	The HRA budget is aligned with the HRA long term financial plan which allows for the ongoing investment in services which directly support residents in living healthy and independent lives. In particular, the provision for aids and adaptations to tenanted accommodation.
Doing things with local residents, not to them	The HRA budget is aligned with the HRA long term financial plan which will enable the continued investment in resident engagement and involvement. The resident involvement strategy sets out the approach which will be adopted.

	The plan allows for more investment in resident liaison with regards to the delivery of capital works. This will ensure that residents are involved and informed about the works which will be taking place.
Being ruthlessly financially efficient	The HRA budget includes investing in the long-term repairs delivery model and the reform of services to better deliver for residents whilst also delivering ongoing annual revenue savings of £3.8million per annum from 2021/22 rising to £5.7million per annum from 2024/25, thereby ensuring the financial sustainability of the HRA for the long term. The delivery of a significant number of new homes will also contribute to the future financial sustainability of the HRA and replace those lost through the Right To Buy.
Taking pride in H&F	The main emphasis of the approved capital programme is fire safety compliance. However, some of the works will deliver wider estate improvements, in particular the communal works undertaken by the Direct Labour Organisation – H&F Maintenance. There will also be ongoing investment in caretaking and other estate services which will be focussed on improving the quality of council estates. New homes will be built to the latest compliant standards, ensuring cost-efficient, safe and secure homes for our tenants and residents for the long term.
Rising to the challenge of the climate and ecological emergency	A strategy, in conjunction with other areas of the Council, is being formulated that outlines a path to zero carbon emissions. Housing accounts for around 40% of CO_2 emissions, primarily from its gas heating systems. Substantial investment is required to target big emitters such as the White City estate. Proposals are being put forward to insulate high emitting estates, and convert gas boilers, where possible, to carbon neutral sources. £6 million has already been allocated to roll out LED across estates reducing carbon

	emissions by 50%. Applications for funding are in train for a number of whole household conversion and other grants are being considered.

Financial Impact

The report is predominantly of a financial nature and therefore the impact is contained within the body of the report.

Legal Implications

The HRA was established by statute to ensure that council taxpayers cannot subsidise council rents and nor can council rents subsidise council tax. Failure to adhere to this statutory guidance can render the Council's accounts subject to challenge and/ or qualification by the External Auditor.

The HRA ring-fence was introduced in Part IV of the Local Government and Housing Act 1989 ("the Act") and was designed to ensure that rents paid by local authority tenants accurately reflect the cost of associated services. The Act specifies that expenditure and income relating to property listed in section 74 (that is houses and buildings provided for the provision of accommodation including the land on which they sit, excluding leases taken out for less than 10 years to provide temporary accommodation) must be accounted for in the HRA. Schedule 4 of the Act (as amended by section 127 of the Leasehold Reform, Housing and Urban Development Act 1993) specifies the allowable debits and credits. The Housing (Welfare Services) Order 1994 specifies more detail on the welfare services which must be accounted for outside the HRA. The Act also specified that it is unlawful to approve a budget which will result in a debit position on HRA reserves. It is not possible for a local housing authority to subsidise rents from its General Fund.

Section 24 of the Housing Act gives the Council power to set rents but Section (5) requires that the Council must have regard to relevant standards which are set for them under section 193 of the Housing and Regeneration Act 2008 (HRA 2008). Section 193 of the HRA 2008 allows the regulator of social housing to fix standards which social landlords must abide by. On 25th February 2019 the Government issued a directive which requires the regulator of social housing to set a new rent standard which applies to all local authority social landlords with effect from 1st April 2020.

The rent increases recommended in the report comply with the rent standard.

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Background Papers Used in Preparing This Report

The Housing Revenue Account (HRA) 2021/22 Budget and Rent Increase, Economy, Housing & The Arts Public Accountability Committee, 25th January 2021 - *Published*

Background

1. The Housing Revenue Account (HRA) contains solely the costs arising from the management and maintenance of the Council's housing stock, funded by income from tenant rents and service charges, leaseholder service charges, commercial property rents and other housing-related activities. It is a ring-fenced account and is required under statute to account separately for local authority housing provision.

