London Borough of Hammersmith & Fulham **CABINET** **6 February 2017**	
FINANCIAL PLAN FOR COUNCIL HOMES: THE HOUSING REVENUE ACCOUNT FINANCIAL STRATEGY, 2017/18 HOUSING REVENUE ACCOUNT BUDGET AND 2017/18 RENT REDUCTION	
Report of the Cabinet Member for Housing	
Open Report	
Classification - For Decision **Key Decision: Yes**	
Wards Affected: All	
Accountable Director: Kathleen Corbett, Director of Finance and Resources (Housing & Regeneration)	
Report Author: Kathleen Corbett, Director of Finance and Resources (Housing & Regeneration)	**Contact Details:** Tel: 020 8753 3031 E-mail: kathleen.corbett@lbhf.gov.uk

1. EXECUTIVE SUMMARY

1.1 This report covers the 2017/18 budget for the Council's homes (also known as the annual Housing Revenue Account (HRA) budget) including a reduction in rents for Council homes of 1% for 2017/18.

1.2 Last year because of the decision by the Chancellor of the Exchequer to reduce social housing rents by 1% each year for four years from April 2016, without any accompanying compensation to the HRA, £76m of major works had to be postponed.

1.3 The report considers how £12m of these previously postponed repairs can be done on time to help safeguard the homes.

2. RECOMMENDATIONS

2.1 To endorse the revised long term 40 Year Financial Plan for Council Homes as set out in paragraphs 4.18 – 4.21 of this report.

2.2 To approve the Housing Revenue Account 2017/18 budget for Council homes as set out in Appendix 1.

2.3 To note the 1% reduction in rents in accordance with the Government's requirement that social housing rents are reduced by 1% each year for four years from April 2016.

2.4 To approve a freeze in tenant service charges.

2.5 To endorse the HRA Medium Term Financial Strategy which plans to deliver further on-going annual revenue savings of £0.4million per annum by 2017/18, rising to £1.6million per annum by 2021/22, with savings coming principally from back office costs.

2.6 To note that the water regulator OFWAT is not due to confirm the increase in tenants' water charges until January 2017, and therefore to delegate authority to the Director of Finance & Resources (Housing & Regeneration) to agree the average increase in water charge.

2.7 To approve a freeze in the communal heating charges.

2.8 To freeze the rates for parking charges on council estates.

2.9 To freeze garage charges for tenants and resident leaseholders and to approve an increase for other garage charges of 1% (in line with the Consumer Prices Index (CPI) as at September 2016).

2.10 To note the risks outlined in paragraphs 4.10 to 4.13 and Appendix 6 of this report.

3. REASONS FOR DECISION

3.1. Section 76 (1)-(4) of the Local Government & Housing Act 1989 requires that the Council formulates the annual budget for the Housing Revenue Account during the months of January and February immediately preceding the year the budget is for. This budget must not result in a debit balance on the Council's HRA.

4. PROPOSAL

Background

4.1. The decision by the Chancellor of the Exchequer to reduce social housing rents by 1% each year for four years from April 2016, without any accompanying compensation to the HRA, means that while lower rents may appear to benefit tenants in the short term, there is a lot less money available to pay for the maintenance of Council homes. It is not possible to fund the loss of rent by additional borrowing, as the Council is not permitted to borrow above the level of the debt cap.

4.2. As a result, Cabinet agreed on 8th February 2016 to postpone £76m major works to a much later period to produce a balanced 40 year long term financial plan for Council homes.

4.3. The Council has therefore looked for other ways to offset the impact of the 1% rent cut on repairs to help safeguard Council homes for the future.

Opportunities for Additional Income and Savings

4.4. Officers continue to look for opportunities to generate additional income and savings on both the revenue and capital budgets. A detailed analysis and review of the budgets has again been conducted.

4.5. The opportunity to get more money in is restricted as most of the income received in the HRA is from tenants' rents and rent reductions for the next three years are set by legislation.

