CABINET
15th November 2017

Subject Heading:	**HRA Business Plan Review November 2017.**
Cabinet Member	**Councillor Damian White** **Councillor Roger Ramsey**
SLT Lead:	**Steve Moore**, Director of Neighbourhoods. **Andrew Blake-Herbert**, Chief Executive Officer.
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Policy context:	HRA Policy and budgets
Financial summary:	To review the HRA Business Plan and the impact of the provision of new affordable homes via regeneration schemes in Havering. To note the HRA Business Plan and 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**
When should this matter be reviewed?	February 2018
Reviewing OSC	Towns and Communities

<u>The subject matter of this report deals with the following Council Objectives</u>

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 Business Plan will enable the Council to manage the existing stock to a reasonable standard and to maintain the Decent Homes standard as well as providing significant resources for the development of new affordable homes for local people.

This report is a pre-curser to the planned annual budget and rent setting report that will be presented to Cabinet in February next year (2018). The reason for the review is to provide Cabinet with an updated position on the impact of the delivery of new affordable homes in Havering, from various regeneration schemes in the borough, on the resources available in the HRA.

In particular, this report provides Cabinet with the latest assessment on the impact of the provision of new homes via the HRA 12 sites regeneration project and the setting up of the HRA Joint Venture and the identification of a provision in the HRA for affordable housing on other regeneration opportunities in the borough.

RECOMMENDATIONS

That Cabinet:

1. **Approve the update of** the Housing Revenue Account Business Plan as detailed in **Appendix 3a**.

2. **Note** the implications of the housing estate regeneration and other regeneration opportunities on the HRA Business Plan.

3. **Approve the allocation** of £3.360 million of HRA 1-4-1 Right to Buy receipts to fund the estates renewal buyback programme. This will be used to accelerate the estates buyback programme whilst maintaining a neutral effect on the HRA.

4. **Instructs** officers to report back to Cabinet, within twelve months, with a review of the Allocations Policy and Local Lettings Plan, including eligibility criteria for affordable low cost home ownership properties and rent levels for affordable rent properties.

REPORT DETAIL

1. BACKGROUND

1.1 As reported previously to Cabinet, the Localism Act 2011 changed the financial system for the management of council housing. The new system has provided freedom and independence for the local management of council housing finance by comparison to the previous national subsidy system.

1.2 The new system started in April 2012 and has been reported to Cabinet in this format since that time. The Housing Revenue Account (HRA) 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 affordable homes built for local residents thus replacing some of the properties lost through Right to Buy and helping to reduce homelessness pressures in the General Fund.

1.4 The Council recognises that there is a need for good quality affordable homes, especially for vulnerable residents such as the elderly, those on low incomes 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 in line with legislation 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 lines in the HRA BP are under the complete control of the council, whilst some are impacted upon by Government policy and legislation.

The lines in the business plan that have a direct impact on the income into the HRA BP include:

- 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.
- Service charge recovery.

The lines in the business plan which impact on the levels of expenditure in the HRA BP include:

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

There is still uncertainty regarding the Government's proposed higher value sales programme proposed to fund the extension of the Right to Buy system to Housing Association properties. This could have an impact on the resources available in the HRA BP. However, as this is still unknown, the impact has <u>not</u> been included for the purposes of this report. As soon as final proposals are known and modelled for Havering, this will be reported back to Cabinet.

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 Government policy sets council rents. The formula used to develop the HRA Business Plan from 2015/16 onwards, and as reported to Cabinet in February 2015, allowed rents to be increased by a maximum of CPI + 1% annually.

2.1.3 However, the previous Government required Councils to reduce rents by 1% against July 2015 levels for four years as part of on-going austerity measures. This reduces the rental income available to the HRA over the four years of the reduction by just below £8.000m. This reduces the income into the business plan model by £68.000m over 10 years and is a significant reduction. Two 1% annual reductions have been applied to tenant's rents so far. The third will be in the 2018/19 rent setting report in February 2018.

2.1.4 The Government announcement on the 4th October has clarified rent setting policy for the medium term. After the four years of 1% reduction, it has been announced that the HRA will revert back to the original rent setting formula of CPI +1% for 5 years from 2020. The announcement was made with the following additional comment:

"As set out in the Housing White Paper, to help encourage more investment in social housing, government will create a stable financial environment by setting a long term rent deal for councils and housing associations in England.

Under the proposal set out today, increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020. This will give social tenants, councils and housing associations the security and certainty they need."

This provides certainty for rents in council housing up to 2025. In addition, it was announced that Government would carry out a consultation exercise on rents in 2018. For the purposes of the business plan, it has therefore been assumed that the rent increase guidelines of CPI + 1% will continue. The outcome of any future changes will be factored in to future budget reports provided to Cabinet.

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. Government is completing a review into supported housing rent policy and the outcome is awaited. However, for the next two years a 1% rent reduction is also being applied to supported housing rents and is included within the Business Plan with increases of CPI + 1% from 2020.

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. 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 level of rent recovery in Havering is extremely good. The national accepted level of good performance is in the region of 98%. For 2016/17, Havering achieved a level of 98.24%. Nationally this figure is top quartile performance and is the best figure Havering has achieved.

2.2 **Service charges**

2.2.1 The aim of the Council, in respect of service charges, is to ensure that those receiving the services 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). This Business plan continues the AMS principle for investment in existing stock of "just in time" as reported to Cabinet in October 2016 and February 2017. The impact of this change is to reduce the average annual expenditure from £13.9m to £8.600m, a reduction of £5.300m per year. Over the 30 years of the HRA BP, this amounts to a reduction in spend of £159.000m.

