HOUSING REVENUE ACCOUNT (HRA) RENT SETTING 2012-2013

Cabinet Member	Councillor Philip Corthorne

HEADLINE INFORMATION

Purpose of report	Subject to Cabinet's consideration of this matter on 16 February 2012, Council will be asked to agree HRA rents and charges as well as the HRA budget for 2012/13.
Contribution to plans and strategies	HRA resource priorities are aligned with, and enable the Council, to deliver its strategic housing objectives set out in the Housing Strategy and other housing services strategies such as the Homelessness strategy
Financial Cost	The proposals centre on the application of specific, ring-fenced HRA resources, which are contained within the overall HRA Fund. There is no direct impact on the Council's General Fund; however the HRA supports the Council's General Fund housing activities and proposals for the capital development of supported housing.

RECOMMENDATIONS: That, subject to Cabinet's decision on 16 February,

a) **formula rents under the DCLG rent restructure policy be used to calculate HRA dwelling rents for 2012/2013**.

b) **the average HRA rents, charges and allowances for 2012/13 be approved as set out in Tables A to D of this report.**

c) **the HRA Budget for 2012/13 be approved as set out in Appendix 1 of this report.**

d) **the proposed programme for works to the existing stock in 2012/13 - plus any additional budget from self financing be approved – as set out in Appendix 4 of this report**

INFORMATION

Reasons for recommendation

1. The purpose of this report is to seek Council approval for the proposed Housing Revenue Account (HRA) rents, service charges and allowances for 2012/2013. Under current legislation, income from council tenants for rents and service charges must be separately shown in the Housing Revenue Account. Under Department for Communities and Local Government's (DCLG) general guidelines these charges must be reviewed regularly to ensure that the HRA does not go into deficit.

Alternative options considered

2. Council could amend or add to the proposals in respect of charges, but such amendments or additions must ensure that service charges levied cover the cost of providing services. The proposed charges are listed in Tables C and D.

3. If the Council chose to set rents higher or lower than those proposed in line with the Government rents restructuring policy there would, in both cases, be a detrimental effect to the HRA. Setting rents higher would result in a disproportionate increase in income generated. This in part means we are charging higher rents to pass on to the Government through housing benefit penalties. Setting rents lower would result in less income with the same amount of interest and principal payable on loans taken out as part of the HRA self financing process. Neither option can be recommended.

Comments of Policy Overview Committee

4. None at this stage.

Supporting Information

Summary

5. This is the final year of HRA Subsidy Determinations. The system of Self Financing is now in place and the Council was issued with an indicative self-financing settlement amount in March 2011 projecting that £172m would have to be paid to the DCLG as a one off settlement to end the subsidy system. A draft self-financing Determination was then issued on 21 November 2011 indicating that LBH would have to pay £192m to buy itself out of the subsidy system. The final Self-financing Determination was issued on 1 February 2012. This reduced the self-financing debt by just over £1m and this has had the effect of reducing debt payments by an average of £65k.The main change from the indicative figures published in March 2011 is due to the fact that the RPI increased sharply to a rate of 5.6% in September 2011; this is the relevant date for valuing the rent income for the next year and the next 30 years. This created extra income of £20m, justifying the difference between £172m and £192m.

6. The rent restructuring formula remains under self-financing and whilst the final determination is still awaited, it is expected that increases will be based on the current formula rent. This will result in the average rent for 2012/13 increasing by £6.12 per week or 6.42% resulting in an average rent for the next financial year of £101.41. This is expected to yield an additional £3.5 million per annum.

7. The one off payment to the Treasury is the key figure on which the 30 year business plan is based. This plan must support the payment of settlement debt within the 30 year life time of the plan; therefore an allowance must be made for principal and interest payments.

8. The current year's projection is showing a surplus variance and as a consequence, balances (net of earmarked reserves) are expected to decrease marginally to £12.64m from the 2010/11 outturn of £12.98m.

Background

9. As part of the Council's annual budget setting process, this report presents the proposals for the HRA 2012/13 and beyond. The aims of the report are to:
   (i) update Cabinet on the self-financing regime, which comes into force from 1 April 2012, as confirmed by parliamentary approval of the 2011 Localism Act;
   (ii) provide Cabinet with proposals for HRA rents, fees and charges for 2012/13;
   (iii) update Cabinet with the latest HRA income and expenditure projections for thecurrent financial year 2011/12; and

(iv) provide Cabinet with the proposed HRA budget for 2012/13 for approval within the context of the budget setting process for 2012/13.

10. The financing of the HRA is changing significantly from 1 April 2012. Under the current subsidy based regime a subsidy figure is calculated by the use of a complex formula which is used to represent various elements of an authority's spend within the HRA. The individual income and expenditure elements used to derive each authority's subsidy are based on a formula that is meant to reflect need. However, despite numerous attempts to develop an acceptable formula that was demonstrably fair, the subsidy system remained controversial. The change to a new system follows the Government HRA review which was prompted by increasing dissatisfaction with the subsidy system.

11. In anticipation of the new regime, the November Cabinet report proposed a broad strategy for a long term business plan for the HRA to respond to and take advantage of the self-financing regime that will be implemented from 1st April 2012. The core elements of the strategy centre on the maintenance of existing dwellings to an acceptable standard expected from a responsible landlord and the development of supported housing units to improve the lives of people who would otherwise have to be placed in more costly residential care accommodation.

12. Under self-financing most of the regulations governing the HRA remain. This includes requirements for local housing authorities to carry out a periodic review of rents for dwellings and charges for services and facilities provided to council tenants. There is a general expectation that theses charges are reviewed annually.This report consequently sets out recommended rent increase, proposals for increases of other HRA charges and the setting of budgets for 2012/13. It also provides further details of proposals for the 2012/13 HRA Capital Programme.

13. As in previous years, precise calculations for HRA rents, fees, charges and budget proposals can only be carried out after release of the relevant HRA determinations. The DCLG issued the HRA draft Self-financing Determination on the 21 November 2011. The final Self-financing Determination was issued on 1 February 2012. This reduced the self-financing debt by £1m compared with the November 2012 Draft Determination figure of £193m and this has had the effect of reducing debt payments by an average of £65k. The main change from the indicative figures published in March 2011 is due to the fact that the RPI increased sharply to a rate of 5.6% in September 2011; this is the relevant date for valuing the rent income for the next year and the next 30 years. This created extra income of £20m, justifying the difference between £172m and £192m.

14. In accordance with requirements under the Housing Act 1985, tenants must be given 28 days notice of changes in their rents once set by Council in February 2012. Notices will be issued in February 2012. This will ensure that tenants have four weeks notice of rent increases to come into force on Monday 2 April 2012, which is the first complete rent week in the new financial year.

The Self-financing Regime

15. Parliamentary approval of the Localism Act in November 2011 confirmed the implementation of the new self-financing regime. The new regime provides opportunities but also has risks attached which need to be taken into account. Hillingdon will be required to take on £192m of debt in return for the retention of an annual £15.6m (and rising) negative subsidy payments that we have been making to central Government.

16. The final HRA self-financing settlement figures were released on 1 February 2012 and officers have analysed the accompanying financial models and implications for the 30 year business plan. Indicative figures published in March showed that Hillingdon would be allocated £172m of new debt. The final settlement figure shows a debt allocation of £192m. The principle reason for this difference is that the final determination takes into account September RPI figure of 5.6% for dwelling rent increases. However, this also has the corresponding effect of increasing actual income by an additional £1.2m per annum to finance the additional borrowing. There were no fundamental methodological alterations in the self-financing model that was used for the original indicative settlement figures.

17. The high RPI rate in September leads to a significant rent increase of 6.4% in 2012/13. This consists of 5.6% RPI + 0.5% rent restructuring + 0.3% convergence to formula rent (4 years left). The valuation is based on these assumptions for rent income, leaving councils in a very difficult position if they choose to impose lower increases, particularly in year one as the compounding effect of this would result in the loss of many millions over the business plan cycle.

18. On implementation, all HRA debt including existing loans incurred for the Decent Homes programme will be separated from General Fund funds into a single pot. The current methodology for distributing finance charges between the General Fund and HRA will be simplified and will lead to savings within the General Fund which, at present, subsidises HRA interest costs due to the statutory use of the Item 8 determination that uses a very low LIBID rate on all internal borrowing.

19. Whilst encouraging Local Authorities to invest in housing projects, the Government's stated priority is to reduce the national deficit. Local Authority borrowing for housing purposes is included as part of the Public Sector Debt Requirement and must be affordable nationally as well as locally. The prudential code, whilst addressing affordability at the local level, does not do this nationally and hence a limit on borrowing will be imposed for council housing in each Authority.

20. For Hillingdon, a self financing valuation of £303m has been announced as part of the overall self-financing final Determination. This valuation also sets the limit of borrowing the council can undertake. Taking the existing HRA debt of £66m plus the £192m settlement debt leaves borrowing headroom of a further £45m; £25m of this will be used towards the Affordable Housing programme reported to Cabinet in July 2011.