Financial planning cycle

2. Until recently, the HRA budget setting and long-term financial planning processes have been run concurrently. It is now planned to carry out the review of the long-term financial business plan and report this to Cabinet mid-year; the budget report will then follow in February allowing the mid-year review to inform the budget process for the following year. Accordingly, following a refresh of the 2020/21 business plan in recent months, this report is in line with this new approach.

Emerging pressures and opportunities

3. In February last year, Cabinet approved a four-year plan to deliver £4m of annual savings from the HRA by 2023/24. These savings were needed to provide funding for the Council's ambitious plans to improve repairs, ensure homes remain safe and to fund the development of new homes. However, during 2020/21, a series of additional new pressures emerged including:

   - **Lower than expected rent increase**: Under the Government's rent standard, annual tenant rent increases are determined by Consumer Price Inflation (CPI) in the September prior to the year of the rent increase. The Council had modelled a higher rate of CPI (2.0%) than the eventual figure which was very low at 0.5%. This means that the income available for the HRA is lower than expected in the financial business plan.
   - **Increased spending on repairs**: Following the successful procurement of new contractors, the revenue costs of the long-term repairs model which provides better services for residents and health and safety compliance will

be £2.6m greater than under the interim repairs model, which itself was greater than under the previous contract.

- **Community alarms**: A review of how the costs of the community alarm service are shared between the HRA and the General Fund has resulted in an increase in the HRA share of costs of £0.4m.
- **The Coronavirus pandemic** has resulted in an increase in rent arrears, reduced income forecasts for commercial income and additional costs including enhanced cleaning of sheltered housing blocks. Although the bad debt provision budget provides a cushion to absorb some of the effects, a loss to the HRA of c£0.4m is expected in 2020/21 and there is a risk that there will be an adverse financial impact in 2021/22.
- **A programme of stock condition surveys** (£0.9m in 2021/22) has been established to inform the detailed investment plans required to deliver the Council's commitment to achieve a compliance-based asset management approach to the Council's homes.
- **Corporate service level agreement recharges**: Despite a reduction in the HRA budgeted staffing establishment from 472 (2020/21) to 449 (2021/22), there will still be an increase in the cost of corporate recharges (£0.3m). This is due mainly to increases in the costs associated with the delivery of corporate services including civic campus property rents, the managed services contract with IBC and Business Intelligence.
- **Depreciation charges** for housing properties for 2021/22 will be confirmed following the valuation of the Council's housing stock as at 31st March 2021. The budgeted charge for 2021/22 is set at £16.0m, an increase of £0.8m from the 2020/21 budgeted charge. There is a risk that the depreciation charge in the HRA could increase above the revised budget level as a result of changes in property market values, restricting flexibility over use of funds, and this is included in the risks schedule in Appendix 2.
- **Borrowing for housing provision and investment in health and safety**: The removal of the HRA borrowing cap in 2019 handed the Council an opportunity to make a significant capital investment in much needed new housing provision in the borough and to ensure that the asset management strategy is adequately funded to enable the delivery of a compliance-based approach to the Council's homes. As the additional borrowing of £60m since March 2020 was at very low interest rates, this has resulted in a reduction in budgeted debt servicing costs of £0.5m to £8.9m.

4. Given the significance of the emerging pressures and the borrowing opportunity outlined above, the HRA 40-year financial business plan was reviewed to understand the impact of these additional cost pressures and constraints on income on the short and long term financial sustainability of the HRA.

5. The revised financial business plan indicates the savings requirement has increased from £4.0m to £5.7m of annual savings by 2024/25. These are set out in Appendix 1.

Rent increases

6. Rents for existing tenants will increase by up to CPI (0.5% as at September 2020) plus 1% in line with the maximum rent increase permitted under the

Government's rent standard. This increase is also in line with the plans of the majority of other London housing authorities. Of the 11,816 current tenancies, the rent increases for 4,491 of these will be covered by housing benefit and universal credit.

7. The average rent for our Council Homes of £109.07 per week remains lower than the average rent of other central London boroughs (see Appendix 3 for a comparison). This constrains the funding available from rental income to invest in current stock, new housing and service provision and has contributed to the need for the short-term savings requirement.

Other charges

8. Tenant service charges will increase by CPI (0.5% as at September 2020) as most of our contract costs increase each year in line with this price index.