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. In order to meet the decent homes target planned expenditure on new kitchens, bathrooms and electrical systems remain at previous levels. What reduces is the high level 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 £6.454m per year. This projects spending of £680 per year per property, a level that is considered good performance for the type of properties Havering owns along-side a well-managed repairs contract.

3.3 **Staffing costs.**

3.3.1 The restructuring of the Housing Service completed in April 2016 reduced the staffing costs to the HRA of £1.700m per year, a reduction of 15%. Across the 30 year HRA BP this reduced the cost by £51.000m.

3.4 **Debt costs.**

3.4.1 This update to the HRA Business Plan is making the assumption that the HRA will not need to utilise the full level of borrowing permissible under the HRA reform rule. However, this is subject to a number of key assumptions, any change in which may require the HRA to utilise the full level of borrowing. The "borrowing cap" is a tool introduced by Her Majesty's Treasury limiting the borrowing in the HRA. The HRA is not allowed to use prudential borrowing rules where the borrowing level is restricted by its ability to repay the debt through the revenue generated through borrowing. This “cap” therefore restricts the borrowing levels to around half of the amount were prudential borrowing rules applied. The borrowing cap for the Havering HRA is £209.003m. The gap between the actual borrowing and the cap is termed “headroom”. The current level of headroom in the HRA Business Plan is £34.334m. Current projections suggest that no additional borrowing shall be required to fund both the 12 Estates Joint Venture and the earmarked provision for affordable housing on other regeneration opportunities. The full costs of borrowing are included within this Business Plan.

3.4.2 As reported to Cabinet previously, there has been no change to the debt management strategy contained in the February 2016 plan. It is currently assumed that the 12 Estates development programme will be completed by 2029/30. Approximately £50.432m of debt is scheduled to mature from the start of 2026/27 to the end of 2029/30. This strategy creates a pressure on the HRA BP during these years and adversely impacts on the level of affordable house building the council can achieve through the life of this Business Plan. The Treasury Management team 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 of £0.700m per year (1.5%) has not been included in the HRA BP. The current assumption is the previous lower level of 2.25% (£1.080m). This is therefore a potential area of improved income to the HRA BP. The void loss assumption will be reviewed and updated as part of the HRA budget report to be tabled in February 2018.

3.5.2 Despite the implementation of universal credit and payments direct to tenants, the arrears and losses figures have remained low. The introduction of Universal Credit (UC) introduces a risk to the levels of arrears in the HRA that will need constant monitoring and attention. The bad debt provision currently stands at £0.665m per annum based on a collection rate of 98.24%.

3.6 **Building new homes and regeneration.**

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 £0.390m 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 there is a risk that the council will need to resort to the use of expensive B&B emergency accommodation. 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 In addition, changes to the costs of temporary accommodation are adversely impacting on the General Fund. The detail of these pressures was included in the budget report presented to Cabinet in October 2017. However, the key impacts are coming from the increased costs of procuring temporary accommodation in the private rented sector and reductions in benefit subsidy to pay for temporary accommodation. One way of mitigating these rising pressures is to build new homes that can be accessed by local people who are facing homelessness.

3.6.4 The HRA BP resources can be used to fund new build and can be augmented by right-to-buy receipts. 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. The Council have been awarded just over £30.296m from the GLA for the affordable housing provision on the first three sites in the HRA 12 sites project. Those sites are Waterloo Estate in Romford, Napier and New Plymouth Houses in Rainham and Solar, Serena, Sunrise sheltered scheme in south Hornchurch.

3.6.5 The HRA BP presented to Cabinet in October 2016 identified a total of £169.000m available within the HRA BP over the next 10 years that was available for investment in new units of affordable housing to help replenish losses of units through the right to buy and to help local people access affordable housing. This report therefore updates Cabinet on the progress of the land and estates review already in progress. It also updates Cabinet on the financial impact of the HRA new build programme and in particular the impact of the work carried out in relation to the HRA 12 sites project.

3.6.6 The focus of new build units is 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 plus opportunities to purchase affordable housing on other regeneration sites in Havering. The additional resource is also to 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.

4. HRA 12 Estates Regeneration Programme.

4.1 The sites included within the Regeneration project are:

Estate/Scheme	**Ward**
Waterloo Estate	Romford Town
Queen Street Sheltered Scheme (as part of the Waterloo Estate Regeneration)	Romford Town
Solar, Serena, Sunrise Sheltered Scheme	St Andrews
Napier and New Plymouth	South Hornchurch
Maygreen (inc Park Lane Sheltered Scheme)	Hylands
Oldchurch Gardens	Brooklands
Delta TMO (Elvet Ave)	Squirrels Heath
Farnham Hilldene and Chippenham Road	Gooshays
Royal Jubilee Court Sheltered Scheme	Pettits

Brunswick Court Sheltered Scheme	Cranham
Dell Court Sheltered Scheme	St Andrews
Delderfield Sheltered Scheme	Pettits

4.2 As previously reported to Cabinet, the council's preferred method to deliver this project is via a Joint Venture so that the council retains the long term ownership of the land and exerts control over the developments carried out. This also enables the council to share in the proceeds of the venture so that additional value can be used to extend the regeneration of estates across the borough in the future. The procurement exercise is being carried out via competitive dialogue. The process is being lead in the council by the project sponsor and lead officer with full involvement from officers from procurement, legal and finance. That team are being supported by a specialist team lead by Savills with legal advice and support from Bevan Britton who report up to the Deputy Director of Legal and Governance. In addition, external financial due diligence has been provided by KPMG, reporting to the Head of Finance (Commercial and Investment).