Treasury Management Strategy

21. Given that the actual HRA debt will substantially increase, the need for the management of debt will clearly be a significant factor and, consequently, a separate Treasury Strategy establishing an independent HRA pool has been recommended to Cabinet for approval. Further information is reported within the Treasury Management Strategy within the main Council budget report to February 2012 Cabinet. The main principles for the underlying Strategy include the following.
    - Existing loans up to the value of current HRA debt will be identified and separated from General Fund debt.
    - The HRA will repay the principal part of debt for both existing and new debt over the 30-year business plan period.
    - For the early years, surpluses against the HRA debt financing budget will be earmarked for either principal repayment or further re-financing to allow future housing developments to proceed or to facilitate further borrowing opportunities at a later date.

22. On 4 September it was announced by the Treasury that for the purposes of HRA settlement only, Public Works Loan Board (PWLB) rates would be lowered by around 0.9% from usual rates of approximately 1% above gilts. Hence, the settlement debt of £192m will be financed from this source as other forms of commercial borrowing or the issuance of bonds would not compete with such rates

23. However these preferential rates are available for one day only (26 March) for settlement purposes. As a result, authorities will not be able to borrow in advance and thus dissipate any risks associated with a sudden rise in gilts on the appointed day. If rates remain unchanged from 1 February the settlement debt will be financed at an average rate below 2.5%.

Changes in Right to Buy Homes

24. A significant development that may have an impact on the HRA Business Plan involves changes in the right to buy (RTB) scheme. The changes, which were announced in the Chancellor's Autumn Statement, increase the RTB discounts available to council tenants to buy their own homes to a maximum of £50,000. The maximum discount currently ranges from £16,000 in London to £38,000 in the south east. The plans that are subject to consultation would result in a London tenant with five years qualifying tenancy receiving a discount of £50,000; more than three times the previous cap of £16,000. A full response to the consultation has been provided to Government.

25. Local authorities would then be allowed a prescribed fixed amount towards the selling costs of the property. This amount is based on local authorities costs equating to the 40th percentile point of sales in the last few years. The first call on the net proceeds would then be for compensating both the treasury and the local authority for funding that has previously been assumed within the self-financing settlement. Councils can then take up the residual receipts to replace the sold properties by a new build property that would be rented out at the higher affordable rent level. The rental stream would fund the additional borrowing that would be required and the overall viability of replacements of units is likely to be depend on local authorities also contributing land.

Impact of the 2011/2012 HRA Self Financing Determination on Hillingdon

26. As indicated above, the final HRA self-financing settlement figures were released on 1 February 2012, The headline figures within the settlement are as follows:-
    - Self–financing settlement resulting in £192m as new debt
    - Assumes rent increase of 6.4% for 2012/13
    - Income increase by average of £1.2m per year

27. The most significant element is the additional debt that will need to be taken on by the HRA. The additional £192m when added to the current HRA debt of £68m represents nearly a four fold increase. However, the debt repayments for the additional payments are below negative subsidy levels Hillingdon would have paid and as a consequence the HRA position is favourable as shown in Appendices 1 and 3.

28. As a consequence the self-financing regime offers opportunities from increased resources which include future capital development such as the supported housing programme. However, the Government has also implemented regulations to cap each authority’s debt in order to control the national public sector debt. Hillingdon’s debt cap, which is also included in the self-financing determination, has been set at £303m. Although this represents a constraint, there is a level of headroom that can be used for future development.

29. DCLG advice for Councils is to ensure that the HRA finances allow stability in the first few years and then to develop a longer term strategy. As the self-financing settlement has been published and confirms a favourable financial outlook, a longer tem strategy needs to be developed in the future. This will need to consider all options for the HRA including possible collaborations with other authorities.

30. The HRA strategy needs to take into account the tenancy strategy that is presently being developed. The Right to Buy proposals from Government could have a significant impact on this as there are proposals that Councils replace every sold property with an affordable rent property.

31. As an authority with a fair level of headroom, Hillingdon has no real imperative to broker agreement to alleviate pressing issues relating directly to dwellings. The head room we have also allows us to pursue strategies such as development of supported housing as noted above.

32. A further report in the future will be presented to Cabinet to consider the various options and include proposals for a future strategy as well as a framework for future updates.

Rents and Charges

HRA Rent Setting Framework

33. The HRA account framework is regulated by the DCLG. Dwelling rents are calculated using the formula rent in line with the DCLG national rent restructure programme. The rent restructure programme was introduced in 2002/2003. Once convergence is achieved in 2015/16 the rent restructuring regime is expected to continue to set limit rents which for housing benefit purposes within the council housing area.

37. The Hillingdon dwelling rents proposal recommends an average increase of 6.42%. This average is based on property specific calculations using the rent restructuring formula provided by DCLG. The maximum increase for any property in Hillingdon will be 6.6%.

38. The 2012/13 HRA Self-financing Determination assumes an increase of this magnitude. Consequently, in order to minimise lose to the HRA, it is recommended that rents be increased by an average of 6.42%. Table A below provides the estimated average rents for HRA dwellings.

Table A: HRA Dwelling Rents

TABLE A: HRA DWELLING RENTS		PREVIOUS YEAR	PREVIOUS YEAR	CURRENT YEAR	NEXT YEAR PROPOSED:- WITH NEW BUILD - FULL YEAR EFFECT	
		2009/10 RENT	2010/11 RENT	2011/12 RENT	2012/13 RENT	2012/13 RENT
		ACTUAL RENT pw	ACTUAL RENT pw	ACTUAL RENT pw	RENT RESTRUCTURE pw	% Increase
	HRA COUNCIL DWELLING RENTS (AVERAGE)	£88.70	£89.98	£95.29	£101.41	6.42%
a.	Flats/Maisonettes 1 bed	£72.69	£77.63	£77.82	£82.61	6.42%
b.	Flats/Maisonettes 2 beds	£82.05	£88.38	£88.37	£94.05	6.42%
c.	Flats/Maisonettes 3+ beds	£95.43	£102.00	£102.00	£108.55	6.42%
d.	Houses/Bungalows 1 bed	£81.96	£87.61	£87.58	£93.23	6.42%
e.	Houses/Bungalows 2 beds	£95.15	£101.96	£101.95	£108.51	6.42%
f.	Houses/Bungalows 3 beds	£108.02	£115.49	£115.49	£122.91	6.42%
g.	Houses/Bungalows 4+ beds	£115.65	£125.41	£125.38	£133.47	6.42%

39. Included in the rent restructuring calculation for rents set out in the table is an inflation factor prescribed by the DCLG. The increase to rents includes an element of the rent restructuring formula that allows for convergence of social housing rents towards a formula rent. This will result in an average increase of 6.42% for HRA tenants within the Borough. Without these increases balances would fall by around £3.5m and lead to significant ongoing pressures for the remaining 30 year business cycle due to compounding.

Non Dwelling Rents

40. HRA non-dwelling rents cover garages, hard standings, carports, shops and commercial premises. This report deals with garages, hard standings and carports. Shops and commercial premises are managed as part of the Council's Corporate Landlord function.

41. Garage, hard standing and carport rents are not covered by rent restructuring. Historically, we have always increased non-dwelling rents by the same base percentage used to increase dwelling rent each year. For 2012/2013, officers are recommending an inflationary increase of 5.6% to the existing average charges listed in Table B below.

Table B: HRA Non-Dwelling Rents

Table B		PREVIOUS YEAR	CURRENT YEAR	NEXT YEAR PROPOSED	
	HRA NON DWELLING RENTS	2009/10 AVERAGE WEEKLY CHARGES	2011/12 AVERAGE WEEKLY CHARGES	2012/13 AVERAGE WEEKLY CHARGES	% INCREASE
a.	Garages	£9.80	£10.51	£11.10	5.6%
b.	Car Ports	£6.79	£7.04	£7.43	5.6%

c.	**Hard Standings/Parking Spaces**	**£3.80**	**£4.04**	**£4.27**	**5.6%**

Service Charges and Allowances

42. Within the HRA self financing regime, the assumed expenditure allows a limited category of costs to cover general management and maintenance. This allowance does not cover certain services provided to tenants such as caretaking, cleaning, grounds maintenance, CCTV cameras etc. Government expectations are that these costs are identified and de-pooled from the general level of rents and charged for separately. Local authorities can recover the actual cost of the relevant service, and only tenants receiving the service (either individually or as a group) within similar types of properties, can be charged the appropriate amount.

43. In previous years the Council's policy has been to increase existing service charges and allowances by inflation plus a nominal rate to support actual cost of service provision. Officers are recommending changes listed in Table C to Table D below for 2012/13. The base inflation rate used in calculating HRA rent increase for 2012/13 is 5.6%. We are recommending that service charges go up by this rate, where appropriate; except for energy supplies where the policy is to recover costs so that in some cases charges can be reduced to reflect efficiencies or reductions in costs.

44. The weekly charge for using the Telecare service system for private tenants is included within the Hillingdon General Fund Budget setting process.

