Havering
LONDON BOROUGH

CABINET
15 June 2016

Subject Heading:	**HRA Business Plan Review 2016.**
Cabinet Member	**Councillor Damian White** **Councillor Roger Ramsey**
CMT Lead:	**Neil Stubbings**, Interim Director of Housing. **Andrew Blake-Herbert**, Chief Executive Officer.
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Policy context:	HRA Policy and budgets
Financial summary:	To review the impact of various changes on the HRA Business Plan and agree a revised 30 year plan with associated expenditure on existing stock and services and investment in development of new units.
Is this a Key Decision?	**Yes**
Is this a Strategic Decision?	**Yes**
When should this matter be reviewed?	February 2017
Reviewing OSC	Towns and Communities

The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for	[X]
People will be safe, in their homes and in the community	[X]
Residents will be proud to live in Havering	[X]

SUMMARY

The HRA remains a ring-fenced account that is used to manage the Council's own housing stock. The proposed budget will enable the Council to manage the stock to a reasonable standard and to maintain the stock to the Decent Homes standard. It further sets rents, service charges and other charges for Council tenants for the year 2016/17.

This report is a follow up report to the annual budget and rent setting report that was presented to Cabinet on the 10th February this year. One of the recommendations agreed in that report was for a full review of the HRA Business Plan to be carried out and an update provided back to Cabinet by September 2016. This report complies with that recommendation. The reason for the review was to take account of various government initiatives announced since the General Election in May 2015 and up to the Comprehensive Spending Review announced in November 2015. Officers have also taken account of, where possible, announcements made in the Chancellor's Budget of March 2016.

Many of the initiatives that have emerged since May 2015 were enshrined within the Housing and Planning Bill. Royal Assent was given on the 12th May 2016. The Act has various commencement dates for the relevant clauses contained within it of April 2017. Prior to commencement, some of the clauses that impact on the HRA BP will need to go through a period of "determination" involving formal consultation, or the drafting of Regulations. Until this happens, the exact nature of the financial impact on the HRA finances will remain uncertain. The Business Plan provided to Cabinet therefore provides a prudent assessment of the projected resources available and will undergo constant review and report back to Cabinet as details of changes become known.

The key changes impacting on the financial situation are:

- Social rent setting policy in the years following the four years of 1% reduction.
- Any capping of Local Housing Allowance (LHA) levels.
- Rent policy regarding supported housing rents.
- Higher value sales levy.
- Pay to stay initiative.

These are described in more detail in the report along with assumptions made where necessary.

Other expenditure areas have also been fully reviewed. The key areas of expenditure are:

- Planned maintenance to existing stock.
- Responsive repairs costs to existing stock.
- Staffing costs.
- Financing costs of the borrowing in the HRA.
- Losses from bad debts, voids etc.

These are described in more detail in the report along with assumptions made. In addition, the Asset Management Strategy and Plan are also reported to Cabinet on this agenda.

The impact of each of the items above is identified in the body of this report and has been built into the 30 year business plan. An update to the 10 year HRA Business Plan is provided at Appendix 1 of this report.

RECOMMENDATIONS

That Cabinet:

1. **Approve** the Housing Revenue Account Business Plan as detailed in **Appendix 3**.
2. **Agree** the HRA Major Works Capital Programme, detailed in **Appendix 2** of this report and **refer it to full Council** for final ratification.
3. **Agree** the proposed development of new council housing as detailed in **Appendix 4** and instruct officers to start consultation, initiate the procurement of preferred partners for the delivery of the enhanced development programme, the service of demolition notices where appropriate. All will be the subject of future reports back to Cabinet as the detail of specific sites and sites included will change following detailed financial and planning feasibility.

REPORT DETAIL

1. BACKGROUND

1.1 The Localism Act 2011 changed the financial system for the management of council housing. The old system, with its notional income and expenditure accounts, and its distribution of housing subsidy across the country has gone. In its place, Government has provided freedom and independence for the management of council housing finance, in return for a one off payment of the national housing subsidy debt (and a premium for the treasury).