4.3 The project is progressing according to the project plan key milestones leading to the anticipated Cabinet report on the selection of a JV partner in January 2018 where the detail of the implications of the project will be provided. This update report is based on the best information currently available to officers. This is based on officer appraisal of the project, Savills and the specialist technical team corroboration of the figures and the early information provided via the competitive dialogue process.

4.4 The competitive dialogue process commenced in March 2017. 52 initial expressions of interest were received. This resulted in 10 initial submissions which were reduced to a long list of 6 companies who provided detailed proposals following detailed dialogue sessions with each bidder. During August and early September those proposals from the 6 bidders were fully reviewed and considered. In mid-September, the final shortlisted 3 organisations were invited to enter into continued dialogue with a view of final and detailed submissions being submitted for review and evaluation during November and December 2017. The results of that continued dialogue are expected to be presented to Cabinet in January 2018 for a decision on the preferred partner.

4.5 The principles of the estate regeneration programme are designed to make better use of the land that the council owns in the HRA to maximise the number of safe, affordable homes for local people. Many of the homes in the sheltered schemes being redeveloped are vacant as they are unsuitable bedsit accommodation resulting in up to 15% of the regeneration estates being empty for long periods. In addition, poor design of estates and low densities mean there is opportunity to redesign the estates and increase the number of homes provided at the same time as improving the infrastructure associated with the estates.

4.6 The 12 estates currently provide a total of 878 homes. Of these over 100 are long-term vacant properties (as described above), 112 have been sold through Right to Buy and 658 are tenanted council homes.

4.7 The expected numbers on the newly designed estates will be to provide in the region of 2,700 to 3,000 homes of which up to 1,200 will be affordable homes. In other words, the estate regeneration programme is expected to deliver almost a doubling of the affordable homes on the estates. In addition the 1,500 to 1,800 additional private sale homes built will also be targeted to local families as part of the sales strategy to be developed via the JV.

4.8 The value of the private sales is being used by the HRA to subsidise the cost of delivering the large increase in affordable homes for local families. A percentage of the new affordable homes to be built will be low cost homeownership properties that will be targeted to the children of existing Havering residents who would otherwise have no opportunity of accessing the housing market.

4.9 It should be noted at this point that every resident currently legitimately occupying a home on the existing 12 estates have been given the right to return to the new estates.

4.10 The numbers above and therefore the corresponding financial impact detailed below in the financial appraisals is currently being tested through the competitive dialogue process and will of course be subject to change. Whilst they are provided for illustrative purposes, the outcome of marketing exercise currently underway is expected to deliver a similar quantum of new housing for the borough.

4.11 Part of the dialogue process is also designed to identify the JV partner who is best able to also deliver the place shaping agenda for the estates, delivering better homes on estates where people are proud to live. They will focus on the infrastructure needed to deliver new homes such as health facilities, new schools, public realm improvements, new open spaces and play areas.

4.12 Every opportunity will also be taken to maximise the social value associated with this level of house building. This is expected to include the delivery of apprenticeships, training opportunities and work experience as well as creating supply chain opportunities for local SMEs and investing in delivering other community facilities.

4.13 Current forecasts suggest that the redevelopment of the 12 estates will cost £760.171m (including finance and inflation) in total, generating revenues of £827.813m. The JV shall be funded by a combination of equity, third party debt and net sales proceeds. It is assumed that profits are to be shared 50:50 between the Council and private sector partner (PSP), in line with the equity investment stakes.

4.14 The Council would be required to invest £42.881m of assets during the construction phase, which shall be a combination of cash (£0.227m) and land assets (£42.654m). This is to be 100% funded from HRA capital and land assets. Furthermore, as a 50% partner, the PSP shall contribute an equivalent amount (£42.881m cash).

4.15 In addition, the Council shall acquire the affordable homes development by the JV (794 units), at an estimated cost of £144.677m, along with the residual interest (60% - 300 units) in the shared ownership portfolio at no cost. However, this is subject to the outcome of the negotiations with the successful bidder. They may require the Council to purchase the interest for market value in advance of receiving a compensating land receipt. It is assumed that the Council shall utilise its GLA grant allocation (£30.296m phase 1) to reduce the overall net capital cost.

4.16 It is anticipated that the development and sales programme will be completed by 2029/30. With the completion of the program the Council shall recoup both its equity investment £42.881m, and its share of the development surpluses £33.821m. However, it is anticipated that the joint venture will be in a position to begin distributing surpluses from 2026/27. The assumption is that the surpluses are directly credited to the HRA in order for future regeneration opportunities and delivery of more affordable housing to be funded.

4.17 The JV and the acquisition of the properties will create significant revenue (TABLE 1) and capital implications (TABLE 2) for the HRA.

TABLE 1 - Revenue Impact (HRA)
12 Estates and other Affordable Housing provision to 2029/30

	£m	£m
HRA Balance - 2029/30 (Base Model)(available)		**(145.384)**
Base Adjustments		
Opening reserves adjustment (16/17 outturn)	3.326	
Rents	(3.203)	
Ground Rent / Shared Ownership Rents	(18.094)	
JV - Subsidy (Surplus on OMS Activity)	(33.821)	
Revenue Repairs	1.420	
Financing	5.511	
RCCO	103.166	
		58.305
Closing HRA Reserve - 2029/30 (available)		**(87.079)**

TABLE 2 - Capital Programme
12 Estates JV and other affordable housing acquisitions to 2029/30

	£m	£m
Affordable Housing (rent) - 900 units	184.427	
Equity (JVs - Cash)	0.227	
Equity (JVs - Land)	42.654	
Shared Ownership – 514 units	14.798	
Asset Management Programme (12 Estates)	(5.254)	
Asset Management Programme (New Properties)	2.751	
Buybacks (Increase Provision)	19.923	
New Build (Revised Estimates)	0.726	
Total to 2029/30		**260.252**