45. Additional management support is being provided at the newly built Extra Care Housing accommodation, Triscott House site. These new residents receive support services from two dedicated staff that will, for example, help manage security of the site, liaise with individual care workers coming on the site and provide support for residents if need arises. This charge is related to, but independent of the tenancy

46. This charge would apply to extra care housing where additional support is being provided. Currently, this would apply to the new build site at Triscott House and potentially to future sites of a similar nature.

47. There is relief for this support charge from housing support funding. The local authority's housing support commissioner has indicated that all housing support costs – including 70% of the scheme manager's costs, 100% of the support worker's costs and 4% for void loss - can be recovered from housing support grant subsidy if the individual is eligible for this. If the individual is not eligible, or does not wish to apply for subsidy, they must personally pay the charge.

Table C (i): Ancillary charges

		CURRENT YR			ESTIMATE
	ANCILLARY CHARGES	2011/12 CHARGES & ALLOWANCE	Proposed Change		2012/13 CHARGES & ALLOWANCE
			%	£	£
a.	Careline Council Tenants	**£4.91 monthly** (1.13 pw)	**0%**	**£0.00**	**£4.91 monthly** (1.13 pw)
b.	**Grounds Maintenance** Cost of cutting grass, weeding and general open space management within the HRA.	**£1.00 - £3.26**	**5.60%**	**£0.06 - £0.18**	**£1.06 - £3.44**
c.	**CCTV** Cost of maintaining CCTV cameras on HRA estates	**£0.58 wk**	**5.10%**	**£0.03**	**£0.61 wk**
d.	**Door Entry** Cost of managing and maintaining door entry systems on HRA estates	**£0.22 wk**	**5.10%**	**£0.01**	**£0.23 wk**
e.	**Window Cleaning** Window cleaning for shelter schemes	**£0.25 wk**	**5.10%**	**£0.01**	**£0.26 wk**
f.	**Management Support Charge** Management support for additional Extra Care in HRA Accommodation	**£22.77 wk**	**0.00%**	**£0.00**	**£22.77 wk**

48. As stated above the policy for service charges, such as energy related charges are to recover costs. HRA energy contracts are managed within the LBH LASER energy procurement contract, procured by Kent County Council and this contract is allowing the procurement of energy at much cheaper rates than normal domestic market prices. Taking this into account, the cost of energy for the HRA has gone up by between 15% electricity and 20% gas in 2011/12; this is below the average national increase in energy prices. Estimated charges are shown in Table C (ii) below: actual energy charges are however, also dependent on energy usage.

Table C (ii): Heating and Energy Charges

	2011/12	2011/12		2012/13
Energy Charges	**Current Weekly Charge**	**Increase / (reduction) %**	**Increase / (reduction) £**	**Estimated Charge**
Communal Electric (Cost of providing communal and street lighting on estates)	£1.14	15%	£0.17	£1.31
Sheltered Heating - Communal Element (supply to communal arrears)	£2.63	7.5%	£0.20	£2.83
Sheltered Heating - Property Element (supply to dwellings)	£4.12 to £7.11	7.5%	£0.31 to £0.53	£4.43 to £7.64
District Heating	£4.07 to £11.82	15%	£0.59 to £0.96	£4.88 to £11.82

49. Table C (iii) below lists all allowances paid in the HRA for redecoration and home release payments. We are recommending that these allowances are frozen at the current rate.

Table C (iii): Allowances

		CURRENT YR		ESTIMATE
	ALLOWANCES	2011/12 CHARGES & ALLOWANCE	Proposed Change	2012/13 CHARGES & ALLOWANCE
1	REDECORATION ALLOWANCES		%	
a.	Living Room	£105.00	No Change	£105.00
b.	Dinner/Kitchen	£150.00	No Change	£150.00
c.	Staircase	£105.00	No Change	£105.00
d.	Landing/Hallway	£50.00	No Change	£50.00
e.	Double Bedroom	£105.00	No Change	£105.00
f.	Single Bedroom	£75.00	No Change	£75.00
g.	Bathroom	£75.00	No Change	£75.00
h.	WC	£30.00	No Change	£30.00
i.	Dining Recess	£25.00	No Change	£25.00
j.	Working Kitchen	£105.00	No Change	£105.00
k.	Sweeping Flue	£5.00	No Change	£5.00
l.	Two Room Allowance	£260.00	No Change	£260.00
2	OTHER ALLOWANCES			
a.	Home Release Reward - Reduction by 1 Bed	£750.00	No Change	£750.00
b.	Home Release Reward - Reduction by 2 Bed	£1,000.00	No Change	£1,000.00
c.	Home Release Reward - Reduction by more than 2 Beds	£1,250.00	No Change	£1,250.00
d.	Statutory Home Loss	£4,700.00	Set by DCLG	£4,700.00

50. Table D below is the list of caretaking charges. Caretaking costs have been reviewed and as a result of efficiencies and cost reduction activities it is possible to maintain costs at the current level. Increase are not being proposed for the majority of the charges with the exception of double bin collections, where costs are increasing and an inflationary increase of 5.6% is recommended.

Table D: Caretaking Charges

	PREVIOUS YEAR	PREVIOUS YEAR	CURRENT YEAR	NEXT YEAR PROPOSED		
	2009/10 CHARGES & ALLOWANCE wk	2010/011 CHARGES & ALLOWANCE wk	2011/12 CHARGES & ALLOWANCE wk	Increase/ (Decrease)		2012/13 CHARGES & ALLOWANCE wk
Caretaking Band				%	£	
A	£10.00	£10.00	£10.00	No change		£10.00
B	£6.50	£6.50	£6.50	No change		£6.50
C	£4.50	£4.50	£4.50	No change		£4.50
D	£3.50	£3.50	£3.50	No change		£3.50
E	£2.50	£2.50	£2.50	No change		£2.50
F	£1.50	£1.50	£1.50	No change		£1.50
Sheltered Housing	£5.00	£5.00	£5.00	No change		£5.00

Queens Lodge	£6.30	£6.30	£6.30	No change		£6.30
Additional Refuse Collection	£1.75	£1.75	£1.84	5.60%	£0.10	£1.94

Other Charges

Sheltered Charges

51. It is proposed that there is no change to the housing related support charge to sheltered housing; this will stay at £16.94.

Leaseholder Improvement Charges

52. Charges for granting consent to leaseholders for improvements to their flats have been reviewed. It is proposed to reduce the current charge of £184.50 for minor works permissions and to split this into two categories - for simple works (such as giving consent to rewire the property) a charge of £50, and for works that require plans or a specification to be checked and approved (eg windows, kitchens, heating and the like), a charge of £130. For major works and more complex cases (eg an extension or loft conversion), it is proposed to change this fee from £92.24 to £100 and to continue to charge an additional sum based on the hourly rate of the technical officer involved in dealing with the works. In addition to the above charges, any legal costs that the Council may incur will be payable by the leaseholder. Lastly it is proposed that officers have the discretion not to make a charge in cases such as the leaseholder installing say loft insulation, or other such minimal and beneficial works.

Charges for optional services to tenants

53. Where the Council, due to various circumstances, carries out repairs that are the residents' responsibility, the Council maintains the right to charge these works back at cost, or if done under the handyperson at a reduced charge subsidised from the HRA repairs account. The Council introduced a scheme for vulnerable tenants as part of the local offer to help them maintain their gardens in an acceptable condition. This is also subsidised - from the garden maintenance budget in the HRA – and tenants using the service pay a weekly sum which will vary depending on the level of service they chose.

Table E Optional services

Service	Description	2012/13 charge
Rechargeable repairs	On request or on leaving a property	At cost
Handyperson scheme	Qualifying repairs	Voluntary £10 contribution plus the cost of any materials used
	Replacing lamps in light fitting (for tenants over 60 or with a disability that prevents them doing this)	The cost of the lamp
Gardening service	Hedge cutting (standard frequency)	£ 39.50 annually or £0.76 per week
	Lawn mowing (standard frequency)	£197.51 annually or £3.80 per week
	Bed maintenance (standard frequency)	£ 26.33 annually or £0.51 per week
	Hedge cutting (increased frequency)	£ 65.83 annually or £1.26 per week
	Lawn mowing (increased frequency)	£296.26 annually or £5.70 per week
	Bed maintenance (increased frequency)	£ 59.25 annually or £1.14 per week

Discretionary Repairs to dwellings

54. Where the Council exercises its discretion to carry out works that are the residents responsibility, but due to various circumstances the Council carries out these works, the Council maintains the right to recharge costs for these works to the relevant residents.

Latest Projected Expenditure and Income For 2011/2012 and 2012/2013

55. An update on the projected expenditure for 2011/2012 and the proposed Original Budget for 2012/2013 is provided in Appendix 1.
56. The HRA is also projected to be in a strong position in the medium term with accounts as set out in Appendix 3 showing uncommitted balances averaging around £13.6m between 2012/13 and 2015/16. This favourable position is expected to be maintained and improved over the longer term.