1.2 The new system started in April 2012, and so the Housing Revenue Account (HRA) budget now looks very different from budgets in previous years. The business plan is designed to provide long term management of the Council's housing assets. We have more freedom to direct our resources to the best and most cost effective management of the Council's housing stock. However, we do not have complete freedom – some aspects remain centrally controlled, such as the use of capital receipts and rent setting.

1.3 The central driving aims of the Council is to maintain the Decent Homes Standard for its existing stock, improve the quality of the housing service and maximise the number of new homes built for local residents thus replacing some of the properties lost through Right to Buy.

1.4 The Council recognises that there is a need for good quality affordable homes, especially for elderly residents and first time buyers, and has set out its ambition to meet these needs by using resources generated through the Council's Housing

Revenue Account Business Plan. The Council also has ambition to use HRA new build development resources to facilitate and kick start regeneration of Havering.

1.5 However, there are many influences on the resources available to the HRA. These are all identified and quantified within the HRA Business Plan (HRA BP). The Business Plan is composed of various income and expenditure lines. Some of the items in the HRA BP are under the complete control of the council, whilst some are impacted upon by Government policy and legislation.

The items mentioned earlier in this report that have a direct impact on the income into the HRA BP are:

- Social rent setting policy in the years following the four years of 1% reduction.
- Any capping of Local Housing Allowance (LHA) levels.
- Rent policy regarding supported housing rents.
- Pay to stay initiative.

The items mentioned earlier in this report which impact on the levels of expenditure in the HRA BP are:

- Planned maintenance to existing stock.
- Responsive repairs costs to existing stock.
- Staffing costs.
- Financing costs of the borrowing in the HRA.
- Losses from bad debts, voids etc.
- Higher value sales levy.

2. INCOME

2.1 Rents

2.1.1 The Council's main source of income to manage its housing stock is tenants' rents.

2.1.2 As reported to Cabinet in the February 2016 report, Government has reviewed its original proposals for rents, which allowed rents to be increased by a maximum of CPI + 1% annually from 2015/16. This assumption was used to develop the HRA Business Plan for 2015/16 onwards, as reported to Cabinet in February 2015

2.1.3 The Council was required to reduce rents by 1% against July 2015 levels. This reduces the rental income available to the HRA over the four years of the reduction by just below £8m. This reduces the income into the business plan model by £68m over 10 years and is a significant reduction.

2.1.4 A major impact on income levels may arise from further Government welfare reform and social housing rent restrictions. If the policy continues to place restrictions on rent rises at the expiry of the current four year reductions rather than revert back to the previously agreed CPI plus 1% rise, then the HRA business plan will be placed under considerable financial pressure. It is still unknown as to what controls Government are going to impose on social rents after the 4 years of reduction. Therefore, as a prudent assessment, it has been assumed that there will be a freeze on rents for 2 years for 2020/21 and 2021/22. This has the impact of removing a further £3.026m from the February 2016 HRA BP.

2.1.5 The Government announced a one year exemption from the 1% reduction for supported housing in 2016/17. This is because the level of support provided to residents living in supported housing is higher and the maintenance and investment costs for the buildings are higher. At the time of writing, Government have not signalled their intentions for future years other than to have announced a review. No changes to the assumptions for supported rents have therefore been made from the February 2016 report. I.E. rents have been increased by CPI +1%.

2.1.6 The capping of new rents at LHA levels is now effective. In Havering, the LHA levels for each bed size is above the levels of the 2016/17 rents and so there is no impact on the HRA BP. However, the LHA levels have been frozen for 4 years. This also has no additional financial impact on the HRA BP over and above the impact of the 1% reduction and the assumed 2 year freeze. Future announcements on LHA levels may have a future impact and this will be kept under scrutiny and reported annually as part of the rent setting report.

2.1.7 The "pay to stay" initiative, now confirmed by Government, requires local authorities to charge higher rents to council tenants who earn over £40k. Local Authorities will be required to collect this additional rent and forward this money to the Government. Whilst the HRA BP will not benefit financially from these higher rents, each local authority will be able to collect a reasonable administration fee for the collection of this rent. Therefore no increase in staffing has been accounted for in relation to this in the HRA BP.

