Havering
LONDON BOROUGH

CABINET

7th February 2024

Subject Heading:	**HRA Business Plan update, Budget 2024/25 & Capital Programme 2024/25–2028/29.**
Cabinet Member	Councillor Paul McGeary Lead Member for Housing.
ELT Lead:	Neil Stubbings Strategic Director of Place.
Report Author and contact details:	Patrick Odling-Smee Director of Living Well Patrick.Odling-Smee@havering.gov.uk Paul Walker Interim Director of Housing and Property Paul.Walker@havering.gov.uk Ian Saxby Interim Assistant of Housing, Property & Assets Ian.Saxby@havering.gov.uk Katri Wilson Assistant Director of Housing Operations Katri.Wilson@havering.gov.uk John Price Finance Business Partner J.price@havering.gov.uk Makeda Mahoney Senior Financial Accountant Makeda.mahoney@havering.gov.uk Martin Fahy Financial Analyst martin.fahy@havering.gov.uk
Policy context:	This report presents the HRA Budget recommendations for agreement by Cabinet and recommendations on to Council for consideration and approval.
Financial summary:	The Council is required to set an annual HRA Revenue Budget for 2024/25. This report

	includes recommendations to agree the HRA revenue spend budget, the rents and other charges, the HRA Major Works Capital Programme, detailed in Appendix 1a and the Business Plan projections as outlined in Appendix 2a and 2b.
Is this a Key Decision?	**Yes**
Is this a Strategic Decision?	**Yes**
When should this matter be reviewed?	September 2024.
Reviewing OSC	Places.

SUMMARY

This report sets a budget for the Council's Housing Revenue Account (HRA) and HRA Major Works and Capital Programme. Cabinet approved the Housing Asset Management Plan 2021-2051 in October 2021 and the budgets and projections of expenditure required to maintain the stock to a good standard have been used in the preparation of the capital programme in this report. A summary is provided of the HRA Business Plan 2023-2052.

The HRA is a ring-fenced account that is used to manage and maintain the Council's own housing stock. The Council is legally required to not set a deficit budget. The proposed budget will enable the Council to manage and maintain the housing stock to a good standard and provide funding for a significant acquisition, new build and estate regeneration programme. It further sets rents, service charges and other charges for Council tenants and leaseholders for the year 2024/25.

As part of the new regulatory framework for local government housing services, councils are now subject to the Regulator of Social Housing's (RSH) Rent Standard. This has introduced the CPI + 1% increase arrangement, based on the published rate for September 2023 making an increase for 2024/25 of 7.7%.

In order to change any HRA rent liability, the local authority must notify tenants and give 28 days' notice of any change after the authority has made a properly constituted decision of that change. This means that, following a Cabinet decision on rent levels to be charged in any year, the local authority must write to all tenants to advise them of the new rent liability for the following 12 months.

Should the Cabinet adopt the recommendations, a notification will be sent to tenants in the first week of March 2024**,** to make the new charge effective from the first week of April 2024.

Cabinet 8th February 2024

RECOMMENDATIONS

That Cabinet:

1. Approve the Housing Revenue Account Budget as detailed in paragraph 3.45.

2. Agree that the rents chargeable for tenants in general needs Council properties owned by the London Borough of Havering be increased by 7.7% from the week commencing 1st April 2024.

3. Agree that the rents chargeable for tenants in supported housing Council properties, such as sheltered housing and hostels, owned by the London Borough of Havering, are increased by 7.7% from the week commencing 1st April 2024.

4. Agree the four rent-free weeks for 2024/25 are: the week commencing of 26th August 2024; 16th December 2024; 23rd December 2024 and the 31st March 2025.

5. Agree that service charges and heating and hot water charges for 2024/25 are as detailed in section 2.20 of this report.

6. Agree that charges for garages should be increased by 7.7% in 2024/25 as detailed in paragraph 2.9 of this report.

7. Agree that the service charge for the provision of intensive housing management support in sheltered housing for 2024/25 shall be as detailed in paragraph 20.25 of this report.

8. Agree the Supported Housing Charge for HRA Hostels as detailed in paragraph 2.31 of this report.

9. Agree that the rent charge to shared ownership leaseholders is increased by 8.9% as detailed in paragraph 2.7 of this report.

10. Agree that the Care-line and Telecare support charge should be increased by 7.7% for 2024/25 as detailed in paragraph 2.28 of this report.