4.6. Cumulative on-going annual savings delivered in the six years to 31st March 2017 were £11.8m and the savings programme approved last year is already set to deliver on-going additional savings of £0.4m from 2017/18 rising to £1.6m by 2020/21 (i.e. £13.4m cumulative annual savings since the return of management to the Council in 2011). This means there is little scope for further savings without compromising service delivery, although the Council will of course continue to seek additional opportunities.

4.7. It has been possible to generate other income in the HRA for 2017/18. The budgeted income for 2017/18 from commercial rents, advertising income and garages is currently forecast at £3.25m. This is £200,000 (6.5%) higher than for 2016/17 and is mostly due to additional advertising income.

4.8. Managers have used the Council's Smarter Budgeting approach to produce this budget. In some cases, this has enabled changes in the way they prioritise resources to deliver services. This has resulted in growth in some areas of the budget of £0.776m which has been offset by corresponding savings of £0.779m from within the same budget envelope, leaving a net saving of £0.003m. These are listed in detail in appendix 5.

Risks

4.9. The Government's programme of Welfare Reform is expected to have a significant impact on the Council's ability to collect rental income and will result in increased bad debt charges to the HRA. All new benefit claims are now subject to Universal Credit and it is anticipated that from July 2019 the

Government will begin migrating all remaining existing benefit claimants to the Universal Credit. Due to the difficulty in estimating the financial impact, both an allowance for an additional bad debt provision and a risk is included in the 2017/18 budget. A bad debt charge of £1.1m has been included for 2017/18 plus an additional allowance of £1.6m to provide for the financial impact of the Government's plans under Welfare Reform as outlined above. This gives a total budgetary provision for bad debt of £2.70m. There is a risk that the migration of tenants to Universal Credit moves at a faster pace than initially expected.

4.10. The Housing and Planning Act 2016 which enforced the rent decrease also provided for the enforced sale of high value voids with the sale proceeds being paid over to central Government.

4.11. Government have recently confirmed the Council will not have to make any payment for high value void sales in 2017/18 as the full roll out of Right to Buy to Housing Associations will not happen until after April 2018. But as Government have not yet published the detailed regulations we do not know the size of the payments we may have to make in future years. Therefore, the long term HRA financial plan still excludes the impact of the high value voids policy; this Government policy represents a significant risk to the HRA financial plan.

4.12. In addition to this, there are several other financial risks and these are set out in detail in Appendix 6.

Reserves

4.13. The risks facing the HRA must be viewed in conjunction with the level of HRA general reserves held, where 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 £1.1billion[1]. HRA reserves had fallen to £3.1m as at 31st March 2011, but following the implementation of the HRA financial strategy in January 2012, significant progress has been made with HRA reserves as at 31st March 2017 now predicted to have increased to £20.1m. This level of reserves will need to be maintained to provide sufficient cover against unanticipated events such as those that might arise from the risks noted above.

Asset Management

4.14. The Council has improved on the level of investment for 2016/17 and has pulled forward £12m of the £76m of necessary major works which had previously been postponed to a later period. It's been possible to do this and still produce a balanced financial plan because we've reviewed the structure of the other capital commitments that were in the HRA plan for 2016/17.

---

[1] Based on the CIPFA methodology and not on a rental stream basis which would yield a considerably lower Existing Use Valuation

4.15. A small amount of financial headroom has also been created within the financial plan to enable new affordable housing development to provide much needed homes.

4.16. This will allow the Council to house more people and to replace the homes lost under the Government's sale of high value voids policy. This will also contribute to keeping people out of temporary accommodation where possible and contribute to the much-needed containment of costs in the Council's General Fund.