9. The changes to charges for communal heating schemes, garage and parking space rents, water and sewerage charges, home buy and income from advertising hoardings and commercial properties are set out in Appendix 4.

Budget overview

10. The proposed budget for 2021/22 is shown in Table 1 below:

Housing Revenue Account	2020/21 Budget	2020/21 Forecast	2021/22 Budget	Change in Budget between years
	£000s	£000s	£000s	£000s
Net Rental & Tenant Service Charge Income	(70,595)	(71,255)	(71,944)	(1,349)
Other Income	(8,471)	(8,119)	(8,320)	151
Total Income	**(79,065)**	**(79,374)**	**(80,264)**	**(1,199)**
Management costs	44,241	41,563	45,200	959
Repairs & Maintenance costs	17,568	20,350	20,243	2,675
Savings Programme	0	0	(3,770)	(3,770)
Depreciation	15,402	15,852	16,216	814
Net Interest charges	9,778	8,585	9,542	(237)
Total Expenditure	**86,989**	**86,350**	**87,431**	**441**
(Contribution to) / Withdrawal from HRA General Reserve	**7,924**	**6,976**	**7,167**	**(757)**
Cash saved from Savings Programme	**0**	**0**	**(3,770)**	**(3,770)**
Opening Balance on HRA General Reserves	(24,581)	(24,581)	(17,605)	
(Contribution to) / Withdrawal from HRA General Reserve	7,924	6,976	7,167	(757)
Closing Balance on HRA General Reserve	**(16,657)**	**(17,605)**	**(10,438)**	**(757)**

The financial strategy

11. The strategic financial objectives for the HRA are as follows:
    - to enable the financing of a viable on-going repairs programme that focusses on ensuring that all health and safety requirements are met and on maintaining the basic fabric of the Council's homes. The repairs programme will be prioritised to provide safe and weather-proof homes.
    - to fund this by undertaking a programme of prudential borrowing whilst financing both the annual interest of new and existing debt and repayments of the principal debt on maturity (£159.0m as at 1st April 2021);
    - to be ruthlessly financially efficient, continue to seek opportunities to raise additional income and to find further efficiencies which do not impact on service delivery;
    - to create a platform from which a significant number of new homes can be built in the HRA, providing much needed affordable housing in the borough, from the optimisation of capital funding sources, including capital receipts, grants, partnership contributions and borrowing;
    - to endeavour to free resources for investment in new initiatives whilst improving service standards;
    - to maintain a minimum balance for the HRA General Reserve of £4m to manage risk and uncertainty. The savings plan included within this document is necessary to prevent the balance from dropping below this critical level in 2022/23.

Reserves

12. Two types of reserves are held within the HRA: **general reserves** and **earmarked reserves.**

13. **HRA general reserves** should provide sufficient cover against unanticipated events. The risks facing the HRA must be viewed in conjunction with the level of HRA general reserves held. A prudent level of reserves is important to support long term investment planning in the context of a property portfolio of 17,000 properties with an existing use value of £1.3 billion.

14. The HRA general reserve is currently forecast to reduce to £17.6m by 31st March 2021 (based on the Corporate Revenue Monitor for month 6 approved at Cabinet on 6 January 2021). The current balance in the general reserve will provide the HRA with an adequate financial cushion to absorb the revenue pressures expected to impact over the medium-term. This includes the budgeted drawdown from the general reserve in 2021/22 which is expected to be £7.1m and which will reduce the balance to £10.5m.

15. This is equivalent to 9 weeks rent from the Council's homes. Appendix 5 shows how the Council's reserve levels relative to turnover compare to those of other local housing authorities. Direct comparison is difficult however, as councils will have different approaches to risk.

16. **HRA earmarked reserves** are funds set aside to cover specific future plans that are not covered by normal budgets (such as one-off funding for major projects

such as the long-term repairs model) and risks that are considered highly likely to happen (such as revenue costs relating to affordable housing and regeneration projects).