2011/2012 Latest Projections

57. In summary, for the current financial year 2011/12, the HRA net balances are projected to be £12.64m (£12.89m less earmarked reserves of £0.25m). This overall balance level includes a £2.14m favourable variance against the revised budget for the year. The key variances for 2011/12 are projected to include the following:
    - £294k favourable variances within the General and Special Services budgets - due to underspends in staffing areas arising from posts being left vacant pending a BID review.
    - £282k favourable variances within the Repairs budgets – resulting from electrical testing work being carried out in-house rather than sub-contracting.
    - £698k favourable variances within the income budgets – half of this is due to increased income from works carried out for leaseholders; the remainder includes increased income from shops and improved level of dwelling income from a smaller than expected void rate.

2012/2013 Original Budget

58. The major factors in the preparation of the draft budget for 2012/13 are the rent increase proposals and the change to financial arrangements (self financing) position as discussed in Sections D and E above. The proposed budget for 2012/13 set out in appendix 1 shows an increased level of closing balances of £14.6m. Appendix 3 shows a 10 year projection for the HRA. This shows balances remaining at just under £13m for the two years: 2013/14 and 2014/15. From 2015/16 onwards balances are expected to increase significantly. However, this projection is based on the current HRA loan repayment strategy and this will be reviewed after the Council has entered into loan agreements to pay off the debt in the next 30 years.

HRA Capital Programme 2012/2013

59. Table E below provides a summary of the proposed capital programme for 2012/13.

Table E: Capital Programme

Capital Programme 2008/09 - 2015/16 Projects	Outturn 2008/09 (£000s)	Outturn 2009/10 (£000s)	Outturn 2010/11 (£000s)	Current Programme 2011/12 (£000s)	Draft Programme 2012/13 (£000s)	Draft Programme 2013/14 (£000s)	Draft Programme 2014/15 (£000s)
Capital Expenditure							
Works to Existing Stocks	11,285	10,254	8,839	2,306	2,400	3,485	3,485
Estates Improvements		273	1,010	508			
Redevelopment Schemes	120	179					
Other HRA Projects	97						
Cash Incentive Scheme	130	100					
Long Lane - Mental Health Units	306	28					
Townfields Community Centre		634					
HRA New Build - Pipeline Sites Phase 1			5,285	1,830	95		
HRA New Build - Pipeline Sites Phase 2				3,722	931		
HRA New Build - Extra Care Site			2,134	4,842	300		
HRA New Build - Learning Disability Sites				281	7		
HRA New Build - Supported Housing Programme					14,190	10,223	3,567
Program Total	**11,938**	**11,468**	**17,268**	**13,489**	**17,923**	**13,708**	**7,052**
Capital Financing : Sources							
Capital Grants - MRA	7,624	7,986	8,224				
Capital Grants - SHG Pipeline Phase 1			3,656				
Capital Grants - SHG Pipeline Phase 2				590	100		
Capital Grants - SHG Extra Care Site			2,085	2,085			
Capital Grants - SHG Learning Disability				91			
Capital Grants - SHG Supported Housing					720	1,815	840
Capital Grants - Estates Improvements		273	1,010	492			
Capital Grants - Works To Stock		164	120	180			
Capital Grants - Townfield Community Centre		634					
Capital Receipts - Long Lane Mental Health Units	306	28					
Prudential Borrowing/ Capital receipts - Pipeline Phase 1			1,629	1,830	95		
Prudential Borrowing/ Capital receipts - Pipeline Phase 2				3,132	831		
Prudential Borrowing/ Capital receipts - Extra Care Site			49	2,757	300		
Prudential Borrowing/ Capital receipts -Learning Disability				190	7		
Prudential Borrowing/ Capital receipts - Supported Housing Programme					13,470	8,408	2,727
Revenue Contribution to Capital - Works to Stock	3,126	1,916	423	2,142	2,400	3,485	3,485
Revenue Contribution to Capital - Pipeline Phase 2	347	467					
Other External Funding	535		72				
Programme Total	**11,938**	**11,468**	**17,268**	**13,489**	**17,923**	**13,708**	**7,052**

60. A total budget of £17.923m is proposed for the HRA capital programme for 2012/2013. The major elements of this programme are Works to Existing Stock of £2.4m, and New Build projects of £15.523m. These New Build projects include the development of £14.19m for new Supported Housing Program to construct 225 new properties for supported housing from 2012 to 2015.

61. The capital program of £17.923m is financed by (1) £2.4m of revenue contribution to capital for works to stock project; (2) £0.82m for specific capital grants from the Homes and Communities Agency (HCA) and (3) £14.703m of borrowing/HRA capital receipts for the New Build projects. The borrowing involved is prudential borrowing. These borrowing costs will be met by rental streams from the individual dwellings that are being developed.

Work to Existing Stock

62. The approach to investment in the existing stock is to provide a reasonable balance between investment in the decent homes standard, investment in wider renewal, and in

environmental schemes to improve the quality of life of residents. The aim therefore is to deliver a mixed programme that reflects the following priorities for investment.

- *Making better use of stock* – supporting the council in increasing high priority housing units through the stock management programme.
- *Other maintenance and improvements* – necessary works on estates
- *Adaptations* – to provide greater opportunities for independent living to people with disabilities
- *Security, health and safety* – programmes of works that enhance the safety and security of residents - key aspects of quality of life.
- *Energy efficiency* – to support the council's strategic priority of home energy conservation
- *Environmental improvements* – investment in landscaping and other external enhancements that improve the environment, change perceptions of the area and address specific management issues.

63. Table E above shows capital growth of £1.085m per annum from 2013/14 in the future years on the Works to Existing Stocks program. This expenditure is expected to be financed by revenue contributions to capital that arise from the HRA surplus revenue resources as a result of HRA self financing. The capital growth is subject to the approval of the HRA self financing settlement, it has been applied mainly to supporting improvements in existing dwelling stocks to make them more energy efficient. This will help provide affordable warmth and reduce carbon emissions within our existing housing stock. The capital growth is additionally being applied to help achieve a decent home in a decent place by improving the environment for the wellbeing of the residents and the community in the housing estates that are managed by the Council. The detail of this expenditure for 2012/13 is provided in paragraphs 66 to 121 below and in Appendix 4.

New Build Affordable Programme

64. Table F below provides an analysis of the New Build projects since 2005/06. In previous years this has produced 60 units of housing including 30 units at Lady Craig Court for older people as well as 9 units at Hamlet Lodge for people with mental health needs. Pipeline Phase 1 new build project has produced 47 general needs properties that came into HRA management in stock in August 2011. A further 20 Low Cost Home Ownership properties are expected to be completed in 2012/13 as part of Pipeline Phase 2 sites. Extra Care Site, Triscott House has delivered 47 new flats in 2011/12 for tenants with extra care requirements. The new build Learning Disability site is expected to be completed by the end of 2011/12 delivering 3 new flats and 1 converted shop for residents with learning disabilities. The total asset expenditure on these New Build projects is £26.502m.

65. Table F also shows the growth in the new build projects for the New Build Supported Housing program of £27.98m. This project is expected to deliver 225 new properties being built across a number of sites in the borough over the next three years to 2014/15. These properties are a result of the successful council bid for HCA funding to build supported housing. The delivery of these units will help promote the independence living options for those tenants with learning disabilities, mental health issues, needs of older residents, help reduce the dependence on residential care and will help to contribute wider medium term financial forecast savings. This program is under review and options to start it earlier are being explored as there are financial incentives to do so. The numbers represented in Table F for the supported housing

program are subject to capital release of the program. In totality the total outlay on New Build Affordable Housing programme is £54.482m

Table F: HRA Affordable Programme

HRA Affordable Housing Programme	2005/06 to 2009/10		2010/2011		2011/2012*		2012/2013*		2013/2014*		2014/2015*		Total
	Units	(£000s)	Units	(£000s)	Units	(£000s)	Units	(£000s)	Units	(£000s)	Units	(£000s)	(£000s)
HRA -New Build - 5 Sites :St Martins Close; Hayman Crescent; Queens Road, The Oaks Hayes. (Includes other HRA disposal works)	*15*	**2,326**											**2,326**
HRA -New Build - Lavendar rise	*4*	**187**											**187**
Redevelopment Schemes - Hobart Lane	*2*	**179**											**179**
Redevelopment Schemes - Middlesex Lodge (Lady Craig Court)	*30*	**4,049**											**4049**
Long Lane (Hamlet Lodge) - Mental Health Units	*9*	**334**											**334**
HRA New Build - Pipeline Sites Phase 1				**5,285**	*47*	**1,830**		**95**					**7,210**
HRA New Build - Pipeline Sites Phase 2					*5*	**3,722**	*15*	**931**					**4,653**
HRA New Build - Extra Care Site				**2,134**	*47*	**4,842**		**300**					**7,276**
HRA New Build - Learning Disability Sites					*4*	**281**		**7**					**288**
HRA New Build - Supported Housing Programme							*48*	**14,190**	*121*	**10,223**	*56*	**3,567**	**27,980**
Totals	**60**	**7,075**	**0**	**7,419**	**103**	**10,675**	**63**	**15,523**	**121**	**10,223**	**56**	**3,567**	**54,482**

* Denotes Estimate

Major Repairs and Work to existing stock programme 2012/13

66. The proposed budget for major repairs and works to stock programme is set out in the following table:

67.