Financial Strategy

4.17. The strategic financial objectives for the HRA are as follows:

- to enable the financing of a viable on-going repairs programme that focusses on maintaining the basic fabric of the Council's homes and ensuring that all health and safety requirements are met. 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 (£192.3m as at 1st April 2016) over 40 years;
- to continue to seek opportunities to raise additional income and to find further efficiencies which do not impact on service delivery to bridge the timing gap in the planned works programme;
- to ensure tenants only receive affordable increases in rent and other charges that are significantly lower than those included in the February 2014 HRA Business Plan;
- to increase the HRA reserves balance to protect against future shocks or unanticipated events to the current average level of reserves held by London authorities as a percentage of turnover of 22% by 2027. This will mean reserves being at least £20.6 million by 2027;
- to continue to endeavour to free resources for investment in new initiatives including new housing supply whilst improving service standards.

4.18. The 40 year time span is used because the Council borrows from the Public Works Loans Board for up to 50 years and a substantial proportion (41%) of the Council's current housing debt is not due for repayment until after 30 years with 9% of the Council's current housing debt not being due for repayment for over 40 years.

4.19. The business plan is sensitive to both the differential between CPI and RPI and to increases in both indices and to fluctuations in the income and costs associated with the Land Sale Agreement for the West Kensington and Gibbs Green Estates.

4.20. The effect of the revised financial strategy including the 1% decrease in rents for Council Homes can be seen in the 5 year Income and Expenditure account presented at Appendix 2.

Rents

4.21. The rent reduction will result in average rents being nearly £17.67 less per week after four years (from 2019/20) than the average rent predicted in the financial plan approved in January 2015. The average rent for our Council Homes of £108.73[2] per week is already lower than that of most other central London boroughs (see Appendix 9 for a comparison of average rents in other central London boroughs).

4.22. The draft budget for Council homes for 2017/18 shown in Appendix 1 assumes that tenant rents reduce in line with the enforced rent reduction of 1% and that tenant service charges remain unchanged from 2016/17 levels. The combined effect will be a decrease in average tenants rent and service charges of 0.95%. Together with a few adjustments, this will reduce gross rental income in the HRA by £0.5m in 2017/18.

Capital Charges

4.23. The two main components of capital charges are the cost to the HRA of borrowing that has taken place to fund the capital programme, including the Decent Homes Programme, and the cost to the HRA of depreciation charges. Further detail is contained within Appendix 10.

Fees, Charges and Other Income

4.25 The changes to charges for communal heating schemes, garage and parking space rents, water and sewerage charges, and income from advertising hoardings and commercial properties are set out in Appendix 11.

5. Consultation

5.1 Tenants and residents were consulted on the plans at the Economic Regeneration, Housing and the Arts Policy & Accountability Committee on 13th December 2016 in order that the committee could comment on the implications in advance of any formal decision being taken by Cabinet on 6th February 2017.

6. Equality Implications

6.1 The Equalities Impact Assessment (EIA) shows that the rent reduction is expected to be positive or neutral for protected groups. But some groups are

---

[2] 2016/17 budgeted average rent is £108.73 per week for Hammersmith & Fulham

over represented in Council homes so proportionately they will be more impacted. However, the Council considers that the main driver of the change in the plan for major works is due to the reduction in rents and largely outside of the Council's control.

6.2 It is not possible for the Council to mitigate the effects by funding the shortfall in rental income from other resources as the Council needs to maintain a viable financial plan. However, the Council plans to take into account the views expressed by tenants on detailed estate plans of major works for their area. Officers will also be on hand to help tenants and their households in ensuring that tenants' homes are safe, warm and weather-proof.

7. Legal Implications

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

7.2. The HRA ring-fence was introduced in Part IV of the Local Government and Housing Act 1989, and was designed to ensure that rents paid by local authority tenants accurately reflect the cost of associated services. This act specifies that expenditure and income relating to property listed in section 74 of the Local Government and Housing Act 1989 (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 further specifies more detail on the welfare services which must be accounted for outside the HRA.

7.3. The Local Government and Housing Act 1989 also specified that it is unlawful to approve a budget which will result in a debit position on HRA reserves. This section should include the legal power relevant to the proposal must be set out together with any future possible legal implications.