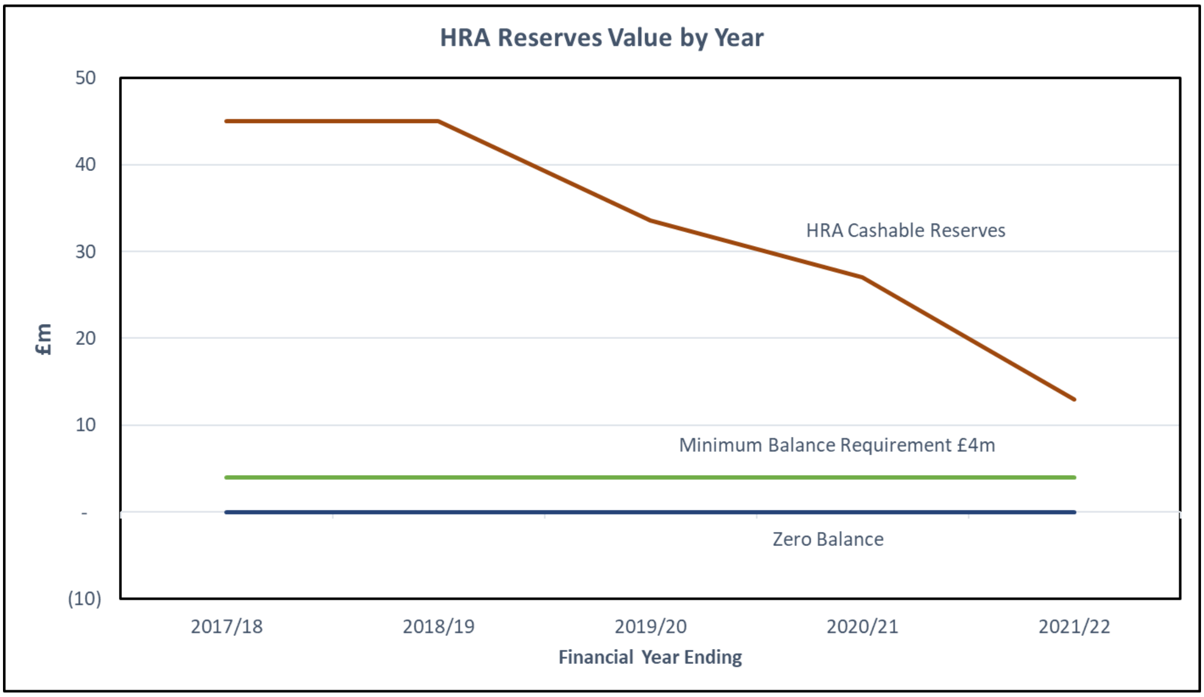
17. HRA cashable earmarked reserves are expected to be £8.4m as at 31st March 2021. These include funds set aside for the risk relating to overpaid water charges (see paragraph 22 below) (£6.0m) and for abortive and other write-off costs associated with the Council's affordable housing and regeneration plans (£1.7m).

18. The table below sets out the reserves available next year:

Reserves	Expected balance as at 1 April 2021 £000s	Commitments 21/22 £000s	Expected balance as at 31 March 2022 £000s
Regeneration reserve	(1,696)	-	(1,696)
Utilities reserve	(6,000)	6,000	-
Other cashable reserves	(682)	539	(143)
Cashable earmarked reserves	**(8,378)**	**6,539**	**(1,839)**
General reserve	**(17,605)**	**7,187**	**(10,418)**
All cashable reserves	**(25,983)**	**13,726**	**(12,257)**

19. Although Appendix 5 demonstrates that the ratio of the Council's projected cashable reserves relative to turnover at 31 March 2021 of 33% is in line with the local housing authority average of 32%, there is a need for significant savings now given that cashable reserves are expected to reduce to £12.4m by 31 March 2022 (only 16% of turnover) and that the current requirement for a contribution from reserves to balance the budget will exhaust reserves without management action to deliver savings.

20. The graph below shows the recent trend in annual budget deficits has led to a depletion of reserves and without the urgent action recommended in this report, there is a significant risk of a debit balance on reserves. The Local Government and Housing Act 1989 states that it is unlawful to approve a budget which will result in a debit position on HRA reserves.



Risks

21. Following a decision by the Court of Appeal in October 2020, the Council has been advised that eligible tenants are entitled to refunds of overpaid water charges. A reserve has already been established to manage this cost but there is a risk that costs could exceed the amounts held in reserve. The Council is currently considering its position to determine the total cost and ensure that tenants are refunded correctly.