5. Other Regeneration proposals.

5.1 The provision of affordable housing for residents and reduction in homelessness is of critical importance. Not only does this improve opportunities for local people but reducing homelessness will reduce the pressures in the General Fund. In order to maximise the number of affordable homes provided though the HRA this report asks Cabinet to approve the principle that the HRA pays for the development or procures affordable homes on other regeneration opportunities, such as Bridge Close, within Havering. This report identifies a provision within the HRA BP of £55.000m over 7 years from 2020 to deliver this aspiration whilst adding significantly to the asset base in the HRA. This allocation could provide for a further 300 units subject to how the purchases are negotiated. This will be financed through a combination of 1-4-1 RTB receipts, GLA grant funding where available and HRA capital resources.

6. Eligibility and affordability of affordable housing

6.1 The use of the HRA to provide affordable housing in Havering is a key strategy in the councils Housing Policy. The provision of more affordable homes for rent, and as low cost home ownership opportunities, will enable local people to access homes that are affordable. It is essential that these homes are available to people who have lived in the borough for a period of time and at a cost that is affordable on the incomes that they have. This will help reduce homelessness, reduce the negative impacts on families of poor or expensive housing and also help local people access the housing ladder for the first time.

6.2 The access to the affordable homes provided through the HRA is therefore linked to the Allocation Policy and any Local Lettings Plans that are made under that policy. In order to ensure that local people are helped into this housing, the eligibility and affordability of affordable housing in Havering is being reviewed through the latest review of the Allocations Policy and Local Lettings Plan. Once a consultation exercise has been carried out, recommendations for any changes will be presented to Cabinet, along with a full Equalities Impact Assessment of the policy itself and any changes.

6.3 It is anticipated that the review of the Allocations Policy and Local Lettings Plan (currently out for consultation) and any proposed changes will be presented to Cabinet in the first half of 2018.

6.4 Proposed rent levels for the new-build properties will be provided to Cabinet within 12 months following liaison with the District Valuer.

7. 30 year Business Plan 2016/17 to 2046/47

7.1 Attached at **Appendix 3a, 3b, 4a and 4b** are extracts from the reworked HRA Business Plan financial model along with the 2017-18 HRA approved budget **Appendix 1** and HRA Capital Budget **Appendix 2**. Years 1 to 13 have been included. Year 1 of the business plan is based on the 2017/18 budget.

7.2 The plan for the HRA is based on keeping a minimum of £2.500m 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 £2.500m are available for major works, for as long as the stock condition survey need to spend exists, and new development.

7.3 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 £8.000m. This reduces the income into the business plan model by £68.000m over 10 years and is thus a significant change.

8. CONCLUSION

8.1 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 5 years. The Housing Revenue Account investment in the new build of new homes via the Joint Venture 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.

8.2 This report, and the costs for the provision of affordable housing contained within it, are provided to Cabinet to ensure that Cabinet are able to identify sufficient resources for the provision of new affordable homes are available within the HRA Business Plan. Future reports will be provided to Cabinet, as part of the budget setting cycle, for specific provision of funding as required, including any referral onto Council for the agreement of capital funding.

REASONS AND OPTIONS

Reasons and Options

The budget provisions within the reviewed Business Plan will enable more affordable homes to be built in the borough for local people and help to mitigate homelessness funding pressures within the General Fund.

IMPLICATIONS AND RISKS

Financial implications and risks:

HRA Revenue

This report largely concerns the financial implications and risks concerning the setting up of a Joint Venture to deliver the 12 Estates Regeneration project in the HRA budget during 2018 up to 2029 and includes the subsequent 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 £2.500m at the end of 2018/19 and for the 11 years beyond this until 2029/30.

There are risks associated with any HRA budget, but it is felt these can be managed. The council has reviewed its resource requirement for 2018/19. On repairs, there are unbudgeted volume risks, but these can be managed by ensuring the HRA working balance is maintained at a minimum of £2.500m. 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. The details on the key risks are included in the body of this report. These risks are monitored on a monthly basis with the financial impacts being reported via the monthly budget monitoring process and performance information being reported to Housing Board.

In addition to £2.500m reserves on the HRA, the following provisions / reserves were held as at 31 March 2017:-

- Bad and doubtful debt provision of £2.937m (including leaseholder major works) - calculated according to best practice
- Leaseholder Major Works Reserve of £2.055m – 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. Government recently announced that after the four years of 1% reduction, the HRA will revert back to the original rent setting formula of CPI+1% for 5 years from 2020.

HRA Investment Capital Budget

Appendix 4a sets out the Major Works Programme 2018-19 and onwards and includes the impact of the HRA JV and the provision of new affordable housing on other regeneration opportunities in the borough. 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.
- GLA funded grants

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 prior to the February 2018 Cabinet report of relevance to the new build housing in the HRA

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 in February 2018 will fulfil these requirements.

The regeneration schemes contemplated by this report will be the subject of future Cabinet reports

Human Resources implications and risks:

None specific.

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.