2.2 Service charges

2.2.1 The aim of the Council, in respect of service charges, is to ensure that those receiving the service are paying for them. We are now in a position where the cost of each service can be fully recovered from the service charges raised. This principal continues in this HRA BP and therefore has no financial impact.

3. EXPENDITURE.

3.1 Stock investment.

3.1.1 The major expenditure from the HRA BP is the investment in existing stock or the capital programme. The level of expenditure is controlled by each local authority and is dependent on the investment levels in the Asset Management Strategy (AMS). In the report elsewhere on the agenda, the AMS identifies a move from "life cycle" investment to "just in time". The impact of this change is to reduce the average annual expenditure from £13.9m to £8.6m, a reduction of £5.3m per year. Over the 30 years of the HRA BP, this amounts to a reduction in spend of £160m.

3.1.2 As detailed in the AMS, this level of expenditure allows the decent homes levels to be maintained and all health and safety requirements to be met. Planned expenditure on new kitchens and bathrooms has not been reduced along with planned expenditure on electrical works. What it reduces is the high levels of "hypothetical" investments in building elements that would be unnecessary such as walls, chimneys and roofs.

3.2 **Repairs service.**

3.2.1 The expected level of expenditure on the repairs service will continue at an average of £12m per year. This is a reduction of £6m per year but still projects spending of £1,242 per year per property. A level that is considered sufficient for the type of properties Havering owns. This is an investment per property of £37k over the 30 years.

3.3 **Staffing costs.**

3.3.1 The restructuring of the Housing Service completed in April 2016 has reduced the staffing costs to the HRA of £1.7m per year, a change of 15%. Across the 30 year HRA BP this reduced the cost by £50m.

3.4 **Debt costs.**

3.4.1 There has been no change to the current cost of borrowing or the debt management strategy contained in the February 2016 plan. The assumption is that there will be £119m of debt paid of over 8 years from 2026 to 2034. This strategy creates a pressure on the HRA BP during these years. The Treasury Management accountants will look to refinance this debt at an appropriate point in the future when the cost of borrowing can be reduced.

3.5 **Void losses and bad debts.**

3.5.1 It is anticipated that the high level of performance around void properties will be maintained. The vastly improved void loss figure of £744k per year (1.5%) has been included in the HRA BP.

3.5.2 Despite the implementation of universal credit and payments direct to tenants, the arrears and losses figures have remained low. The bad debt provision currently stands at £665k.

3.6 **New build.**

3.6.1 As the main level of income to the HRA BP comes from rents, it is imperative that the number of rental properties is maximised. The current HRA BP expects to lose 80 properties per year through RTB. This reduces rental income by around £330k per year, assuming a full year loss of income per property.

3.6.2 As increased demand for properties continues and the number of families presenting as homeless rise, there is a trend for more families to be housed for longer in the hostels and also more use of B&B. This is a General Fund cost. More properties available in the HRA mean more properties available for permanent housing and therefore reduced spend on B&B in the GF.

3.6.3 The HRA BP resources can be used to fund new build and can be augmented by right-to-buy receipts as the Council has struck an agreement with the GLA to use 100% of the usable element of right-to-buy receipts on the building of new social housing within three years of their generation. Failure to use right-to-buy receipts in this way would see the Council having to pay the receipts over to the GLA with additional interest. Some council housing new build schemes have also attracted grant from the GLA.

3.6.4 The existing level of new build already approved by Cabinet of 535 units at a cost of £96M is included with the HRA BP.

3.6.5 The new HRA BP identifies a further £73m that is available for new build over a period of 10 years. This report therefore identifies a total of £169m (£96m + £73m) available within the HRA BP over the next 10 years that is available for investment in new units of affordable housing to help replenish losses of units through the right to buy and the expected high value sales regime. This report therefore seeks approval to continue with the land and estates review already in progress and to authorise officers to use the available resources to maximise the number of units of new build provided by the HRA.