22. The Government's programme of Welfare Reform continues to represent a risk to the Council's ability to collect rental income and may result in increased bad debt charges to the HRA. All new benefit claims are subject to Universal Credit and all existing claims are currently subject to a migration process to Universal Credit that is anticipated to be completed by December 2023. There is a risk that the migration of tenants to Universal Credit moves at a faster pace than expected. This risk is compounded by the impact of the Coronavirus pandemic which has resulted in an increase in arrears during the year to date. The increase in bad debt provision for rents has been budgeted for 2021/22 at £1.2m. In light of previous underspends, this budget has been reduced from £2.2m in 2019/20.

23. Whilst the full cost implications of implementing the Council's compliance-based asset management strategy are still being determined (stock condition surveys are being completed over the next few years), there is a risk that costs in excess of those in the proposed budget for 2021/22 and in the longer term plan are identified.

24. In addition to these risks above, there are several other financial risks and these are set out in detail in Appendix 2.

Reasons for decision

Section 76 (1)-(4) of the Local Government & Housing Act 1989 requires local authorities to set a budget for their HRA on an annual basis using the best assumptions available. The Act also specifies that it is unlawful to approve a budget which will result in a debit position on the HRA general reserves.

Equality Implications

The Equalities Impact Assessment (EIA) shows that the rent increase is not anticipated to have any direct negative impact on groups with protected characteristics. The appended EIA outlines the potential adverse impact and officers are confident that support measures in place will provide mitigation to any potential negative impact encountered by our tenants.

Implications verified by: Fawad Bhatti, tel. 07500 103617

Risk Management Implications

The principal risks are detailed in paragraphs 21 - 23 of this report and in appendix 2. These are included in the departmental risk register.

Implications completed by: Michael Sloniowski, Risk Manager, tel. 020-8753-2587

Consultation

Tenants and residents were consulted on the plans at the Economy, Housing and the Arts Policy & Accountability Committee on 25 January 2021 to allow the consideration of comments on the implications in advance of any formal decision being taken by Cabinet on 1 February 2021.

List of Appendices:

Appendix 1 Four Year Savings Plan
Appendix 2 Key Risks
Appendix 3 Local Housing Authorities Weekly Rents
Appendix 4 Fees, Charges & Other Income
Appendix 5 General Reserves as a % of Turnover

Appendix 1

Housing Revenue Account: Four-year savings plan 2021/22 – 2024/25

Division	Saving	Budget Change Cumulative (£000s) 2021-22	2022-23	2023-24	2024-25
Direct Delivery	Review of senior management and business support	219	219	219	219
Operations	Review of Operations staffing	72	72	72	72
Property & Compliance	Reorganisation of the Property & Compliance team*	204	204	250	482
Voids & Repairs	Reorganisation of the Repairs Client team	149	146	146	146
Housing Services	Review of senior management	131	131	131	131
Housing Services	Deletion of existing vacant posts	214	214	214	214
Housing Services	Consolidation of workforce, wider Housing Services review and reduction in agency staff	1,000	1,000	1,000	1,000
Housing Services	Reduction in consultancy staff	135	135	135	135
Housing Services	Reconfiguration of Concierge Service (Manifesto commitment)	-	-	330	330
Housing Services	Review of Hostels repairs and utilities budgets	50	50	50	50
Housing Services	Review of downsizing incentive payments budget	50	50	50	50
Housing Services	Review of legal, compensation & technical fees budgets	100	100	100	100
Finance	Reduction in corporate SLA recharges	-	300	300	300
Finance	Improved income collection through procurement of arrears reporting service	450	450	550	550
Finance	Other savings as yet to be confirmed - an update will be provided to Cabinet via the Corporate Revenue Monitor in the coming months	273	546	819	1,092
Finance	Reorganisation of the Finance team	100	100	100	100
Finance	Refund of Thames Water charges	120	-	-	-
Finance	Reduction in borrowing costs	503	503	600	700
All Savings		**3,770**	**4,220**	**5,066**	**5,671**

*The Property & Compliance saving of £204,000 has already been achieved during 2020/21.