Major Repairs and Works to Stock	**£m**
Capital - Major Works	2.40
Revenue	8.45
Ongoing Budget	10.85
Capital C/Fwd (Glebe Estate)	0.25
Total	**11.10**
Proposed Growth	1.97
Overall Total	**13.07**

68. This shows an ongoing budget of £10.85m and a further £0.25m brought forward from 2011/12 for the Glebe Estate works which has been re-phased into 2012/13. In addition, the November Cabinet also agreed in principle to further sums being added to the budget as a result of increased resources arising from the self-financing settlement. This proposed growth for 2012/13 will add £1.97m bringing the total overall resources to £13.07m**.** In future years the increased resources from the self-financing settlement will increase the budget by £7m in year 2, reducing annually in the following years as set out in the HRA self financing report that was considered by Cabinet in November 2011.

69. A detailed breakdown for the 2012/13 programme is provided in Appendix 4. The Programme has been developed by taking account of a number of key principles.

70. There are a number of drivers for the shape of the proposed programme.

71. *The HRA asset management strategy* – this provides a framework to manage the stock proactively and to ensure that resources for maintenance and reinvestment are

concentrated on meeting needs. Under the self financing regime the council takes on additional debt. Servicing this debt is a key priority of the HRA business plan, and this means ensuring that income is maximised in order to do this. As the majority of HRA income is from rents, it is critical that properties remain lettable and this means investing in the long term maintenance of homes to achieve this. In the November report to cabinet introducing the self financing proposals, five key asset management challenges were identified for the stock to be addressed as part of the 30 year business plan, and indicative amounts for each of the key challenges were set out. Proposals for expenditure are included in this report - see Appendix 4. The five key challenges are:
1. Ensuring property compliance and meeting all applicable statutory requirements that provide for the health and safety of the occupants in their homes
2. Maintaining the decent homes standard
3. Making the best use of the existing stock to facilitate the care and support model that the department has adopted
4. Improving the energy efficiency of the housing stock to reduce energy use and reduce carbon dioxide emissions as well as providing affordable warmth for tenants, especially those in fuel poverty
5. Tackling the issues facing many of the estates to make the environment a more pleasant place to live

72. Tenant Services Authority (TSA) – The “Home Standard” required outcomes include that registered providers shall
    - ensure that tenants’ homes meet the standard set out in section 5 of the Government’s Decent Homes Guidance by 31 December 2010 and continue to maintain their homes to at least this standard after this date.
    - provide a cost-effective repairs and maintenance service to homes and communal areas that responds to the needs of, and offers choices to, tenants, and has the objective of completing repairs and improvements right first time.
    - meet all applicable statutory requirements that provide for the health and safety of the occupants in their homes.

73. Hillingdon’s *Housing Strategy ‘A decent home for all’* – This includes a number of priorities which the works to stock programme helps deliver. It is well recognised that good quality homes are important for the health and well-being of those living in them. By improving housing conditions and keeping homes decent, related benefits can be realised that impact on the health, well being, and independence of tenants. In addition
    - Improvements to kitchen layouts will reduce the potential for falls, slips, scolds and burns with hospital / A&E admissions reduced and savings to the NHS. Upgrading of electrical installations and work to improve the fire safety of homes will also reduce the risk of accidents and of fires.
    - Security related projects will reduce the opportunity for crime and ASB and the call on council and police resources. The fear of crime should also reduce
    - Measure to improve the energy efficiency of dwellings such as more efficient boilers, the provision of double glazing and increased levels of insulation, will not only impact positively on the cost of running the homes, especially for those tenants that are in full poverty, but a similar improvement should result on the health of the elderly and children. Raising energy efficiency reduces heart disease and excess winter deaths. Reduced levels of condensation, damp and mould will also reduce the likelihood of respiratory disease.
    - New windows and doors will improve security, reduce crime, promote feelings of safety and have an impact on wellbeing.
    - Adapting homes to allow tenants to remain independent in their own home for longer will delay the need for expensive residential care and the associated

pressures on council and health service budgets. These improvements will also reduce the potential for accidents in the home.

- Improvement the neighbourhood environment has a positive impact on the quality of life for residents and their well being.
- The provision of extensions to relieve overcrowding can help the health of both children and adults.

Proposed Programme

74. The budget for the proposed programme and projects as set out in Appendix 4 is indicative and figures will be firmed up as survey and design work is undertaken. The proposed works for 2012/13 are based on the projects that are considered to be either a priority or to meet a commitment to continue or complete earlier programmes.

Works of maintenance and improvement

75. These are divided into sub-programmes, as follows:
    - Energy efficiency
    - Fitting property to people
    - Health and safety
    - Environmental improvements
    - Element renewal – engineering services
    - Security
    - Element renewal - Surveying
    - Miscellaneous

Energy efficiency

76. This sub-programme includes all projects that aim to improve the efficiency of the properties and reduce the cost to tenants of heating them.

77. The replacement of obsolete central heating boilers is essential to maintain energy efficiency as well as addressing the issue of fuel poverty. From the total of 9,050 boilers 3,099 are over fifteen years old (34.24%). These ageing boilers become either irreparable due to unavailability of parts or uneconomic to repair as the labour and parts are close to the cost of replacement. A budget of £1.3m is proposed to replace boilers at the point of failure thus extending their lives to the maximum. An additional £400k is proposed for a planned programme to replace other boilers that are old and inefficient. The total budget of £1.7m will provide installation of approximately 730 new heating boilers and upgraded systems. *The proposals put forward under self financing be approved, an increase in funding of £580K to £2.28m will provide for the installation of an additional **250** new heating boilers and upgraded systems. This improvement in the energy efficiency of the stock reduces the incidence of fuel poverty for tenants.*

78. A number of communal boilers in the stock, predominately in sheltered housing schemes are reaching the end of their useful and economic life and need to be replaced. One sheltered unit, James Court and two tower blocks Fairlie House and The Gouldings, will also have their boiler systems replaced and the boiler houses overhauled. The budget allocated for these projects is £600k.

79. A budget of **£50K** has been allocated to continue the **insulation programme** within properties; this upgrades loft insulation to properties which do not conform to current standards. It is matched by funding from other sources, typically from the energy

suppliers. Approximately **150** properties will benefit from this. A number of lofts without any insulation will be insulated but the majority of this budget will be used to “top-up” existing 50mm and 100mm roof insulation to the current standard of 270mm.

80. A budget of **£50K** has also been identified to complete the **new technology** project of installing photo voltaic panels at Hamilton Court.

Fitting property to people

81. This sub-programme includes all projects that aim to improve the suitability of properties to meet residents’ needs.

82. **£800K** has been put aside for work to **adapt properties** to suit individual needs for the disabled, vulnerable and elderly, £50k of which is for minor adaptations. This budget will allow **108** properties to receive an “average-cost” adaptation, and therefore improving the property to the benefit of the tenant, which enables them to remain longer in their own home, and which in turn reduces expenditure on health and social care. Examples of the most common adaptations are low or level access showers, stair lifts, and access solutions such as ramps etc. *Should the proposals put forward under self financing be approved, there will be an increase in funding of **£750K** to **£1.550M** which will allow approximately an additional 108 properties to receive an “average-cost adaptation”. This increase in spend will help more tenants to become or remain independent and help manage the pressures on the social care budgets.* This service will be delivered by the Private Sector Housing Team from 1 April 2012.

83. In line with our policy of converting vacant Scheme Manager’s accommodation into lettable properties, the house at **Sibley Court** will be converted into two sheltered flats during 2012/13 - a budget of **£100K** has been put aside to fund this project.

84. A budget of **£150K** has been put aside to match fund and complete the **extensions** that were started late in 2011/12. These were funded last year by a grant of £180K from the West London Extensions programme. This funding is specifically targeted at reducing overcrowding and increasing properties to four and five bedroom configuration. There is evidence of a relationship between overcrowding and aspects of the health of both children and adults.

85. **£30K** has been put aside for a conversion of an existing underutilised space to provide a parking and charging area for **mobility scooters**. Ensuring that these mobility scooters are not parked in the common parts of blocks removes obstructions to means of escape and reduces the potential fire load. This financial year’s budget will provide this facility at **Michael Shersby House**.

86. A total budget of **£150K** is allocated to the **Better Neighbourhood Teams**, which gives Tenant and Resident Associations the opportunity to put forward projects that meet the individual demands and requirements of their local community. The aim of the Better Neighbourhood Team fund is to generate environmental and community safety improvements on housing land or buildings, to improve neighbourhoods to be places where people want to respect, settle and stay. Bids for funding will be submitted under the following headings:
    - Community safety
    - Environment
    - Community cohesion

87. A budget of **£50K** has been specifically allocated to ensure that the communal areas of the sheltered schemes meet the accessibility requirements of the Equality Act 2010.