11. Approve the HRA Major Works Capital Programme, detailed in Appendix 1a of this report and refer it to full Council for final ratification.

12. Approve the HRA Capital expenditure and financing for the 12 Estates Joint Venture and other acquisition and regeneration opportunities detailed in section 4.4 – 4.12 and Appendix 1b of this report and refer it to Full Council for final ratification.

13. Approve the acquisition of 47 affordable homes by the HRA on the Quarles Campus site from Mercury Land Holdings, as detailed in paragraph 4.10 of this report, and delegate approval of the contract terms and completion to the Strategic Director of Place, acting in consultation with the Strategic Director of Resources Officer and the Deputy Director of Legal & Governance.

REPORT DETAIL

1. BACKGROUND

1.1 This report sets out what HRA income the Council has available to spend on housing, the current HRA financial position and the proposed spending plans for 2024/25.

1.2 The regulation of social housing has changed significantly with the implementation of the Social Housing (Regulation) Act 2023, particularly with the new Consumer Standard being applied to local authority landlords for the first time. Local authorities will be inspected by the RSH to assess how they are meeting the new standards. The Government is also consulting on a new decent homes standard, and the outcome of that consultation will impact on the investment required for the stock in future years. The Government has also implemented a new rent standard for all social housing and issued guidance to local authorities on the implementation of this standard.

1.3 The Council recognises that there is a need for good quality affordable homes, especially for vulnerable residents such as the elderly, those on low income and first-time buyers, and has set out its ambition to meet these needs by using resources generated through the Housing Revenue Account Business Plan. The formula for setting social rent should enable registered providers, including councils, to set rents at a level that allows them to meet their obligations to their tenants, maintain their stock, to at least Decent Homes Standard, and continue to function as financially viable organisations.

1.4 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 are under the complete control of the Council, whilst some are affected by market conditions, government policy and legislation.

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

- Rent policy regarding supported housing rents.
- Service charge recovery.

1.6 The elements which affect the levels of expenditure in the HRA BP include:

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

1.7 The Building Safety Act 2022 impacts on the HRA are:

- Building Safety and maintaining homes:
  - A strengthened role of the existing Regulator of Social Housing (RSH) in consumer regulation and safety with links to the new Building Safety Regulator.

- Social landlords must identify a nominated person responsible for Health & Safety
- Requirement to register high rise blocks and have data relating to the construction and maintenance of buildings.

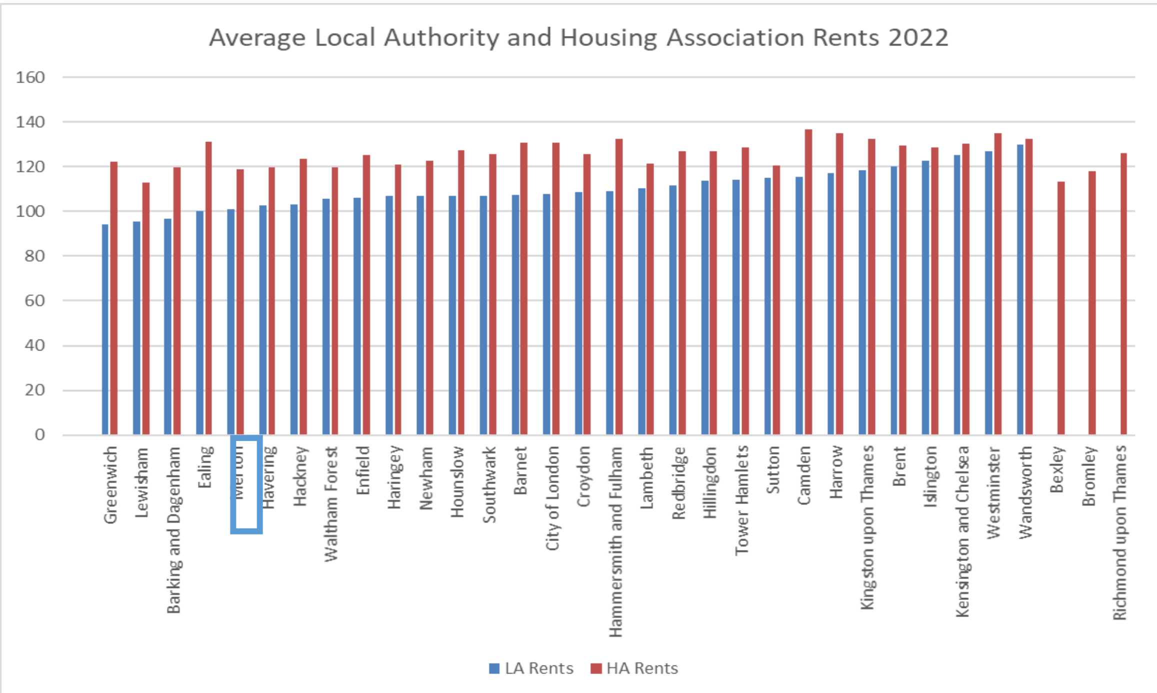
1.8 A separate report was presented to Cabinet in January 2022 setting out in detail the implications of the Act and the actions that the Council, as a landlord, was required to take to prepare for its implementation.