Appendix 2

Housing Revenue Account: Key Risks 2021/22	Lower Limit £000s	Upper Limit £000s
Quantifiable Risks		
Welfare reform - the budgeted bad debt provision provides some protection against the impact on rent collection rates as a result of the Government's Welfare Reform programme. However, there remains some risk. Given that the households involved are on very low income levels it is likely that any increase in arrears would be uncollectable and the annual exposure is estimated in the region of between £3.0m and £5.9m for 2021/22, assuming mitigating actions are in place. The Council continues to promote payment by direct debit to tenants and as a "trusted partner", the Council can apply directly to the DWP for "alternative payment arrangements" (APAs) for individual tenants before they fall into significant arrears. The APA means that benefits for housing costs can be paid directly to the Council.	3,000	5,900
Right to Buy (RTB) disposals - a level of Right to Buy disposals (16 per annum from 2021/22 onwards) has been assumed within the business plan. There is a risk that unbudgeted levels beyond the Council's control could impact on the net income due to the HRA. The upper limit set out here assumes that the level of applications currently projected (137) all progress to RTB sales.	0	750
Total Quantifiable Risks	**3,000**	**6,650**

Key Risks 2021/22
Unquantifiable Risks
Coronavirus – Although it is now expected that an effective vaccination programme will be quickly implemented, there remains a risk of increases in residential and commercial rent arrears and voids losses due to the resulting economic downturn and the potential impact of Brexit. The Council could also see additional costs such as claims from repairs and maintenance contractors, extended preliminaries, storage and inflated material costs. The Government has not provided funding for income losses and additional costs relating to the HRA.
Housing repairs – unpredicted events may result in some additional expenditure (for example, following new health and safety directives, legislation, potential insurance claims from storm damage) on housing repairs. The HRA general reserves provide a financial provision that mitigate against this risk.
The **Building Safety Act and Fire Safety Act** will require H&F, as landlord, to resource significant additional investment, both revenue and capital, to achieve compliance. Revenue costs will include the legal requirement to designate Building Safety Managers to its 68 higher risk buildings (3,500+ households) and undertake additional prescribed maintenance and inspection of its 17,000 fire doors on a quarterly/six monthly cycle. Its 68 higher risk buildings will need continued capital investment in fire and structural safety to fulfil the requirements of the Building Safety Regulator and prescribed Building Assurance Certificate.
Risk to recruitment – given the shortage of appropriately qualified technical staff available on the market required to develop, scope, specify and procure fire safety plus capital works due to high demand in a post-Grenfell environment, there is a risk that the delivery of the Council's compliance-based asset management strategy may be significantly delayed and at an increased cost.
Continuation of social housing rent reductions beyond 2025 – The long-term financial business plan assumes that rents will increase by CPI+1% for each of the next four years, followed by increases of CPI+0.5% for the term of the 40-year plan. If future social rent policy deviates from this expectation in the coming years, this could lead to a requirement to reduce costs further although it is also possible that Government may permit higher rent increases which would enable additional investment in the management and maintenance of the Council's homes.
Market risk on re-procurement and recruitment – there is a risk especially under better economic conditions that it will become harder to re-procure contracts or recruit staff at the predicted rates. This risk is mitigated by the long term repairs contract procurement and the current economic environment has reduced the pressure on labour market costs.

Key Risks 2021/22
Other changes in central Government policy towards social housing
Additional fire safety costs – fire safety improvements to the housing stock above and beyond the current plans (which are already above legal minimum standards) may be required as stock condition surveys and investigations reveal the full cost of implementing the Hackitt recommendations.
Brexit and the state of the UK economy – this includes the impact on the housing sector on costs of a weakening currency, loss of grants funding opportunities, potential inflationary pressures on contracts and an increase in tenant rent arrears.
Depreciation – a risk that the depreciation charge could change as a result of changes in housing stock valuations or from changes in the regulations governing HRA assets. While any increase in the depreciation charge would provide more ring-fenced funding for the capital programme, it would result in lower revenue reserves. Revenue reserves can be used to cover revenue or capital risks so any movement in funds from revenue to capital restricts flexibility.
Asbestos management – as fire safety works are undertaken, asbestos will be encountered and require removal. The costs are unknown as its presence in many circumstances is unforeseeable.
Additional compliance costs and other repairs risks such as uninsured events
Aging housing and asset stock condition maintenance – the aging housing stock requires significant investment to maintain structural safety and upgrade assets including communal boilers, lifts etc to meet current standards and ensure the future safety of residents. Historic construction methods reveal deficiencies such as structural weaknesses (current building regulations address these weaknesses for new build), which significant numbers of our buildings exhibit. Immediate risks can be addressed but investment is required to halt deterioration to ensure the longevity of the stock. This has been addressed via the Asset Management Strategy but there is a risk that the investment required will exceed the approved resources.
Medium Term Financial Strategy – there is a risk to future savings expected to be delivered in accordance with the HRA four-year savings plan.