Health and safety

88. This sub-programme includes all works where hazards have been identified that could present a risk to safety or health of residents, members of the public or staff. By tackling these areas, the potential for accidents and resulting hospital and A&E admissions is reduced.

89. A budget of £**150K** has been allocated to fund the continuing programme of planned removal from properties of **asbestos containing materials**. This will allow removal in approximately **125** properties.

90. **Fire safety** - A budget of **£900K** has been allocated to renew fire doors to flat blocks with enclosed stairwells / communal areas and to sheltered housing dwellings, bringing them up to the standard of current fire regulations. The increase of £850K in budget is the direct result of the programme of fire risk assessments completed in 2009 and this increased budget will be in place for a further two years to complete the works. This budget will allow for approximately **950** properties to have doors replaced and, therefore, prevent the risk of fire spread to communal areas. As well as the obvious benefits to life safety from these works, the risk to property is also reduce by containing any fire within the flat of origin.

91. Should the proposals put forward under self financing be approved, there will be an additional budget of **£206K** for **Property Compliance** – to undertake multiple small projects including):
    - Replace all the old style immersion heaters with modern compliant ones.
    - Independent audit of electrical work.
    - Fit all sliding gates with measures to prevent entrapment.
    - Provide additional purpose built storage for mobility scooters.
    - Upgrading or first time installation of automatic fire detection and alarm systems in the flat conversions
    - Fit larger hoppers to refuse chutes at The Glebe estate, now part of Decent Estates Initiative rollout
    - Provide remote monitoring of lift faults

Environmental improvements

92. This sub-programme seeks to maintain and improve the communal facilities on the estates.

93. **Hayden Drive refuse facilities** – The current provision of small bin areas is to be replaced with purpose built areas to store bulk bins both for refuse and separately recycling. This will eradicate the proliferation of refuse sacks and recycling bags that are attacked by cats, foxes and vermin and consequently spread the refuse far and wide. A budget of **£50K** has been allocated to this project. This will have an immediate effect of allowing children to play in grassed areas without risk of unhygienic items lying around.

94. **Estate roads, parking areas and pathways** which are on housing land have been noted as needing repair and resurfacing, therefore a new budget of **£50K** has been assigned. This spend reduces the risk of trips and falls and potential claims against the

council. This will be allocated to the resurfacing of the pathways and the service roads adjacent to **St Catherine's Farm Court, Ruislip**.

95. **Decent estates** initiative - A budget of **£600K** has been allocated to continue the major project on **The Glebe estate.** The objectives for this project are to:
    - Improve the environment, health, and quality of life for residents, and reduce anti social behaviour and crime, on the Glebe estate by improving the security, and accessibility, to all blocks. Providing and upgrading of play areas, landscaped areas and parking within the existing garage compounds, including demolition of most garages.
    - Increase the amount of recycling, and reduce the cost of refuse disposal by the introduction of recycling facilities for every block and the extension of bin stores in order to reduce refuse collection from twice weekly to once, and
    - Save energy and reduce carbon emissions by giving advice to residents on improving energy efficiency and reducing their energy bills.
96. The improvements range from the installation of new door entry systems to comprehensive fencing installations plus other minor projects to improve the estate environment. This comprises of £350K from this year's budget, plus a re-phasing of the 2011/12 budget of £250K.

97. A similar budget to last year of £50K has been put aside to repair or replace existing **boundary fencing.** These sites are located across the borough.

98. A large number of **garage sites** are in need of repair. Many of these are on the estates that are part of the Decent Estates Initiative. This budget of **£50K** is specifically aimed at the rationalisation and refurbishment of garages that are on these estates. This will ensure that these garages maintain or increase their lettability. These garage sites are chosen by two primary means:
    - Nominated by Housing Repairs Service when in particular need of repair.
    - In conjunction with the decorations contract to ensure that complete blocks or estates are externally refurbished simultaneously.

99. **Play areas** – with over 30 play areas across the Borough, many of which are in need of refurbishment, housing officers have been asked to nominate the most urgent replacement, but to also ensure, by consultation, that a playground is still required by the neighbouring community. This budget is set at **£50K** and the nominated location for 2012/13 is the play area at **Lundy Drive, Cranford**

Element renewal – engineering services

100. This sub-programme includes all projects that aim to replace old or failing mechanical or electrical services in the properties.

101. A budget of **£30K** has been allocated for the upgrade or replacement of **communal area lighting** systems**.** It has been recognised that many of these are reaching the end of their useful lives and will need replacing with brighter and more energy efficient lighting. This year this budget is being spent on The Glebe estate in conjunction with the LDA funded works.

102. There may be a small number of properties left to upgrade the communal TV aerial systems so that they can receive digital television broadcasts. A budget of **£50K** is therefore still required to pick up any outstanding installations across the stock. Provision of digital TV will also allow tenants and leaseholders to access community language channels.

103. A budget has been maintained at **£400K** to continue the ongoing programme of upgrading the **electrical** installations in properties and communal areas. This recognises our long term need to upgrade more properties each year. This budget would ensure that about **250** properties were upgraded and improved to the latest electrical safety and standards.

104. **Lifts** - a programme of lift replacement has been put in place over a seven year period. This will be the third year and we have allocated a budget of **£950K** this year. This will enable us to complete the lift modernisation programme in the three tower blocks in Avondale Drive, Hayes and start the programme at Melbourne House. These lifts will also be upgraded as part of the works to ensure that they are accessible under the Equality Act 2010.

105. A budget of **£40K** has been put aside for a programme of plumbing renewal which includes upgrading **cold-water tanks and pipe work.** This amount of money should benefit up to **80** properties, depending on what work is required.

Security

106. This sub-programme includes all projects that aim to maintain or increase the security to the properties managed by the Council.

107. A budget of **£50K** has been allocated to the replacement of **obsolete door entry** systems.

108. This budget of **£30K** moves its focus to a programme of installation of **CCTV** schemes in sheltered units. During this financial year, systems will be installed at **St Catherine's Farm Court** and **Roberts Close.**

109. A site specific budget has been put aside for the installation of **comprehensive security measures** at Dickens **House, Harlington.** The budget for this has been set at **£100K.** This is a continuation of rolling out access security across two adjoining estates where high levels of ASB have been identified. Further local flatted blocks will be undertaken in subsequent years.

110. On occasions the Crime Prevention Officer will make specific recommendations to **improve security** to individual blocks or properties - the budget of **£20K** will fund the proposals received this year.

Element renewal – surveying

111. This sub-programme includes all projects that aim to replace old or failing elements of the properties.

112. A budget for **substantive repairs** that are discovered whilst either the responsive repairs team or the decorations contractor are on site. For example, if the decoration team is on site painting the outside of a property and they discover that the roof needs repair, then it is more cost effective to undertake those works immediately rather than delaying and incurring the cost of re-erecting scaffolding. This budget is set at **£300K.**

113. **£1.300M** has been allocated for **kitchen** replacements, where individual rooms may be in need of refurbishment but did not meet the government's strict non-decent criteria. This budget also ensures that properties that have a change of tenancy that were

omitted during the Decent Homes programme, due to tenant refusal, can be made decent. This project budget ensures that **195** tenants will benefit from new kitchens during 2012/13

114. In conjunction with the above kitchen programme, a number of bathrooms will be included. *(Increase* planned *under self financing to **Bathroom Replacement** – A budget of **£89K.** This project budget ensures that **25** tenants will benefit from new bathrooms during 2012/13).*

115. A budget of **£500K** has been put aside specifically for the repair / replacement of **roofs** to the small blocks in **Milne Way, Harefield, Hamilton Court, Hayes** and **Newdigate Green, Harefield.**

116. *Should the proposals put forward under self financing be approved a budget of **£90K.** will be provided for **door replacement** –this project budget ensures that **100** properties will benefit from new external doors 2012/13.*

117. **Structural** – a number of structural repairs will be completed during 2012/13 - these are required as many properties in the north of the Borough suffer from subsidence. Originally a total budget of **£290K** has been put aside to fund these projects. However, as we get a clearer projection of the requirement of these works it has become apparent that we need a larger budget for a few years to clear the backlog. *(Should the proposals put forward under self financing be approved, an increase of **£250K** for **structural** will bring the total budget to **£540K**. This comprises of **£50k** for structural investigations, **£240K** original base budget for site specific structural works plus the additional **£250K).***

118. A review of our **window replacement programme** has been undertaken that has led to a new prioritisation of properties, based on need and cost effectiveness. We have allocated an overall budget of **£1M** to this programme. It is estimated that we will replace all single glazed windows in the Borough within seven years with this level of funding. The 2012/13 window programme will allow for the installation of improved windows to about **226** properties. Primarily we are replacing only single glazed aluminium framed windows. Within this priority we are focussing on further criteria.