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APPENDIX 1 - HRA budget 2017/18

	2016-17 Final Budget	2017-18 Final Budget	Movement
Income and Expenditure	**£M**	**£M**	**£M**
Income			
Dwelling rents	(48.552)	(47.144)	1.408
Garages	(0.401)	(0.347)	0.054
Charges for services and facilities - Tenants	(5.296)	(6.058)	(0.762)
Charges for services and facilities - Leaseholders	(1.574)	(1.574)	0.000
Shared ownership	(0.114)	(0.114)	0.000
Other	(0.446)	(0.446)	0.000
Total Income	**(56.383)**	**(55.683)**	**0.700**
Expenditure			
Repairs and maintenance	6.238	6.454	0.216
Supervision and management plus recharges	22.345	24.178	1.834
Depreciation and impairment	16.590	16.590	0.000
Debt management costs	0.050	0.048	(0.002)
Bad debt	0.665	0.665	0.000
Total Expenditure	**45.888**	**47.935**	**2.048**
Net cost of HRA services	**(10.495)**	**(7.748)**	**2.748**
Interest payable and similar charges	5.853	5.853	0.000
Interest and investment income	(0.065)	(0.065)	0.000
Surplus or deficit for the year on HRA services	**(4.707)**	**(1.959)**	**2.748**
Statement on movement of HRA balances			
Surplus or deficit for the year on HRA services	(4.707)	(1.959)	2.748
Major works expenditure funded by the HRA	11.353	19.738	8.385
Transfer to or from Major Repairs Reserve (MRR)	(16.340)	(16.340)	0.000
Net (income) / Expenditure	**(9.694)**	**1.438**	**11.132**
HRA balance brought forward		(7.156)	
Net (income) / Expenditure		1.438	
In year Deficit 16-17		1.000	
Unallocated 16/17 Capital		(9.302)	
RTB receipts (Debt Element)		(1.385)	
HRA balance carried forward	**(7.156)**	**(15.405)**	

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Appendix 2 – Funded 2017/18 – 2019/20 HRA Major Works Capital Programme

Major Works Programme 2017-20					
		17/18	18/19	19/20	3 yr totals
New Build Programme and pre commitments in 2016/17		**£M**	**£M**	**£M**	**£M**
New Build Programme		16.193	7.088	0.000	23.280
Other Capital Schemes (funded)		5.729	0.000	0.000	5.729
Total		**21.921**	**7.088**	**0.000**	**29.009**
Stock Upkeep works to maintain standards including Major Repairs					3 yr totals
Major Voids		0.450	0.270	0.270	0.990
Structural		0.050	0.050	0.050	0.150
Electrical Upgrade/Mains Supplies		0.100	0.100	0.100	0.300
Legionella		0.170	0.170	0.170	0.510
Fencing / Boundary Walls		0.050	0.050	0.050	0.150
Drainage/Sewers		0.050	0.050	0.050	0.150
Asbestos Removal/Management		0.100	0.100	0.100	0.300
External Redecorations		0.818	0.818	0.818	2.453
DDA Fire Protection/Means of Escape		0.035	0.035	0.035	0.105
Careline equipment		0.050	0.050	0.050	0.150
Stock condition surveys 10%		0.000	0.000	0.000	0.000
Aids and Adaptations		0.550	0.550	0.550	1.650
Total		**2.423**	**2.243**	**2.243**	**6.908**
Stock Reinvestment to improve conditions including maintaining the Decent Homes Standard					3 yr totals
Stock Investment "Replacements"		3.256	4.278	3.234	10.768
Non Trad Houses/Flats System Build		0.000	0.000	0.000	0.000
Kitchen/Bathrooms at Void stage		0.665	0.270	0.270	1.205
Total		**3.921**	**4.548**	**3.504**	**11.973**
Stock Remodelling					3 yr totals
Bedsit Remodelling		0.545	0.109	0.109	0.763
Total		**0.545**	**0.109**	**0.109**	**0.763**
Future Investment					3 yr totals
Major Improvements (sheltered housing)		2.507	2.289	0.000	4.796
Environmental Improvements (Minor)		0.000	0.000	0.000	0.000
		2.507	**2.289**	**0.000**	**4.796**
		17/18	18/19	19/20	3 yr totals
Works to existing stock Programme Totals		**9.396**	**9.188**	**5.856**	24.440
		Average Annual Investment in existing stock			***8.147***
Below the Line Additional Capital Expenditure					
Multi Disciplianry Team for Estrates Renewal Programme		0.202	0.000	0.000	0.202
Estates Renewal Programme - Land Assembly "Buy Backs"		7.840	7.840	7.840	23.520
Decanting costs		2.300	2.300	2.300	6.900
		10.342	**10.140**	**10.140**	**30.622**
Proposed Capital Expenditure (exc New Build)		**19.738**	**19.328**	**15.996**	**55.062**

Appendix 3a: HRA Projections from Business Plan: Years 1 to 13 (Incorporating 12 Estates Joint Venture and other affordable housing provision)