Appendix 3

Neighbouring London Local Housing Authorities

Weekly Rents: 2020/21

Local Housing Authority	Weekly Rent 2020/21	Weekly Rent 2019/20
Neighbouring Authorities		
Ealing	£98.90	£96.30
Hammersmith & Fulham	**£109.07**	**£106.17**
Brent	£115.08	£112.06
Kensington & Chelsea	£123.00	£120.00
Westminster	£124.34	£121.07
Wandsworth	£126.20	£123.75
Average for Neighbouring Authorities	**£116.10**	**£113.23**
H&F are below the average rent (£) by:	**£7.03**	**£7.05**
H&F are below the average rent (%) by:	**6.1%**	**6.2%**

Appendix 4

Fees, Charges & Other Income

<u>Heating charges</u>

Tenants and leaseholders who receive communal heating (around 1,811 properties) pay a weekly charge towards the energy costs of the scheme. The Council meets the costs of heating in the year, and recharges tenants and leaseholders based on an estimated cost and usage.

The Council is part of the LASER energy procurement group, which purchases energy on behalf of 48 local authorities. A system of flexible procurement is used which should ensure that LASER tenders for new energy contracts on a rolling basis, so that it can purchase when rates are low.

An estimate has been prepared in consultation with the Council's utilities management function of the new contract rate the Council can expect to achieve. Based on this estimate, combined with the need to balance the heating account for the year, no increase in charges is proposed for 2021/22.

<u>Garage rents</u>

There are 1,200 garages in H&F of which 896 occupied units are rented by license holders.

H&F standard sized garages are currently charged at the Cabinet approved weekly prices of £24.10 for Council tenants and leaseholders, £45.56 for private residents of the borough and £65.11 for non-borough residents. The smaller motorcycle garages are charged at a fixed rate of £18.08 per week.

Currently blue badge holders and pensioners are offered discounts at 25% and 10% respectively.

The current garage pricing is competitive with other local authorities and a garage refurbishment programme is enabling voids to become viable again for lettings. H&F's garage lettings strategy varies from many other local authorities in that residents both within and out of the borough can rent garages and licensees can use garages for either vehicles or general storage.

It is proposed to increase garage charges for council tenants, resident leaseholders and for other customers from April 2021 by 1.5%. This is in line with CPI (as at September 2020) of 0.5% plus a further 1% uplift to move towards recovering the cost of improvements made under the garage refurbishment programme. In addition, it is planned to uplift all the 200 accounts that are paying historic prices for their garage rents despite either living in a private property or having left the borough to be in line with the actual current charges.

Parking permits

Permit parking in H&F is in place on estates that have traffic orders. There are 2,800 parking bays across 36 traffic order sites and 2,300 permit holders. Blue badge holders and motorcycle users have access to the bays but are not required to buy a permit.

All estate parking zones use the same rulings and enforcement as on-street parking. On that basis the prices for estate permits are the same as the on-street equivalent and estate residents have option to purchase both permits for the same vehicle.

Currently H&F parking permits are charged at £71 for 6 months or £119 for 12 months for the first vehicle. Second vehicles are charged at £260 for 6 months and £497 for a year. There are concessionary rates of £60 for 12 months for first vehicles that have <100g per km of CO^2 emissions and free permits for fully electric vehicles.

It is proposed that charges for parking permits on estates are maintained in line with the Council's plans for parking permits in general. On this basis, this is expected to result in a 50% diesel surcharge on parking permits mirroring the pricing charges made to on-street parking onto our estates from April 2021.

Car space rentals

Residents can rent an allocated parking space on the non-traffic order sites which gives them exclusive access to that bay during their license. This is open both to Council tenants/leaseholders and private residents/companies in the borough. There are 290 car spaces for rent on estates in H&F of which 160 are occupied.