- Properties have to have single glazed windows. We prioritised in order of timber frames and steel (Crittall) windows first - we have now replaced the bulk of these. Unfortunately single glazed aluminium windows were not included in the Decent Homes programme.
- We then prioritised “aged persons dwellings”, therefore those most at risk of cold. These are now complete.
- Our third priority focussed on the construction and we targeted properties with solid walls as these gain the most efficiency in percentage terms and therefore benefit the residents proportionately. The majority of these are complete.
- We are now replacing the windows in properties that have single glazing and cavity walls. To these properties we apply the average SAP (Standard Assessment Procedure which is the Government's official procedure for the Energy Rating of Dwellings). We use this data to select the properties that we should do first, eg those with the lowest SAP rating.
- This programme is the most popular with tenants and we are in the process of re-profiling our proposed expenditure in future financial years to shorten the programme and bring the benefits of new windows to tenants earlier.

Miscellaneous

119. This sub-programme includes all projects that do not fit neatly into the other sub-programme definitions. These are the "carry forward" (see Paragraph 16 - **£160K**) and fees for procurement. A budget of **£300K** is required to cover the fees for CYNTRA. This is our contribution to use of the frameworks plus assistance in open book auditing and benchmarking.

Over programming

120. Management of the planned maintenance programme is not a static exercise and projects come in and out during the year as new priorities are identified, projects slip or costs change. This has been recognised in the past by planning and monitoring of the programme through over programming, the inclusion of additional projects, and then flexibility in its management in order to achieve the approved expenditure.

121. The proposed programme matches the budget exactly with no over programming at this planning stage. However, it may be necessary to allow a small degree of over programming to develop as the carry forward from 2011/12 increases as projects are committed, but unable to be completed within that financial year.

122. **Reserve projects** – to ensure that there is no risk of under spend, we are preparing a number of projects to wait in reserve, to be brought forward as and when necessary to absorb any potential under spend. The work and effort on these projects will not be wasted as they are schemes that we would intend to include in following years, when finance is available. Examples of these are future window programmes, where we have a clear future plan and individual projects, such as future access security in **Yeading Green** and refuse areas in **Southcote Rise, Ruislip.**

Financial Implications

123. As this report is concerned with the setting of rents for council dwellings and the budget for the HRA as a whole, the financial implications are covered in the body of the report.

EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES

What will be the effect of the recommendation?

124. The effect of the recommendation will result in an average increase in rent for those residents who are council tenants by £6.12 with an average rent for 2011/12 of £101.42 per week. There will be no direct impact for the majority of tenants as 67% are in receipt of housing benefit.

Consultation Carried Out or Required

125. The Council consulted with tenants and tenant representatives through the Senate on 19th January 2012. At this meeting the key principles in setting rents outlined as being based on the government rent restructure policy, which resulted in an increase of 6.4% were explained.
126. A resident group has been set up to look at the programme of works to the housing stock, both in terms of monitoring the existing programme and agreeing the make up of future years' programmes. The Capital Programme Steering Group (CPSG) has met throughout 2011 and discussed, developed and approved this draft programme. The

original programme was constructed with the involvement and approval of the CPSG approved unanimously the final draft at a meeting on the 24 November 2011.

CORPORATE IMPLICATIONS

Corporate Finance

Corporate Finance has liaised closely with Housing officers in the financial planning to facilitate a successful transition to self-financing from the subsidy regime and hence concurs with the financial models and implications that arise from this change described in this report.. Furthermore, the HRA have adopted a prudent policy of ensuring that the 30 year business plan makes provision for repayment of interest and principal costs in the form of annualised MRP. Such a policy has enabled a treasury strategy to be developed that, at current rates, will provide the finance required to ‘buy out’ of the subsidy regime at an historic low average rate of interest. It will also provide additional headroom below the cap on borrowing to facilitate further development proposals in future years.

Although the proposed rent increases are regrettably sizable, Corporate Finance concurs with the necessity of implementing these. The Council had no discretion over the methodology or inputs used to determine an average increase of 6.42% and it is these assumptions that the DCLG have used in determining the settlement debt and the future income generated to support such debt. If an individual council set a rate in year 1 below the assumed amount, the financial costs of so doing over the remaining years would become hugely significant due to the compounding effect of annualised increases to Affordable rents.

The proposed capital programme is discussed in section H alongside the financing strategy that includes undertaking prudential borrowing. Whilst all borrowing is fundamentally borrowing of the Council as a whole, the self-financing regime does facilitate the creation of a ‘two pools’ model to treasury management thus separating GF and HRA loans. Hillingdon intends to apply this to both new borrowing under the settlement and for the proposed capital programme to develop 225 units along with historic debt, nearly all of which is attributable to the Decent Homes programme.

Until settlement is concluded and the new regime is embedded, there will still be a certain amount of uncertainty around future levels of HRA balances, however the increase in these over the last two years places the HRA in a strong position to mitigate potential risks associated with future income and expenditure that will no longer be ‘adjusted’ by central government.

Legal

Part VI of the Local Government and Housing Finance Act 1989 places an obligation on the Council to keep and maintain a Housing Revenue Account ["HRA"]. This legislation sets out what may be legitimately charged and debited to the HRA. For example, income from Council tenants and leaseholders in the form of rents and service charges must be separately shown in the HRA.

The Council is required to review rent and other charges which it levies in relation to its housing stock on an annual basis, and just before the close of its existing financial year, in order to ensure that the HRA does not fall into deficit in the next financial year.

The purpose of this report is to seek Cabinet approval for the proposed HRA rents, service charges and allowances in respect of the 2012/13 financial year. All the necessary processes have been followed by officers before submitting this report to Cabinet.

A number of references are made in the report to the self-financing regime which will be introduced in April 2012 by the Localism Act 2011. Cabinet will recall that it received a report at its November 2011 meeting which proposed a broad strategy for a long term business plan for the HRA which would allow it to respond to and take advantage of the self-financing regime.

The changes introduced by the Localism Act 2011 do not affect the proposals in this report and in fact, most of the regulations governing the HRA will remain in place. For example, the requirement imposed on the Council to review rent and other charges in relation to its housing stock will still exist.

Corporate Property and Construction

Corporate Property and Construction does not have any management responsibility in the setting and collection of HRA rents on residential dwellings and so has no specific comments other than to confirm its support for the recommendations included in this report.

Background Papers: none

Appendix 1

DRAFT BUDGET FOR 2012-13	REVISED BUDGET (£000) JAN'12	P08 YE OUTTURN (£000) JAN'12	VARIANCE (£000) JAN'12	BASE BUDGET	Inflation	Fees & Charges	Technical Adjustment	Savings for Zero based budgets	Growth	Savings	LATEST PRJCTN (£000) Yr 0
GENERAL SERVICES	10,405	10,164	(241)	11,555	76		24	(133)	22	(229)	11,315
SPECIAL SERVICES	5,912	5,722	(190)	5,582	238		(20)	(44)		0	5,756
REPAIRS SERVICES - Day to Day & Planned	11,900	11,351	(549)	11,723	301			(388)		0	11,636
REPAIRS SERVICES - Major	9,865	9,740	(125)	9,365			(615)	(300)	1,965	0	10,415
NEW BUILD	650	650	0							0	0
HRA OPERATIONS	38,732	37,627	(1,105)	38,225	615		(611)	(865)	1,987	(229)	39,122
RENTS PAID	60	60	0	60							60
SUBSIDY PAYMENT TO GOVERNMENT	15,492	15,472	(20)	15,492			(15,492)				0
CHARGES FOR CAPITAL	2,538	2,563	25	2,538			(2,538)				0
INTEREST							9,895				9,895
PRINCIPAL PAYMENT							4,977				4,977
MANAGEMENT EXPENSES							263				263
CAPITAL FUNDED FROM REVENUE (RCCO)	2,384	2,264	(120)	2,150			250				2,400
INCREASE PROVISION FOR BAD DEBTS	300	300		300					543		843
CONTINGENCY	280	280		280					200		480
TOTAL EXPENDITURE	59,786	58,566	(1,220)	59,045	615	0	(3,256)	(865)	2,730	(229)	58,040
INCOME											
DWELLINGS	(50,850)	(51,032)	(182)	(50,850)		(3,462)					(54,312)
NON-DWELLINGS	(1,752)	(1,831)	(79)	(1,752)							(1,752)
WATER COMMISSION	(370)	(371)	(1)	(370)							
INTEREST - ON MORTGAGES	(6)	(6)	0	(6)							(6)
INTEREST - ON BALANCES	(39)	(100)	(61)	(39)							(39)
OTHER - SUPPORTING PEOPLE CASH PAYMENTS	(86)	(89)	(3)	(86)							(86)
HEATING CHARGES	(244)	(285)	(41)	(244)							(244)
LEASEHOLDER'S CHARGES	(926)	(923)	3	(926)							(926)
OTHER SERVICE CHARGES	(1,959)	(1,992)	(33)	(1,959)							(1,959)
WORKS OVER PRECISED LIMIT RECEIPTS	(250)	(750)	(500)	(250)							(250)
REPAIRS CONTRIBUTION	(177)	(200)	(23)	(177)							(177)
SUPPORTING PEOPLE CONTRIBUTION	(644)	(644)	0	(644)							(644)
VOID CONTRIBUTION									538		538
											0
TOTAL INCOME	(57,303)	(58,223)	(920)	(57,303)	0	(3,462)			538	0	(59,857)
BALANCES											
BROUGHT FORWARD RESERVES LBH	(10,554)	(12,984)	(2,430)	(12,641)							(12,641)
IN YEAR (SURPLUS) /DEFICIT	2,483	343	(2,140)	1,742	615	(3,462)	(3,256)	(865)	3,268	(229)	(1,817)
EAR MARKED RESERVES TRANSFER				(250)							
CARRIED FORWARD RESERVES	(8,071)	(12,641)	(4,570)	(11,149)							(14,458)