7.4. The Local Government and Housing Act 1989 requires the Council to maintain a Housing Revenue Account (HRA). Section 76 of this Act imposes "ring-fencing" arrangements in respect of a the HRA and places a duty on the Council to prevent a debit balance arising in HRA. The sums which can be debited from and credited to the HRA are prescribed by law. It is not possible for a local housing authority to subsidise rents from its General Fund.

7.5. As set out in the report the Welfare Reform and Work Bill requires that registered providers of social housing must reduce the amount of rent payable by a tenant of social housing by at least 1% per annum over 4 years, commencing in 2016. This statutory provision will restrict the ability of the Council to set rents.

7.6. Implications completed by: Janette Mullins, Principal Solicitor (Housing Litigation), Finance & Corporate Services.

8. Financial Implications

8.1. Comments are contained within the body of the report.

8.2. Implications completed by: Kathleen Corbett, Director of Finance & Resources, Housing & Regeneration, 020 8753 3031.

9. Risk Management

9.1. The principal risks are detailed in section 4 of this report and in appendix 6. These are included in the departmental risk register.

9.2. Implications completed by: Michael Sloniowski.

10. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	**Description of Background Papers**	**Name/Ext of holder of file/copy**	**Department/ Location**
1.	HRA Financial Plan for Council Homes, Economic Regeneration, Housing & The Arts Public Accountability Committee, 13th December 2016	Kathleen Corbett Ext 3031	Housing and Regeneration Department, 3rd Floor Town Hall Extension, King Street, W6 9JU

LIST OF APPENDICES:

Appendix 1 Housing Revenue Account 2017/18 budget
Appendix 2 5 Year Business Plan
Appendix 3 5 Year Savings Plan
Appendix 4 Efficiencies & Income Movements
Appendix 5 Growth & Savings from changes to service delivery
Appendix 6 Key Risks
Appendix 7 Housing Authorities General Reserves
Appendix 8 Borrowing Plans
Appendix 9 Local Housing Authorities Weekly Rents
Appendix 10 Capital Charges
Appendix 11 Fees, Charges & Other Income

Appendix 1:
2017/18 Draft Housing Revenue Account Budget

Division	2016/17 Revised Budget	2016/17 Forecast Outturn[1]	2017/18 Proposed Budget
	£000s	**£000s**	**£000s**
Housing Income	(76,571)	(76,571)	(76,284)
Housing Services	12,839	12,863	13,032
Safer Neighbourhoods	585	585	348
Adult Social Care	48	48	610
Housing Repairs	829	829	1,907
Property Services	15,737	15,737	14,889
Regeneration	241	265	359
Housing Solutions	350	336	29,248
Finance & Resources	8,795	8,296	9,123
Corporate Service Level Agreement Charges	6,260	6,260	5,872
Capital Charges	29,826	29,719	48
(Contribution to)/ Appropriation from HRA General Reserve	**(1,061)**	**(1,633)**	**(848)**
Opening Balance on HRA General Reserve	**(18,520)**	**(18,520)**	**(20,153)**
Closing Balance on HRA General Reserve	**(19,581)**	**(20,153)**	**(21,001)**

[1] As per Corporate Revenue Monitor for month 6

Appendix 2

5 Year Business Plan for Housing Revenue Account 2017/18 - 2021/22

HRA revenue projections	**2017/18 Proposed Budget £000s**	**2018/19 Projection £000s**	**2019/20 Projection £000s**	**2020/21 Projection £000s**	**2021/22 Projection £000s**
Income	(76,284)	(77,585)	(78,178)	(78,920)	(81,153)
Expenditure before savings and growth	73,359	76,558	77,971	79,266	80,523
Base HRA surplus for the year	**(2,925)**	**(1,027)**	**(207)**	**346**	**(630)**
Efficiencies*	(388)	(821)	(1,611)	(1,774)	(1,831)
Growth	0	0	0	0	0
Surplus before additional capital programme contribution	**(3,313)**	**(1,848)**	**(1,818)**	**(1,428)**	**(2,461)**
Available for Revenue Contribution to Capital Outlay or growth	2,465	6,028	0	1,313	2,108
Surplus for the year after additional capital programme contribution	**(848)**	**4,180**	**(1,818)**	**(115)**	**(353)**
HRA balance at year end	**(21,001)**	**(16,821)**	**(18,639)**	**(18,754)**	**(19,107)**