3.6.6 The focus of new build units will be to provide general needs rented properties, low cost home ownership and supported housing for Havering residents. This will be achieved by looking to build on unused or derelict land in the HRA, such as garage sites as well as looking to maximise the number of units on existing estates where there are opportunities for estate regeneration or in-fill developments. The additional resource will also be used to focus on out dated units, such as bedsit sheltered units and those estates where there is a negative or low value to the HRA.

3.6.7 There are also opportunities associated with being one of only 8 London boroughs with two Housing Zones. Officers have reviewed HRA housing associated with the Rainham and Romford Housing Zones and are seeking opportunities to maximise the number of units on estates such as Napier and New Plymouth and the Waterloo Estate.

3.6.8 **Appendix 4** identifies the estates where significant increase in numbers of units can potentially be achieved. Officers are seeking approval from Cabinet to start consultation with residents on those estates and schemes and to initiate procurement of preferred partners for the delivery of an enhanced development programme.

4. 30 year Business Plan 2016/17 to 2046/47

4.1 Attached at **Appendix 3a and 3b** are extracts from the reworked HRA Business Plan financial model. Years 1 to 10 have been included. Year 1 of the business plan is based on the 2016/17 proposed budget.

4.2 The plan for the HRA is based on keeping a minimum of £2m in working balances and using current reserves above this figure to invest in the major works programme. It has been assumed that all available resources over and above those required for revenue spend, payment of interest on debt and maintaining reserves at £2m are available for major works, for as long as the stock condition survey need to spend exists, and new development.

4.3 It can be seen from **Appendix 3b** that such a need remains until 2019/20. (It should be noted that the investment gap shown is against the stock condition survey need to invest which is at a higher level than decent homes).

4.4 There have been a number of changes to the Business Plan since it was first approved in February 2012. In particular, the Government changes to Right to Buy have increased the number of sales completed above that originally anticipated. In addition, now that the majority of borrowing (self-financing debt) has been fixed at

3.26% for the next 12 years this has stabilised the long term interest charges in the Business Plan at a very low level. There is a significant beneficial impact caused by the Council's proposals to move directly to formula rents in 2015/16. However, the latest negative impact has been the 1% reduction in rent levels against July 2015 levels. This reduces the rental income available to the HRA over the four years of the reduction by just below £8m. This reduces the income into the business plan model by £68m over 10 years and is thus a significant change.

4.5 A major impact on income levels may arise from further Government welfare reform and social housing rent restrictions. If the policy continues to place restrictions on rent rises at the expiry of the current four year reductions rather than revert back to the previously agreed CPI plus 1% rise, then the HRA business plan will be placed under considerable financial pressure.

5. CONCLUSION

5.1 The Self Financing Business Plan extracts (**Appendix 3a and 3b**) show that the Council is able to maintain and improve its stock and provide good quality housing services over the next 4 years. The Housing Revenue Account budget which is set out in this report is a prudent budget, designed to maintain a good level of service, and inject further resources into a programme of major investment in the housing stock that will maintain the Decent Homes standard for our housing stock and carry out additional much needed investment.

REASONS AND OPTIONS

Reasons and Options

Reasons for the Decision

The Council is required to set the housing rent, service charges and a budget in accordance with the Local Government and Housing Act 1989.

Alternative Options Considered

There are no alternative options in so far as setting a budget is concerned. However, there are options in respect of the various elements of the budget. These are considered in preparing the budget and cover such things as the rent and service charge increase, budget growth and major works programme proposals.

IMPLICATIONS AND RISKS

Financial implications and risks:

HRA Revenue

This report largely concerns the financial implications and risks concerning the setting of the HRA budget for 2016/17 and the revision of the figures for the 30 year Self Financing Business Plan. The HRA is sufficiently healthy to generate working balance reserves of an estimated £2m at the end of 2016/17 and for the 3 years beyond this until 2019/20.

There are risks associated with any HRA budget, but it is felt these can be managed. The council has reviewed its resource requirement for 2016/17. On repairs, there are unbudgeted volume risks, but these can be managed by ensuring the HRA working balance is maintained at a minimum of £2m. The bad debt provision contribution has been set based on an allowance for increasing arrears for the possible consequences of welfare reform. An assumption has been made in the business plan projections for this amount to increase in future years.