2. INCOME

2.1 Rents

2.2 Since 2020/21 the RSH has followed rent setting formula of up to CPI +1%, which was intended to apply for 5 years. This provided certainty for rents in council housing up to 2025. The Council does have discretion to set a lower rent however, due to the significant strain on costs on the HRA next year it is recommended to implement the maximum increase allowed. The analysis of the Business Plan in Section 7 demonstrates that given the inflationary impact on building and maintenance costs, and the likely salaries increases, the proposed rent increase keeps the HRA in balance within the performance measures.

2.3 Following the implementation of Universal Credit a new social housing rents cap at LHA levels was introduced in 2019/20 to replace "limit rents". In Havering, given the historically low level of council rents, the LHA levels for each bedroom size are above the proposed levels of the 2023/24 social rents and so there is no impact on the HRA BP. Future announcements on LHA levels may have a future impact and this will be kept under review and reported annually as part of the rent setting report. The table below shows the Havering rent levels compared to other London boroughs and the housing association rents in 2022 (the latest year for which data is available).



2.4 The Table shows that Havering Council rents are some of the lowest in London compared to other councils as well as being significantly lower than housing associations rents.

2.5 The 2024/25 average weekly rent, applying the 7.7% increase to all General Needs properties and Sheltered Housing units is £132.24. Individually, the average weekly rent for the general needs properties is £133.45 and £113.72 for the sheltered housing.

2.6 The rent charged to hostel residents will be increased in line with new general needs rents for 2024/5 – 7.7%.

2.7 Shared ownership leaseholders pay rent for the proportion of the equity of the property that they do not own. The lease stipulates that the increase is in line with the retail price index plus 0.5% (RPI). Changes to the shared ownership lease introduced by the government, to limit the increase to CPI, will affect new leases only.

2.8 **Garages**

2.9 It is proposed to increase the level of charges for garages in 2024/25 by 7.7%. There are a range of charges for garages within the high, medium and low demand bands. Over one third of our garages have low rates of occupancy. This is due to a combination of poor condition and low marketability. Continued investment will be needed to bring the buildings and sites up to a good standard that will enable better utilisation of these assets and increase revenue whilst at the same time improving the amenities for residents. The increased charges will enable revenue to be raised to carry out a number of much needed improvements and support a review of the garages and parking arrangements. This issue is one of our tenants' key priorities. The increase means that the average charge for a high-demand garage will be £18.68 per week (£17.35 in 2023/24), £17.40 per week (£16.16 in 2023/24), for a medium demand garage and £13.54 per week (£12.57 in 2023/24) for a low-demand garage.

2.10 Service charges

Service Charges	2023/24 Weekly charge (£)	2024/25 Weekly charge (£)
Caretaking	4.83	4.62
Internal Block Cleaning	5.15	4.90
Bulk Refuse Collection	0.87	0.90
Door Entry	0.41	0.39
Grounds Maintenance	5.30	5.72
TV access	2.30	2.18

2.11 **Caretaking, Internal Block Cleaning & Bulk Refuse Collection**

2.12 There is an overall reduction in the cost-of-service charges payable for the provision of this service, resulting from the increase in the number of properties in our portfolio due to buy backs and the development of new estates under the regeneration programme. The weekly decrease in the costs of this service is £0.44.

2.13 Enforcement Services & Static CCTV

2.14 Following a review of the CCTV and enforcement services charges and consultation with tenants and leaseholders, it is recommended that these costs continue to be met from the rent pool rather than being recovered as service charges.

2.15 Tenants and leaseholders will benefit from not paying the CCTV and enforcement charges, which were £3.14.

2.16 Grounds Maintenance

2.17 This is recommended to increase by 8% to cover increased cost of staffing, contract inflation and the cost of tree maintenance.