* Note that all figures including efficiencies are inflated in line with business planning assumptions

Appendix 3:

Housing Revenue Account 5 year Savings Plan	**Risk to Delivery**	**17/18**	**18/19**	**19/20**	**20/21**	**21/22**
		£000s	**£000s**	**£000s**	**£000s**	**£000s**
Additional savings programme focused primarily on reducing corporate overheads for IT and premises.	🟧	388	788	988	1,088	1,088
Additional savings on core costs resulting from better stock condition and better customer service.	🟧	0	0	500	500	500
Base savings programme		**388**	**788**	**1,488**	**1,588**	**1,588**

Appendix 4: Efficiencies & Income Movements

Division	Description	Amount £000s
Finance & Resources	Reduction in Corporate Service Level Agreement charges	388
Total		**388**

Item	Housing Income £000s
2016/17 Base Budget	(76,571)
Other Adjustments	
Decrease in dwelling rents	449
Additional Advertising Income	(200)
Increase in Leaseholder Service Charges	(37)
Improved void rate for dwelling rents and service charges	(514)
Provision for income reduction	589
2017/18 Base Budget	**(76,284)**

NB: Leaseholders can only be charged for costs actually incurred.

Appendix 5: Growth & Savings from changes to service delivery

Growth

Division	Description	Amount £000s
Property Services	MITIE contract Health & Safety Aids & Adaptations Customer Satisfaction Surveys	70 117 89 25
		301
Housing Services	Grounds maintenance contract Waste collection contract	156 32
		188
Finance & Resources	Increase to pension fund contribution H&F InTouch Rent Income - temporary Welfare Benefit Officer	100 50 45
		195
Regeneration	Development & Regeneration - minor reorganisation	92
		92
Total Growth		**776**

Less: Savings from changes in service delivery

Division	Description	Amount £000s
Property Services	MITIE repairs and maintenance contract Deletion of senior management posts	94 143
		237
Housing Services	End of EU life project Reduction in estates parking consultation costs	145 197
		342
Housing Income	Increase in income from advertising hoardings	200
		200
Total Savings from changes in service delivery		**779**
Net Saving		**3**

Appendix 6: Key Risks 2017/18	**Lower Limit £000s**	**Upper Limit £000s**	**Worst Case £000s**	**Future Risk £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 various strands of the Government's Welfare Reform programme. However, there remains some risk as follows: - though the Council has made provision for the inevitability that arrears will increase, it is very difficult to quantify the level of risk for direct payments. Given that the households involved are on very low income levels it is likely that the majority of this increase in arrears would be uncollectable and the annual exposure is estimated in the region of between £1.6m and £8.0m per annum for 2017/18, assuming mitigating actions are in place. The maximum level of exposure is far higher; the total annual rent paid directly to the Council for HRA properties by Housing Benefit is approximately £33.6m. In terms of mitigation the Council continues to actively promote payment by direct debit/ standing order to tenants and has achieved "trusted partner" status with the DWP as part of a detailed rent collection strategy, as well as having in place arrangements to support tenants in managing their money. Under the "trusted partner" scheme, 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.	0	8,000	33,600	?
Right to Buy Disposals - a level of Right to Buy disposals (40 per annum from 2017/18 for four years and then falling back to 20 per annum from 2021/22) 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 and worst case risks set out here are based on an assumption that the level of applications currently projected (227) all progress to RTB sales. The future risk assumes that there are 80 or more RTB sales each year.	0	972	972	416
Pension opt-in - the risk of all staff opting to join the local government employer pension scheme.	0	14	14	14
Total Quantifiable Risks	**0**	**8,986**	**34,586**	**?**

Appendix 6: Key Risks 2017/18

Unquantifiable Risks

Accounting for impairment and revaluation losses / gains - changes in accounting rules following self-financing regarding impairment and revaluation losses / gains mean that any adverse movements resulting from changes in the property market that cannot be funded by revaluation reserves will be an actual charge to the HRA bottom line. The current level of revaluation reserves of £138m represents 10.8% of the current stock valuation of £1,277m, so an impairment / revaluation loss of 10.8% would have to be suffered before the HRA would be affected. The Government is currently consulting on implementing changes that may remove this risk.