Year	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30
£M	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**
INCOME:													
Rental Income	(47.925)	(46.559)	(45.019)	(46.581)	(47.555)	(48.913)	(50.815)	(52.972)	(55.676)	(58.204)	(60.003)	(61.395)	(62.804)
Void Losses	1.078	1.046	1.010	1.043	1.064	1.092	1.132	1.177	1.233	1.287	1.326	1.356	1.388
Service Charges	(7.633)	(7.785)	(7.941)	(8.100)	(8.262)	(8.427)	(8.596)	(8.768)	(8.943)	(9.122)	(9.304)	(9.490)	(9.680)
Non-Dwelling Income	(0.347)	(0.354)	(0.361)	(0.369)	(0.409)	(0.508)	(0.866)	(1.449)	(2.243)	(3.239)	(4.013)	(4.442)	(4.588)
Grants & Other Income	(0.305)	(0.571)	(1.189)	(3.484)	(3.163)	(3.529)	(5.494)	(6.177)	(7.036)	(5.784)	(3.484)	(1.113)	(0.710)
Total Income	**(55.132)**	**(54.224)**	**(53.500)**	**(57.490)**	**(58.325)**	**(60.285)**	**(64.638)**	**(68.188)**	**(72.665)**	**(75.062)**	**(75.479)**	**(75.084)**	**(76.394)**
EXPENDITURE:													
General Management	24.428	24.917	25.415	25.924	26.442	26.971	27.510	28.061	28.622	29.194	29.778	30.374	30.981
Bad Debt Provision	0.663	0.642	0.618	0.638	0.649	0.664	0.686	0.709	0.740	0.769	0.792	0.810	0.829
Responsive & Cyclical Repairs	6.478	6.484	6.506	6.619	6.757	6.912	7.125	7.381	7.639	7.849	7.984	8.118	8.254
Total Revenue Expenditure	**31.569**	**32.043**	**32.540**	**33.180**	**33.848**	**34.547**	**35.321**	**36.151**	**37.000**	**37.812**	**38.553**	**39.302**	**40.064**
Interest Paid	5.995	5.995	5.995	5.995	5.989	5.988	5.988	5.988	5.979	5.973	5.920	5.959	5.999
Finance Administration	0.048	0.049	0.050	0.051	0.052	0.053	0.054	0.055	0.056	0.058	0.064	0.065	0.066
Interest Received	(0.150)	(0.111)	(0.102)	(0.138)	(0.168)	(0.157)	(0.141)	(0.102)	(0.064)	(0.072)	(0.206)	(0.421)	(0.585)
Depreciation	7.555	7.274	7.058	7.022	6.987	7.083	7.270	7.489	7.755	7.967	7.946	7.922	7.898
Net Operating Income	**(10.115)**	**(8.975)**	**(7.960)**	**(11.381)**	**(11.617)**	**(12.771)**	**(16.145)**	**(18.608)**	**(21.938)**	**(23.323)**	**(23.202)**	**(22.259)**	**(22.952)**
APPROPRIATIONS:													
Revenue Contribution to Capital	0.000	1.276	8.405	0.000	11.179	13.900	21.521	28.628	27.371	14.718	0.000	0.000	0.000
Total Appropriations	**0.000**	**1.276**	**8.405**	**0.000**	**11.179**	**13.900**	**21.521**	**28.628**	**27.371**	**14.718**	**0.000**	**0.000**	**0.000**
ANNUAL CASHFLOW	**(10.115)**	**(7.699)**	**0.445**	**(11.381)**	**(0.438)**	**1.128**	**5.376**	**10.020**	**5.433**	**(8.605)**	**(23.202)**	**(22.259)**	**(22.952)**
Opening Balance	(2.830)	(12.945)	(20.644)	(20.199)	(31.579)	(32.017)	(30.889)	(25.513)	(15.493)	(10.061)	(18.666)	(41.868)	(64.127)
Closing Balance	**(12.945)**	**(20.644)**	**(20.199)**	**(31.579)**	**(32.017)**	**(30.889)**	**(25.513)**	**(15.493)**	**(10.061)**	**(18.666)**	**(41.868)**	**(64.127)**	**(87.079)**
												MRR Balance	(42.245)
												Total	**(129.323)**

Appendix 3b: Projected Revenue Impact of 12 Estates Joint Venture on HRA (movements from February 2017 Base – 10 Years)

Year	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30
£M	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**
BASE MOVEMENTS FROM FEB 2017:													
Opening Balance (16/17 outturn)	3.326	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Rent Freeze (1 Year) 2020/21	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
12 Estates Joint Venture													
Rents (Affordable Homes)	0.075	0.966	1.839	1.677	1.845	1.690	1.032	0.150	(1.238)	(2.424)	(2.868)	(2.881)	(2.881)
Rents (Shared Ownership)	0.000	0.000	0.000	(0.000)	(0.033)	(0.125)	(0.475)	(1.050)	(1.837)	(2.825)	(3.590)	(4.010)	(4.148)
Joint Venture Subsidy / (Contribution)	0.255	0.000	(0.607)	(2.890)	(2.557)	(2.911)	(4.863)	(5.534)	(6.380)	(5.115)	(2.802)	(0.417)	0.000
Revenue Repairs	0.024	(0.049)	(0.124)	(0.116)	(0.090)	(0.068)	0.013	0.125	0.262	0.349	0.358	0.365	0.372
Bad Debts	(0.002)	(0.015)	(0.029)	(0.027)	(0.032)	(0.034)	(0.029)	(0.022)	(0.010)	0.001	0.005	0.005	0.004
Depreciation	(0.221)	(0.407)	(0.560)	(0.544)	(0.539)	(0.554)	(0.479)	(0.373)	(0.222)	(0.125)	(0.103)	(0.084)	(0.064)
Financing Costs	(0.063)	(0.036)	(0.007)	0.021	0.088	0.182	0.281	0.405	0.544	0.681	0.967	1.095	1.352
Revenue Contribution to Capital Outlay	0.000	(9.632)	(0.243)	0.000	11.179	13.900	21.521	28.628	27.371	14.718	0.000	0.000	0.000
NET REVENUE IMPACT (12 ESTATES JV)	**3.394**	**(9.173)**	**0.269**	**(1.880)**	**9.858**	**12.080**	**17.000**	**22.329**	**18.490**	**5.260**	**(8.032)**	**(5.928)**	**(5.364)**
CUMULATIVE IMPACT	**3.394**	**(5.779)**	**(5.509)**	**(7.389)**	**2.469**	**14.549**	**31.550**	**53.878**	**72.369**	**77.629**	**69.596**	**63.668**	**58.305**
FEB 2017 FORECAST RESERVES	(16.339)	(14.865)	(14.689)	(24.190)	(34.486)	(45.438)	(57.063)	(69.372)	(82.429)	(96.294)	(111.464)	(127.795)	(145.384)
HRA FORECAST RESERVES	**(12.945)**	**(20.644)**	**(20.199)**	**(31.579)**	**(32.017)**	**(30.889)**	**(25.513)**	**(15.493)**	**(10.061)**	**(18.666)**	**(41.868)**	**(64.127)**	**(87.079)**