In addition to £2m reserves on the HRA, the following estimated provisions / reserves are predicted as at 31 March 2016:-

- Bad and doubtful debt provision of £2.295m (including leaseholder major works) - calculated according to best practice
- Leaseholder Major Works Reserve of £1.505m – this is the balance remaining on the reserve. £0.2m is generated from this reserve each year as a contribution to the HRA Investment programme.

The underlying assumptions concerning rent levels underpinning the HRA Business Plan however, have been materially changed with the introduction of the Government's announcement that social housing rents would be reduced by 1% a year for the next four years. This is set out in detail in the main body of this report.

The financial effect of the change is a 4% reduction from levels previously assumed in the model; moving from CPI plus 1% (assumed to be 3% in total) to -1%. In cash terms this amounts to just under £1.9m a year and around £7.9m a year by the end of the 4 year freeze period. This equates to around £68m after 10 years.

This assumption is the principal reason that the Business Plan now shows a significant financial pressure from 2020/21.

Officers have reviewed the HRA Housing Business Plan to determine the most appropriate strategy to meet the forecast shortfall which is outlined in this report. This is still subject to the final details of the rent reduction and Council Homes High value sales levy legislation, which is still being considered by Parliament. When known this will be reported back to Cabinet.

HRA Investment Capital Budget

Appendix 2 sets out the Major Works Programme 2016-19. This is funded from resources available for housing expenditure:-

- HRA resources/revenue surpluses
- Right-to-buy receipts subject to the Council's agreement with the DCLG to use them to fund new housing.

Commitments will not be entered into that effect the longer term viability of the HRA until the Business Plan review is complete.

Legal implications and risks:

Under Part V1 of the Local Government and Housing Act 1989 any local authority that owns housing stock is obliged to maintain a Housing Revenue Account. The HRA is a record of revenue expenditure and income relation to an authority's own housing stock. The items to be credited and debited to the HRA are prescribed by statute. It is a ring fenced account within the authority's General Fund, which means that local authorities have no general discretion to transfer sums into or out of the HRA. The Council is required to prepare proposals in January and February each year relating to the income of the authority from rents and other charges, expenditure in respect of repair, maintenance, supervision and management of HRA property and other prescribed matters. The proposals should be made on the best assumptions and estimates available and should be designed to secure that the housing revenue account for the coming year does not show a debit balance. The report sets out information relevant to these considerations.

Section 76 Local Government and Housing Act 1989 places a duty on local housing authorities: (a) to produce, and make available for public inspection, an annual budget for their HRA which avoids a deficit; (b) to review and if necessary, revise that budget from time to time and (c) to take all reasonably practicable steps to avoid an end-of-year deficit. The proposed HRA budget fulfils these requirements.

The report seeks approval for major investment estimates in relation to a variety of schemes. In compliance with Section 151 of the Local Government Act 1972, the Council has in place Financial Regulations and Financial Procedures which provide appropriate arrangements for the approval of major works estimates. The various major works schemes must be capable of being carried out within the Council's statutory powers. To the extent that the details of the schemes appear from the body of the report, it does appear that the proposed works meet this requirement. In particular the maintenance and repair of dwellings may be considered consistent with the Council's repairing obligation under Section 11 of the Landlord and Tenant Act 1985.

Any demolition notices served under s.138A/138B of the Housing Act 1985 must comply with the provisions of Schedule 5/5A of the Housing Act 1985 in terms of the form and content of those notices. Demolition notices have the effect of suspending or extinguishing the right to buy of tenants who are subject to such notices. In certain circumstances affected tenants have a right to compensation.

Human Resources implications and risks:

The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

Equalities implications and risks:

As reported to February Cabinet, an equalities impact assessment has been carried out. Of note, rent levels are influenced by central government. Furthermore, best practice and guidance dictates that service charges should be set at a level which covers the cost of providing the service to which the charge relates. Therefore, the Council cannot operate in an unfettered way within regard to the rents and service charges it sets. That said, the Council has examined the proposals in this report from an equalities perspective.