Accounting for depreciation - CLG’s Settlement Payments Determination includes a five-year transitional period during which time Councils may use the uplifted Major Repairs Allowance (MRA) as a proxy for depreciation. The Council has subscribed to the transitional period and 2016/17 is the final year of operation. However, Government has still not advised of its final determination following consultation on the proposed accounting arrangements following the end of the transitional period. This could result in an increase in revenue costs to the Housing Revenue Account.

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, and financial provision has been made to mitigate against this risk.

Appendix 6: Key Risks 2017/18

Unquantifiable Risks

Continuation of social housing rent reductions beyond the four year period - this relates to the risk that in 2021 rents continue to be enforced by statute and that the Council is unable to return to the rent policy agreed last year with tenants of CPI plus 1% plus £1. This would lead to further reductions in planned repairs over the next ten to fifteen years resulting in a deterioration of the Council's homes and higher repairs and maintenance costs.

Service Level Agreements - any mid-year review of corporate SLA costs may impact adversely on the HRA particularly if contracts are retained in house resulting in higher than expected FTE numbers. There is a risk that corporate services may not pass on savings as the proportion changed by the HRA changes because of changes elsewhere in the Council which affect the percentage recharges and that legislative burdens could increase costs.

Market Risk on Re-Procurement and Recruitment – Again 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

Other changes in central Government policy towards social housing

Land Sale Agreement for the West Kensington and Gibbs Green Estates - the current HRA business plan is very sensitive to fluctuations in the income and costs associated with the Land Sale Agreement for the West Kensington and Gibbs Green Estates. This includes the timing of land transfers as income cannot be realised in accounting terms until land is transferred.

Additional Health & Safety requirements and other repairs risks such as uninsured events

Forced Sale of High Value Voids - the Government's plan to force the sale of high value empty council homes with the proceeds being paid over to central Government. This is likely to have an adverse impact on the availability of social housing in the borough putting pressure on the General Fund budgets even if a one for one affordable rented replacement is provided in borough. The loss of stock will reduce economies of scale in the HRA and, depending on the exact nature of the regulations and the properties sold, result in a net loss and constrain proper asset management within the HRA.

The implementation of Managed Services and its impact on service delivery - most notably in terms of risks to income collection, arrears management and the associated bad debt risk, financial and management reporting, systems assurance and reconciliation reporting, the time taken to resolve payment issues, the delay in implementing the system for leaseholder service charges, the opportunity cost of officer time in managing issues arising and other factors
Medium Term Financial Strategy - a risk to future savings expected to be delivered in accordance with the HRA five year savings plan, especially in relation to savings focussed on reducing corporate overheads for IT and premises.
Maintenance of Council Homes - Without the ability to fund the shortfall in the capital programme (if there is not a stock transfer), we will continue to have a significant repairs backlog and this backlog will start to grow. It means that there is a risk that, not only will the condition of the Council's homes deteriorate, but that the day to day repair costs will start to increase. The revised plan for major works in the event of there not being a stock transfer postpones the equivalent of window and door replacements to 3,700 homes, roof renewals for 2,250 homes, 3,700 new heating systems, 1,500 electrical rewires, 1,500 new kitchens and 1,000 new bathrooms.