The current charges range for Council tenants and leaseholders per week from £2.79 for uncovered bays to £3.15 for covered bays. Private residents can rent a space on one of the commercial sites for £28.44 per week. There are no concessionary rates in effect currently for car space rentals. These are the same prices since April 2019 as car space charges were not included in April 2020's increase.

It is proposed to implement a general 2.2% increase in car space charges from April 2021. This includes the 1.7% (CPI as at September 2019) increase that was not added this current year and the inflation rate of 0.5% (CPI as at September 2020).

Water charges

The Council collects income from tenants of communally (bulk) metered homes on behalf of Thames Water.

The annual review of charges involves comparing the amount paid to the Council by tenants for water and sewerage during the previous financial year with the amount the Council paid to Thames Water. For communally metered homes this involves working closely with Thames Water to ensure that the charges are in line with the actual water used.

The increase advised by Thames Water for 2021/22 will need to be overlaid on top of the adjusted charges. It is expected that Thames Water will confirm the agreed changes to water and sewerage service charges for 2021/22 in January 2021. It is therefore proposed that any change to the water charges be agreed following Thames Water's confirmation in January 2021 and it is recommended that, as in previous years, authority be delegated to the Strategic Director for Economy to approve the increase in water charges. This will ensure that the Council fulfils its legal obligation to recover the water charges.

The Council no longer bills tenants and leaseholders on a rateable value supply since April 2020 but will continue to bill for those tenants and leaseholders on a bulk metered supply. Thames Water bills tenants and leaseholders on a rateable value supply directly for water and sewerage.

<u>Leasehold after sale – Home Buy fees</u>

In order to move towards recovering the costs of service provision, it is planned to increase the fee from £155 to £200.

<u>Advertising income</u>

The annual budget for income generated from advertising hoardings located on housing land has been increased by £18,000 to £420,000. This follows a commercial review of all sites based on current market conditions.

Legal and accounting advice previously has confirmed that the income and expenditure associated with advertising hoardings on HRA land should be accounted for within the HRA.

<u>Rents on shops</u>

The budget for commercial property rents for 2021/22 has been reduced by £62,000 to £1.485m. The reduction in net income is due to an expected increase in void rates from 6% to 10% to reflect market conditions and an increase in the budget for repairs and maintenance of the property portfolio based on informed assumptions from the Council's Valuation & Property Services team to allow for economic conditions. Additionally, the budgeted charge for the bad debt provision has been set at £100,000 for 2021/22.

Appendix 5

Local Housing Authorities: HRA Reserves as a % of Turnover

Local Housing Authority	Turnover 2019/20	HRA Reserves at 31st March 2020	HRA Reserves as a % of Turnover
	£m	£m	%
H&F*	77.8	26.0	33%
London Local Housing Authorities			
RBKC	61.7	8.5	14%
Westminster	101.4	17.4	17%
Brent	55.6	5.8	10%
Ealing	65.5	17.0	26%
Harrow	31.9	8.3	26%
Hounslow	89.7	41.0	46%
Hillingdon	61.6	17.1	28%
Wandsworth	143.2	130.3	91%
Barking & Dagenham	109.8	16.5	15%
Camden	184.0	27.4	15%
Croydon	85.6	15.4	18%
Enfield	89.7	26.9	30%
Greenwich	117.8	12.9	11%
Hackney	144.5	17.2	12%
Haringey	101.8	15.6	15%
Islington	221.3	108.4	49%
Lambeth	181.5	60.1	33%
Lewisham	105.2	91.3	87%
Newham	108.7	82.2	76%
Redbridge	30.3	16.8	55%
Southwark	264.4	23.0	9%
Barnet	56.0	7.4	13%
Kingston upon Thames	31.9	7.7	24%
Sutton	37.5	7.1	19%
Tower Hamlets	98.2	57.4	58%
Average of Neighbouring Authorities			32%
Average of 26 London Local Housing Authorities			32%

***The HRA reserves and turnover figures for H&F shown in the table above are the expected figures for the year ending 31st March 2021**

Direct comparison of reserve levels relative to turnover with other local housing authorities is of limited benefit as councils will have different approaches to risk.