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Appendix 3c: HRA Capital Investment Requirement Projection from Business Plan (Incorporating 12 Estates Joint Venture and affordable housing provision)

Year	**2017.18**	**2018.19**	**2019.20**	**2020.21**	**2021.22**	**2022.23**	**2023.24**	**2024.25**	**2025.26**	**2026.27**	**2027.28**	**2028.29**	**2029.30**
£M	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**
EXPENDITURE:													
Planned Variable Expenditure	0.000	0.000	0.000	0.000	0.000	0.074	0.145	0.235	0.259	0.414	0.565	0.763	1.036
Planned Fixed Expenditure	28.826	27.562	24.519	5.416	6.153	6.168	9.515	9.336	11.951	11.796	9.151	7.648	10.346
Disabled Adaptations	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other Capital Expenditure	0.000	23.459	0.000	0.000	8.444	0.000	11.290	(0.538)	0.000	0.000	0.000	0.000	0.000
New Build Expenditure	14.016	8.247	1.687	4.680	24.067	23.173	30.782	42.025	37.975	21.189	0.537	0.000	0.000
Previous Year's B/F Shortfall	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Capital Expenditure	**42.842**	**59.268**	**26.206**	**10.096**	**38.664**	**29.414**	**51.732**	**51.058**	**50.185**	**33.398**	**10.253**	**8.410**	**11.382**
FUNDING:													
Major Repairs Reserve	(30.150)	(18.211)	(7.058)	(3.321)	(10.688)	(7.083)	(7.270)	(7.489)	(7.755)	(7.967)	13.967	11.272	(6.760)
Right to Buy Receipts	(2.566)	(1.865)	(1.865)	(1.865)	(1.052)	(1.052)	(1.052)	(1.052)	(1.052)	(1.052)	(1.052)	(1.052)	(1.052)
HRA CFR Borrowing	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other Receipts/Grants	(7.675)	(35.956)	(8.397)	(3.897)	(14.170)	(5.355)	(19.302)	(10.627)	(12.769)	(9.436)	(23.168)	(18.631)	(3.569)
HRA Reserves	(2.450)	(1.959)	(0.482)	(1.013)	(1.575)	(2.025)	(2.588)	(3.263)	(1.238)	(0.225)	0.000	0.000	0.000
Revenue Contributions	0.000	(1.276)	(8.405)	0.000	(11.179)	(13.900)	(21.521)	(28.628)	(27.371)	(14.718)	0.000	0.000	0.000
Total Capital Funding	**(42.842)**	**(59.268)**	**(26.206)**	**(10.096)**	**(38.664)**	**(29.414)**	**(51.732)**	**(51.058)**	**(50.185)**	**(33.398)**	**(10.253)**	**(8.410)**	**(11.382)**
In-Year Net Cashflow	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Cumulative Position	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

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Appendix 3d: Projected Capital Impact of 12 Estates Joint Venture (movements from February 2017 Base – 10 Years)

Year	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30
£M	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**
EXPENDITURE:													
Affordable Housing (900 units)	0.000	0.000	0.000	4.680	24.067	23.173	30.782	42.025	37.975	21.189	0.537	0.000	0.000
JV Investment (JV - Cash Loan)	0.000	0.227	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
JV Investment (JV - Land Loan)	0.000	23.459	0.000	0.000	8.444	0.000	11.290	(0.538)	0.000	0.000	0.000	0.000	0.000
Shared Ownership (514 units)	0.000	0.000	0.000	0.000	0.305	0.732	2.699	3.751	4.192	3.119	0.000	0.000	0.000
Asset Management Programme (12 Estates)	0.000	(0.307)	0.050	(0.607)	(0.503)	(0.411)	(0.615)	(0.296)	(0.422)	(0.869)	(0.552)	(0.317)	(0.405)
Asset Management Programme (New Properties)	0.000	0.000	0.000	0.000	0.000	0.042	0.086	0.132	0.154	0.307	0.456	0.651	0.922
Vacant possession	3.360	8.360	8.203	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
New Build (re-profile)	(2.177)	1.160	1.687	0.000	0.000	0.002	0.004	0.008	0.008	0.008	0.008	0.008	0.009
NET CAPITAL IMPACT (12 ESTATES JV)	**1.183**	**32.898**	**9.940**	**4.073**	**32.313**	**23.539**	**44.247**	**45.081**	**41.906**	**23.754**	**0.449**	**0.342**	**0.526**
FEB 2017 FORECAST CAPITAL SPEND	41.659	26.370	16.266	6.023	6.351	5.876	7.485	5.976	8.279	9.645	9.804	8.068	10.855
REVISED CAPITAL PROGRAMME	**42.842**	**59.268**	**26.206**	**10.096**	**38.664**	**29.414**	**51.732**	**51.058**	**50.185**	**33.398**	**10.253**	**8.410**	**11.382**