71% of council tenants are in receipt of Housing Benefit. The proposed rents and service charges eligible for housing benefit are within the housing benefit caps for Havering, therefore those in most financial hardship, which can include particular minority groups, will be protected

The major works programme makes available resources to bring forward works to make the remaining sheltered bedsits with shared bathrooms / showers fully self-contained or to consider complete redesign of unsuitable schemes as part of the review of older persons housing. This will advantage this section of the community who are people over the age of 55 and will be subject to further consultation. In addition, any council new build or regeneration proposals will be the subject of full consultation with all affected residents.

BACKGROUND PAPERS

There are none.

APPENDIX 1 – HRA budget 2016/17

	2015-16 Final Budget	2016-17 Final Budget	Variance
Income and Expenditure	**£**	**£**	**£**
Income			
Dwelling rents	(49,152,660)	(48,551,860)	600,800
Garages	(400,710)	(400,710)	0
Charges for services and facilities - Tenants	(5,589,580)	(5,296,060)	293,520
Charges for services and facilities – Leaseholders	(1,574,340)	(1,574,340)	0
Shared ownership	(113,980)	(113,980)	0
Other	(493,890)	(445,890)	48,000
Total Income	**(57,325,160)**	**(56,382,840)**	**942,320**
Expenditure			
Repairs and maintenance	7,348,120	6,238,120	(1,110,000)
Supervision and management plus recharges	22,580,980	22,344,510	(236,470)
Depreciation and impairment	14,184,490	16,590,400	2,405,910
Debt management costs	47,820	49,670	1,850
Bad debt	665,000	665,000	0
Total Expenditure	**44,826,410**	**45,887,700**	**1,061,290**
Net cost of HRA services	**(12,498,750)**	**(10,495,140)**	**2,003,610**
Interest payable and similar charges	5,852,370	5,853,300	930
Interest and investment income	(64,810)	(64,810)	0
Surplus or deficit for the year on HRA services	**(6,711,190)**	**(4,706,650)**	**2,004,540**
Statement on movement of HRA balances			
Surplus or deficit for the year on HRA services	**(6,711,190)**	**(4,706,650)**	**2,004,540**
Major works expenditure funded by the HRA	25,679,000	11,353,057	(14,325,943)
Transfer to or from Major Repairs Reserve (MRR)	(13,934,490)	(16,340,400)	(2,405,910)
Net (income)/Expenditure	**5,033,320**	**(9,693,993)**	**(14,727,313)**
HRA balance brought forward	(5,310,044)	(2,652,308)	2,657,736
Net (income)/Expenditure	**5,033,320**	**(9,693,993)**	**(14,727,313)**
In year Surplus 14-15	(1,620,000)	(2,000,000)	(380,000)
RTB receipts (Debt Element)	(755,584)	(1,385,238)	(629,654)
HRA balance carried forward	**(2,652,308)**	**(15,731,539)**	**(13,079,231)**