Appendix 2

LBH Savings, Unavoidable Growth/Reduction

Savings

1) Application of Bid common operating module in HHA		(229)

Growth:

1) Movement of one post from housing to central payments		22
2) Property Compliance, Gas, Electrical and Fire Safety work		206
3) Maintaining Decent Homes		1,009
4) Existing Supported Housing Maintenance ie adaptations and other		750
		1,965
5) Increased provision for Bad Debt		543
6) Contingency		200
7) Void risk contingecy		538
	Total	3,268

Savings for Zero based budget

1) General Services		(133)
2) Special Services		(44)
3) Repairs services day to day and planned		(388)
4) Repairs services Major		(300)
	Total	(865)

Technical Adjustments:

1) New Build staffing costs and aborted project costs 12/13		(300)
2) Hillingdom Homes closure savings		300
3) Recharge for staff movement to central payments		24
		24
4) Reversing one off allowance for careline extra lines to schemes		(20)
5) Major Works Slippage		-380
6) Movement of item 2, from Repairs to General Services		-300
		-680
7) End of the subsidy system, no need to make negative subsidy payment		(15,492)
8) Charges to capital changes re self financing		(2,538)
9) Interest on amounts outstanding owed by the HRA re self financing		14,124
10) Principal payment towards payment of HRA self financing		3,546
11) Debt management charges relating to debts for self financing		263
12) Slippage from 2011/12 capital programme		250
	Total	(523)

Fees and Charges:

1) Effect of 6.42% average increase in Dwelling rent as indicated in Table A		(3,462)

Inflation:

1) General services, inflation 12/13		76
2) Special services, inflation 12/13		238
3) Repairs services, inflation 12/13		301
		615

Appendix 3

Draft HRA 10 Year Projection

HOUSING REVENUE ACCOUNT : 10 YEAR PROJECTION

Current year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
20011/12		**2012/13**	**2013/2014**	**2014/2015**	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**
LATEST PRJCTN		**LATEST PRJCTN**	**LATEST PRJCTN**	**LATEST PRJCTN**	**LATEST PRJCTN**	**LATEST PRJCTN**	**LATEST PRJCTN**	**LATEST PRJCTN**	**LATEST PRJCTN**	**LATEST PRJCTN**	**LATEST PRJCTN**
10,164	General Services	11,315	11,500	11,845	12,200	12,566	12,943	13,332	13,732	14,143	14,568
5,722	Special Services	5,756	5,929	6,107	6,290	6,478	6,673	6,873	7,079	7,292	7,510
11,351	Repairs Services - Responsive	11,636	11,048	11,379	11,721	12,072	12,435	12,808	13,192	13,588	13,995
650	Repairs Services - New Build	0									
9,740	Repairs Service Major	10,415	14,353	13,179	12,594	11,949	10,859	12,907	11,644	11,644	11,644
37,627	**HRA OPERATIONS**	**39,122**	**42,830**	**42,510**	**42,805**	**43,066**	**42,910**	**45,919**	**45,647**	**46,667**	**47,717**
60	Rents paid ie council tax on voids	60	60	60	60	60	60	60	60	60	60
15,472	Subsidy Payment to Government	0	0	0	0	0	0	0	0	0	0
2,563	Charges for capital	0	0	0	0	0	0	0	0	0	0
0	Interest and principal	15,135	15,536	16,057	16,058	16,059	16,060	16,061	16,064	16,066	16,068
2,264	Capital Funded From Revenue (RCCO)	2,400	3,485	3,485	3,485	3,485	3,485	3,465	2,050	2,050	2,050
300	Increased provision for bad debt	843	877	899	921	921	921	921	921	921	921
280	Contingency	480	500	500	500	500	500	500	500	500	500
58,566	**TOTAL EXPENDITURE**	**58,040**	**63,288**	**63,511**	**63,829**	**64,091**	**63,936**	**66,926**	**65,242**	**66,264**	**67,316**
(51,032)	Dwelling Income	(54,312)	(55,941)	(57,620)	(59,348)	(61,129)	(62,962)	(64,851)	(66,797)	(68,801)	(70,865)
(7,191)	Other Income	(6,083)	(6,266)	(6,454)	(6,647)	(6,847)	(7,052)	(7,264)	(7,481)	(7,706)	(7,937)
0	Void Risk Contingency	538	572	593	615	615	615	615	615	615	615
(58,223)	**TOTAL INCOME**	**(59,857)**	**(61,635)**	**(63,480)**	**(65,380)**	**(67,360)**	**(69,399)**	**(71,500)**	**(73,663)**	**(75,892)**	**(78,187)**
343	**In-Year (Surplus) / Deficit**	**(1,817)**	**1,653**	**31**	**(1,551)**	**(3,269)**	**(5,464)**	**(4,574)**	**(8,422)**	**(9,628)**	**(10,871)**
(250)	Earmarked Reserves	250									
(12,984)	Balance Brought Forward	(12,891)	(14,458)	(12,805)	(12,775)	(14,326)	(17,595)	(23,059)	(27,633)	(36,054)	(45,682)
(12,891)	**Balance Carried Forward**	**(14,458)**	**(12,805)**	**(12,775)**	**(14,326)**	**(17,595)**	**(23,059)**	**(27,633)**	**(36,054)**	**(45,682)**	**(56,553)**

Appendix 4

2012/13 Works to Stock programme

Funding	Programme	Work stream	Base Budget (£) 2012/13	Additions / Adjustments under self financing (£)	Potential (£) 2012/13
Capital	Energy Efficiency	New Technology	£50,000	£0	£50,000
	Fitting property to people	Conversions	£100,000	£0	£100,000
		Extensions	£150,000	£0	£150,000
	Environmental improvements	Estates - Environmental & Security	£600,000	£0	£600,000
	Element renewal	Roofing Replacement	£500,000	£0	£500,000
		Double Glazing Installation	£1,000,000	£0	£1,000,000
		Capital Total	**£2,400,000**	**£0**	**£2,400,000**
Revenue	Energy Efficiency	Heating - Communal Boilers	£600,000	£0	£600,000
		Heating - Individual Properties	£1,700,000	£580,000	£2,280,000
		Insulation	£50,000	£0	£50,000
	Fitting property to people	Adaptations	£800,000	£750,000	£1,550,000
		BNT	£150,000	£0	£150,000
		Sheltered housing - DDA	£50,000	£0	£50,000
		Sheltered Housing - Provision of Scooter Stores	£30,000	£0	£30,000
	Health and safety	Property Compliance	£0	£206,000	£206,000
		Asbestos	£150,000	£0	£150,000
		Fire Safety - Tower Blocks & Sheltered	£900,000	£0	£900,000
	Environmental improvements	Refuse Disposal / Caretaking	£50,000	£0	£50,000
		Estate Roads/Parking/Pathways	£50,000	£0	£50,000
		Fencing	£50,000	£0	£50,000
		Garages	£50,000	£0	£50,000
		Play Areas	£50,000	£0	£50,000
	Element renewal - Engineering Services	Communal Lighting	£30,000	£0	£30,000
		Digital TV	£50,000	£0	£50,000
		Electrics - upgrade	£400,000	£0	£400,000
		Lifts	£950,000	£0	£950,000
		Plumbing Upgrade	£40,000	£0	£40,000
	Security	Access Control	£50,000	£0	£50,000
		CCTV & Sheltered Schemes Security	£30,000	£0	£30,000
		Site Specific Projects	£100,000	£0	£100,000
		Target Hardening	£20,000	£0	£20,000
	Element renewal - Surveying	Capitalised repairs	£300,000	£0	£300,000
		Kitchen Replacement	£1,300,000	£0	£1,300,000
		Bathroom Replacement	£0	£89,000	£89,000
		Door Replacement	£0	£90,000	£90,000
		Structural Site Specific Projects	£240,000	£250,000	£490,000
		Structural Repairs & Investigations	£50,000	£0	£50,000
	Miscellaneous	Carry Forward	£160,000	£0	£160,000
		Miscellaneous (CYNTRA)	£300,000	£0	£300,000
		Revenue Total	**£8,700,000**	**£1,965,000**	**£10,665,000**
		Grand Total	**£11,100,000**	**£1,965,000**	**£13,065,000**