Appendix 7:
London Local Housing Authorities General Reserves as a % of Turnover

Local Housing Authority	Turnover 2015/16	General Reserve at 31st March 2016	General Reserve as a % of Turnover
	£m	£m	%
H&F	82.2	18.5	23%
Neighbouring London Housing Authorities			
RBKC	58.2	21.4	37%
Westminster	92.6	44.8	48%
Brent	54.8	6.2	11%
Ealing	69.2	4.9	7%
Harrow	32.1	6.7	21%
Hounslow	84.2	17.4	21%
Hillingdon	67.7	33.9	50%
Wandsworth	142.4	121.9	86%
Other London Local Housing Authorities			
Barking & Dagenham	111.0	8.7	8%
Camden	190.2	39.2	21%
Croydon	93.2	11.8	13%
Enfield	66.6	9.1	14%
Greenwich	125.5	9.1	7%
Hackney	141.4	10.2	7%
Haringey	110.6	39.3	36%
Islington	188.9	14.8	8%
Lambeth	188.7	10.7	6%
Lewisham	89.1	42.9	48%
Newham	116.7	26.2	22%
Redbridge	28.6	6.4	22%
Southwark	298.2	16.6	6%
Waltham Forest	61.1	1.5	2%
Barnet	61.2	8.8	14%
Kingston upon Thames	31.5	4.3	14%
Sutton	39.1	2.4	6%
Tower Hamlets	92.1	31.1	34%
Average of all 27 London Local Housing Authorities			22%

Appendix 8:

Housing Revenue Account Borrowing Plans 2016/17 - 2026/27

	Year	Borrowing Opening Balance £000s pa	Debt Repayments £000s pa	Additional Required Borrowing £000s pa	Borrowing Bal/Cfwd £000s pa	Housing Capital Financing Requirement £000s pa	Internal Borrowing £000s pa
1	**2016.17**	192,282	5,866	0	186,416	230,446	44,030
2	**2017.18**	186,416	6,150	0	180,267	238,863	58,596
3	**2018.19**	180,267	3,784	8,978	185,460	242,041	56,581
4	**2019.20**	185,460	9,696	0	175,763	242,451	66,687
5	**2020.21**	175,763	9,461	18,113	184,415	225,111	40,696
6	**2021.22**	184,415	0	893	185,308	226,004	40,696
7	**2022.23**	185,308	0	1,009	186,317	227,012	40,696
8	**2023.24**	186,317	3,548	8,240	191,009	222,554	31,545
9	**2024.25**	191,009	13,009	14,946	192,945	224,490	31,545
10	**2025.26**	192,945	0	16,838	209,783	228,909	19,127
11	**2026.27**	209,783	4,731	24,179	229,231	248,358	19,127

Appendix 9:
Central London Local Housing Authorities
Weekly Rents: 2016/17

Local Housing Authority	Weekly Rent 2016/17
Lewisham	97.43
Southwark	100.24
Hackney	101.55
Greenwich	103.16
Hammersmith & Fulham	108.73
Lambeth	109.21
Tower Hamlets	110.26
Islington	111.77
Camden	112.90
Kensington & Chelsea	122.77
Westminster	123.81
Wandsworth	125.43
Average	**110.61**

Appendix 10
Capital Charges

Interest Payable

In line with the latest revised 40 year HRA business plan, it is planned to repay £6.1m of debt due to mature in 2017/18. This reduction in debt means that the annual interest cost in 2017/18 will reduce to £8.9m (from £9.7m in 2016/17). The level of borrowing proposed within the Financial Plan for Council Homes is predicted to increase by 2027/28 before falling back over the term of the business plan. The plan for the next 10 years' borrowing is set out in Appendix 8.

Depreciation

The Council's policy has been to use the Major Repairs Allowance (MRA) as a proxy for depreciation in the HRA for housing properties and this practice will not change for 2017/18.

CLG's Settlement Payments Determination includes a five-year transitional period during which time Councils may use the uplifted MRA. The Council has subscribed to the transitional period which is due to end in 2016/17. CLG are due to issue a final determination confirming whether or not transitional protection will be removed or extended. There is a risk that the depreciation charge in the HRA could increase depending on the outcome of the determination and this is included in the risks schedule in Appendix 6.