<u>**Cabinet 15 June 2016**</u>

Appendix 2 – Funded 2016/17 – 2018/19 HRA Major Works Capital Programme

Major Works Programme 2016-19

	16/17	17/18	18/19	3yr Totals
New Build Programme and pre commitments in 2016/17				
New Build Programme	£ 17,342,948	£ 35,758,718	£ 22,626,536	£ 75,728,202
Total	**£ 17,342,948**	**£ 35,758,718**	**£ 22,626,536**	**£ 75,728,202**
Stock Upkeep works to maintain standards including Major Repairs				
Major Voids	£ 500,000	£ 600,000	£ 300,000	£ 1,400,000
Structural	£ 50,000	£ 50,000	£ 50,000	£ 150,000
Electrical Upgrade/Mains Supplies	£ 150,000	£ 150,000	£ 150,000	£ 450,000
Legionella	£ 170,000	£ 170,000	£ 170,000	£ 510,000
Fencing / Boundary Walls	£ 50,000	£ 50,000	£ 50,000	£ 150,000
Drainage/Sewers	£ 50,000	£ 50,000	£ 50,000	£ 150,000
Asbestos Removal/Management	£ 120,000	£ 120,000	£ 120,000	£ 360,000
External Redecorations	£ -	£ 1,199,000	£ 1,199,000	£ 2,398,000
DDA Fire Protection/Means of Escape	£ 50,000	£ 50,000	£ 50,000	£ 150,000
Careline equipment	£ 50,000	£ 50,000	£ 50,000	£ 150,000
Stock condition surveys 10%	£ -	£ -	£ -	£ -
Aids and Adaptations	£ 500,000	£ 500,000	£ 500,000	£ 1,500,000
Total	**£ 1,690,000**	**£ 2,989,000**	**£ 2,689,000**	**£ 7,368,000**
Stock Reinvestment to improve conditions including maintaining the Decent Homes Standard				
Stock Investment "Replacements"	£ 2,428,765	£ 3,987,951	£ 5,395,233	£ 11,811,949
Non Trad Houses/Flats System Build	£ 2,725,000	£ -	£ -	£ 2,725,000
Kitchen/Bathrooms at Void stage	£ 600,000	£ 850,000	£ 300,000	£ 1,750,000
Total	**£ 5,753,765**	**£ 4,837,951**	**£ 5,695,233**	**£ 16,286,949**
Stock Remodelling				
Bedsit Remodelling	£ 98,100	£ 545,000	£ 109,000	£ 752,100
Total	**£ 98,100**	**£ 545,000**	**£ 109,000**	**£ 752,100**
Future Investment				
Major Improvements (inc hostels)	£ 708,500	£ -	£ -	£ 708,500
Environmental Improvements (Minor)	£ -	£ -	£ -	£ -
	£ 708,500	**£ -**	**£ -**	**£ 708,500**

	16/17	17/18	18/19	3yr Totals
Programme Totals	**£ 25,593,313**	**£ 44,130,669**	**£ 31,119,769**	**£ 100,843,750**
New Build Development	£ 17,342,948	£ 35,758,718	£ 22,626,536	£ 75,728,202
Works to existing stock	£ 8,250,365	£ 8,371,951	£ 8,493,233	£ 25,115,549

Appendix 3a: HRA Projections from Business Plan: Years 1 to 10

Year	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26
	1	2	3	4	5	6	7	8	9	10
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
INCOME:										
Rental Income	49,295	50,055	51,105	51,628	51,306	52,079	52,862	53,656	54,461	55,277
Void Losses	(743)	(985)	(986)	(983)	(976)	(991)	(1,005)	(1,020)	(1,035)	(1,050)
Service Charges	6,870	7,008	7,148	7,291	7,437	7,585	7,737	7,892	8,050	8,211
Non-Dwelling Income	401	409	417	425	434	442	451	460	469	479
Grants & Other Income	560	571	582	594	606	618	631	643	656	669
RTB Debt Adjustment	1,385	1,385	1,385	1,385	735	735	735	735	735	714
Total Income	**57,768**	**58,443**	**59,651**	**60,341**	**59,541**	**60,469**	**61,411**	**62,366**	**63,336**	**64,299**
EXPENDITURE:										
General Management	(22,345)	(22,536)	(22,987)	(23,447)	(23,916)	(24,394)	(24,882)	(25,380)	(25,887)	(26,405)
Bad Debt Provision	(665)	(996)	(1,136)	(1,262)	(1,370)	(1,509)	(1,531)	(1,554)	(1,577)	(1,600)
Responsive & Cyclical Repairs	(6,238)	(6,447)	(6,708)	(6,887)	(6,979)	(7,083)	(7,187)	(7,294)	(7,401)	(7,510)
Total Revenue Expenditure	**(29,248)**	**(29,980)**	**(30,832)**	**(31,596)**	**(32,265)**	**(32,985)**	**(33,601)**	**(34,227)**	**(34,865)**	**(35,515)**
Interest Paid & Administration	(5,903)	(5,805)	(6,135)	(6,532)	(6,765)	(6,765)	(6,765)	(6,765)	(6,765)	(9,454)
Interest Received	65	15	11	25	66	120	175	231	289	340
Impairment	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Net Operating Income	**22,432**	**22,424**	**22,445**	**21,988**	**20,326**	**20,588**	**20,970**	**21,355**	**21,744**	**19,419**
APPROPRIATIONS:										
Revenue Contribution to Capital	(23,295)	(24,156)	(22,526)	(16,105)	(9,809)	(9,582)	(9,772)	(9,965)	(10,162)	(10,363)
Total Appropriations	**(23,295)**	**(24,156)**	**(22,526)**	**(16,105)**	**(9,809)**	**(9,582)**	**(9,772)**	**(9,965)**	**(10,162)**	**(10,363)**
ANNUAL CASHFLOW	**(863)**	**(1,732)**	**(81)**	**5,883**	**10,518**	**11,006**	**11,198**	**11,390**	**11,582**	**9,056**
Opening Balance	2,652	3,789	2,057	1,976	7,859	18,377	29,383	40,581	51,971	63,553
	-	-	-	-	-	-	-	-	-	-
Closing Balance	**1,789**	**2,057**	**1,976**	**7,859**	**18,377**	**29,383**	**40,581**	**51,971**	**63,553**	**72,609**