Year	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30
£'000	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**
FUNDING:													
Land receipt (Grant of Building Licence)	0.000	(23.459)	0.000	0.000	(8.444)	0.000	(11.290)	0.538	0.000	0.000	0.000	0.000	0.000
GLA Grant (Affordable)	0.000	0.000	0.000	(0.361)	(5.566)	(4.948)	(6.339)	(8.710)	(9.431)	(5.411)	(0.155)	0.000	0.000
GLA Grant (Shared Ownership)	0.000	0.000	0.000	0.000	(0.161)	(0.407)	(1.673)	(2.455)	(3.338)	(4.024)	(1.874)	(0.459)	0.000
1-4-1 RTB Funding (Affordable Housing)	(0.335)	0.167	(0.482)	(1.013)	(1.575)	(2.025)	(2.588)	(3.263)	(1.238)	(0.225)	0.000	0.000	0.000
1-4-1 RTB Funding (Buybacks)	(3.360)	(4.860)	(4.860)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
RTB Debt Repayment Reserve (16/17 Bal)	0.000	(3.537)	(3.537)	(3.537)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
RTB Attributable Debt Receipts	(2.566)	(1.865)	(1.865)	(1.865)	(1.052)	(1.052)	(1.052)	(1.052)	(1.052)	(1.052)	(1.052)	(1.052)	(1.052)
Shared Ownership receipts	0.374	(4.021)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
JV - Repay Equity	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(21.140)	(18.172)	(3.569)
RCCO	0.000	9.632	0.243	0.000	(11.179)	(13.900)	(21.521)	(28.628)	(27.371)	(14.718)	0.000	0.000	0.000
MRR / Other	4.704	(4.956)	0.560	2.702	(4.337)	(1.207)	0.215	(1.512)	0.524	1.677	23.771	19.340	4.095
Borrowing	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
NET FUNDING IMPACT (12 ESTATES JV)	**(1.183)**	**(32.898)**	**(9.940)**	**(4.073)**	**(32.313)**	**(23.539)**	**(44.247)**	**(45.081)**	**(41.906)**	**(23.754)**	**(0.449)**	**(0.342)**	**(0.526)**
FEB 2017 FORECAST CAPITAL FUNDING	(41.659)	(26.370)	(16.266)	(6.023)	(6.351)	(5.876)	(7.485)	(5.976)	(8.279)	(9.645)	(9.804)	(8.068)	(10.855)
REVISED CAPITAL FUNDING PROFILE	**(42.842)**	**(59.268)**	**(26.206)**	**(10.096)**	**(38.664)**	**(29.414)**	**(51.732)**	**(51.058)**	**(50.185)**	**(33.398)**	**(10.253)**	**(8.410)**	**(11.382)**

Cabinet 15 November 2017

Appendix 4: HRA Risks Sensitivity Analysis

SENSITIVITY / RISK	JV COMP YEAR	TEST	REV IMPACT END YEAR £ MILLION	BORROWING END YEAR £ MILLION	HRA RESERVE END YEAR £ MILLION	MRR END YEAR £ MILLION	HEADROOM END YEAR £ MILLION	TOTAL RESOURCES END YEAR £ MILLION	MIN RESOURCES YEAR	MIN RESOURCES £ MILLION
BASE (12 ESTATES & BRIDGE CLOSE)	29/30 (YR 13)	N/A	0.000	(174.669)	(87.079)	(42.245)	(34.334)	(163.658)	25/26 (YR 9)	44.388
FINANCING:										
HRA BORROWING (REFINANCING)	29/30 (YR 13)	+ 1%	1.544	(174.669)	(85.535)	(42.245)	(34.334)	(162.114)	25/26 (YR 9)	(43.984)
JV BORROWING (THIRD PARTY)	29/30 (YR 13)	+ 1%	3.794	(174.669)	(83.285)	(42.245)	(34.334)	(159.864)	25/26 (YR 9)	(41.173)
INFLATION:										
INFLATION - HPI / BCIS (JV)	29/30 (YR 13)	+ 1%	(2.301)	(174.669)	(89.380)	(42.184)	(34.334)	(165.898)	25/26 (YR 9)	(44.461)
INFLATION - HRA	29/30 (YR 13)	+ 1%	(5.438)	(174.669)	(92.517)	(40.553)	(34.334)	(167.404)	25/26 (YR 9)	(43.763)
CAPITAL										
FIRE WORKS	29/30 (YR 13)	+ £1M PA	9.089	(176.050)	(77.990)	(38.514)	(32.953)	(149.457)	25/26 (YR 9)	(35.453)
HIGH VALUE VOIDS	29/30 (YR 13)	+ £1M PA	9.089	(176.050)	(77.990)	(38.514)	(32.953)	(149.457)	25/26 (YR 9)	(35.453)
JV PROFITS										
RECOGNITION	29/30 (YR 13)	CASH	(15.636)	(193.320)	(102.715)	(42.245)	(15.683)	(160.643)	25/26 (YR 9)	(18.282)
JV - SALES REVENUES (Private Sales)										
ROMFORD AREA	29/30 (YR 13)	£480 PSF	11.061	(186.515)	(76.018)	(35.262)	(22.488)	(133.768)	2025/26 (YR 9)	(25.043)
ROMFORD AREA	29/30 (YR 13)	£460 PSF	12.768	(193.605)	(74.311)	(32.118)	(15.398)	(121.827)	2025/26 (YR 9)	(17.955)
JV - SALES DELAY										
BY 1 YEAR	30/31 (YR 14)	+ 1 YEAR	10.453	(181.559)	(76.626)	(46.034)	(27.444)	(150.104)	26/27 (YR 10)	(30.019)
[programme completes by 2030/31]										
JV - SHARED OWNERSHIP										
CASH PAYMENT	29/30 (YR 13)	+ £42.1 M	(3.568)	(174.669)	(90.647)	(44.283)	(34.334)	(169.264)	25/26 (YR 9)	(40.160)