The increase in the depreciation charge for dwellings for 2016/17 is £0.6million taking the budget required to £17.9million.

The transitional arrangements exclude non-dwellings depreciation which under previous accounting rules had no net effect on the HRA bottom line. For 2017/18, this charge has reduced by £33k resulting in a budget of £198k.

Appendix 11 – Fees, Charges & Other Income

Heating Charges

Tenants and leaseholders who receive communal heating (around 2,025 properties in total) 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.

As the new energy contract rates are not expected to be received until after this report is published, an estimate has been prepared in consultation with the Council's Estate Services function who have provided an indication 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 2017/18.

Garage Rents

Garages are currently let on a weekly basis at a flat rate of £23.08 for a car garage and £17.31 for a motorcycle garage. It is proposed to freeze garage charges for tenants and resident leaseholders and to approve an increase for other garage charges of 1% (in line with the Consumer Prices Index (CPI) as at September 2016).

The level of charges among other neighbouring London Councils vary. For example, equivalent weekly charges for garages are between £19 and £57 in Kensington and Chelsea, £12 and £36 in Camden, £22 in Wandsworth. Prices for garages rented privately within Hammersmith & Fulham range from £1,800 to £2,500 per annum.

Parking Permits

Parking permits are issued at a flat rate of £119 per year. There are also concessionary rates for second or low emission cars.

Following changes in law that limit the Council's powers to enforce parking on housing estates by private contractors, the Council is undertaking a review of parking on all housing estates in the borough with a view to introducing enforceable parking controls. Following a consultation process with residents of several estates, Traffic Management Orders have been implemented on a number of es`tates. This process is ongoing and the level of income assumed for parking charges for 2017/18 takes account of the changes in law and on-going review of parking.

It is proposed to freeze this £119 flat rate for vehicles on council estates that opt for a Traffic Management Order. Any concessions that reduce this rate on streets outside council estates for low emission cars will also be applied in estates covered by Traffic Management Orders. No fees or surcharges above this flat rate are proposed for vehicles in estates.

Water Charges

The Council collects income from and pays charges on behalf of tenants and leaseholders. The Council calculates the price at which water and sewerage services are resold to tenants to ensure that the amounts billed to tenants and leaseholders are in accordance with OFWAT's (the Water Services Regulation Authority) guidelines. In summary, OFWAT requires that "anybody reselling water or sewerage services should charge no more than the amount they are charged by the company". The guidelines allow for an administration charge to be added.

The annual review of charges involves comparing the amount the Council charged tenants for water and sewerage during the previous financial year with the amount the Council was charged by Thames Water. This involves working closely with Thames Water in ensuring that the charges made to the Council for metered properties are in line with the actual water used.

The increase advised by OFWAT for 2017/18 will need to be overlaid on top of the adjusted charges. It is expected that OFWAT will confirm the agreed changes to water and sewerage service charges for 2017/18 in January 2017. It is therefore proposed that any change to the water charges be agreed following OFWAT's approval in January 2017 and it is recommended that authority be delegated to the Director of Finance & Resources to approve the increase in water charges. This will ensure that the Council fulfils its legal obligation to recover the water charges in full.

Advertising Income

The budget for income generated from advertising hoardings located on Housing land has been increased by £200k to £838k. This increase has resulted from the implementation of a strategy to identify opportunities for new hoarding sites (expected to generate additional income of £200k). Opportunities for identifying new hoardings sites are being investigated on an on-going phased basis.

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

Rents on Shops

The budget for commercial property rents for 2017/18 has not changed since last year and has been set at £1.383m. This follows a review of the likely level of lettings achievable in the current climate in accordance with the terms of the associated leases and informed assumptions from Valuation & Property Services. The budget set for HRA commercial property incorporates a forecast void rate of 11%, based on the valuers views, to allow for economic conditions. Additionally, the budgeted increase in bad debt provision has been set at £90k for 2017/18.