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Appendix 3b: HRA Capital Investment Requirement Projection from Business Plan

Year	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26
	1	2	3	4	5	6	7	8	9	10
	£	£	£	£	£	£	£	£	£	£
EXPENDITURE:										
Planned Variable Expenditure	(8,627,289)	(8,899,245)	(9,176,875)	(7,871,323)	(9,269,916)	(9,029,675)	(9,205,870)	(9,385,231)	(9,567,806)	(9,753,644)
Planned Fixed Expenditure	-	-	-	-	-	-	-	-	-	-
Disabled Adaptations	-	-	-	-	-	-	-	-	-	-
Other Capital Expenditure	-	-	-	-	-	-	-	-	-	-
Procurement Fees	-	-	-	-	-	-	-	-	-	-
Previous Year's Overall Shortfall	-	(13,213)	(2,881,660)	(484,381)	-	-	-	-	-	-
New Build - net cost	(14,680,966)	(28,054,755)	(20,939,699)	(21,749,679)	(538,657)	(552,123)	(565,926)	(580,074)	(594,576)	(609,441)
Total Capital Expenditure	**(23,308,255)**	**(36,967,212)**	**(32,998,233)**	**(30,105,383)**	**(9,808,573)**	**(9,581,798)**	**(9,771,796)**	**(9,965,305)**	**(10,162,382)**	**(10,363,085)**
FUNDING:										
Major Repairs Reserve	-	-	-	-	-	-	-	-	-	-
Right to Buy Receipts	-	-	-	-	-	-	-	-	-	-
Supported Borrowing	-	-	-	-	-	-	-	-	-	-
Unsupported Borrowing	-	10,000,000	10,000,000	14,000,000	-	-	-	-	-	-
Other Receipts	-	-	-	-	-	-	-	-	-	-
Other Reserves	-	-	-	-	-	-	-	-	-	-
Revenue Contributions	23,295,364	24,155,837	22,525,666	16,105,383	9,808,573	9,581,798	9,771,796	9,965,305	10,162,382	10,363,085
Total Capital Funding	**23,295,364**	**34,155,837**	**32,525,666**	**30,105,383**	**9,808,573**	**9,581,798**	**9,771,796**	**9,965,305**	**10,162,382**	**10,363,085**
In Year Net Cashflow	**(12,890)**	**(2,811,375)**	**(472,567)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Havering
LONDON BOROUGH

Appendix 4

The following estates and sheltered schemes are those identified with potential for regeneration or enhanced development opportunities:

Estate/Scheme	**Ward**
Waterloo Estate	Romford Town
Maygreen (inc Park Lane)	Hylands
Oldchurch	Oldchurch
Napier and New Plymouth	South Hornchurch
Delta TMO (Elvet Ave)	Squirrels Heath
Farnham Hilldene (New)	Gooshays
Royal Jubilee Court	Pettits
Solar, Serena, Sunrise	St Andrews
Brunswick Court	Cranham
Dell Court	St Andrews
Delderfield	Pettits
Queen Street	Romford Town