2.18 Communal Electricity

2.19 Charges from April 2024 will be made based on the consumption at individual blocks in the previous calendar year. The price charged per kWh will be capped at the price cap set by OFGEM. The communal electricity charge is full recoverable through Housing Benefit and Universal Credit.

2.20 **Heating & Hot Water Charges**

2.21 LBH is part of a consortium of 25 local authorities which enables the Council to continue to deliver considerable efficiencies and cost savings for our residents in the current volatile market conditions.

2.22 Charges for heating and hot water will be made based on the consumption at individual blocks and schemes in the previous calendar year. From April 2024, prices per kWh will be capped at the domestic price cap set by OFGEM.

2.23 **Sheltered Intensive Housing Management Charge**

2.24 Charges for cleaning sheltered schemes reflect the actual costs of providing the cleaning service at each scheme. The average charge of £11.89 per week, for 2023/24, will change to between £9.67 and £13.74, depending in which scheme the tenant is resident.

2.25 The costs of providing a consistent level of intensive housing management (IHMS) across all schemes will reduce from £23.17 in 2023/24 to £21.00. This represents a 9% reduction in the cost-of-service charges payable for this service in 2024/25.

2.26 The charge for cleaning and IHMS is fully recoverable through Housing Benefit and Universal Credit.

2.27 Service charges – Careline and Telecare support

2.28 It is proposed that the Careline and Telecare service charges will be increased by 7.7%, for 2024/25 as detailed below:

Service	2023/24 Weekly charge (52 Wks) (£)	2024/25 Weekly charge (53 Wks) (£)
Careline – sheltered tenants	5.66	6.09
Careline – community users	6.05	6.51

Service	2023/24 Weekly charge (52 Wks) (£)	2024/25 Weekly charge (53 Wks) (£)
Telecare – base unit plus two sensors	8.78	9.45
Additional Telecare sensor	1.45	1.56

2.29 Hostels in the HRA

2.30 Abercrombie House closed in April 2023 and a temporary hostel provision opened in Maygreen pending the redevelopment of the Harold Hill site. Due to the current cost of living crisis and the impact it has had on homelessness however, an additional interim provision had to be put in place at Royal Jubilee Court to meet the increasing homeless demand, which includes families.

2.31 The service provides security and facilities across three sites with 24-hour coverage. The service charges are fully recoverable through Housing Benefit and Universal Credit.

Additional Hostel Support

Service	2023/24 Weekly charge (£)	2024/25 Weekly Charge (53 Wks Full Recovery)
Hostels - Additional Staffing Support (ASS)	38.91	42.79
Hostels – Service Charges (HSC)	75.96	77.87

3. THE HRA BUDGET 2024/25

3.1 The major expenditure from the HRA Business Plan 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). During 2020/21, the council carried out a new stock condition survey, and this has been supplemented through in-house systematic stock condition surveys, the results of which have informed investment decisions in the new Asset Management Strategy.

3.2 As detailed in the AMS, this level of expenditure allows decent homes levels to be maintained and health and safety requirements to be met. In order to meet the decent homes target, planned expenditure on new kitchens, bathrooms and electrical systems broadly remain at previous levels.

3.3 The level of expenditure also begins to address the zero-carbon journey, bring the worst performing stock up to EPC C and maximising available grant where available.

3.4 As the main source of income to the HRA BP is from rents, it is important that the number of rental properties is maximised. The current HRA BP expects to lose 50 properties per year through RTB and other stock due to regeneration. This reduces rental income by around £0.160m per year, assuming a full year loss of income per property. Rent loss will also be incurred from the loss of properties through the regeneration programme. These losses have been factored into the business plan income projections.

3.5 Proposed HRA Budget 2023/24.

	2023-24 Final Budget	2024-25 Final Budget	Variance
Income and Expenditure		£	£
Income			
Dwelling rents	(52,814,450)	(57,797,270)	(4,982,820)
Garages	(395,470)	(362,300)	33,170
Charges for services and facilities - Tenants	(7,023,610)	(7,990,910)	(967,300)
Charges for services and facilities - Leaseholders	(3,196,650)	(3,442,790)	(246,140)
Shared ownership	(485,380)	(485,380)	0
Other	(745,960)	(780,440)	(34,480)
Total Income	**(64,661,520)**	**(70,859,090)**	**(6,197,570)**
Expenditure			
Repairs and maintenance	14,550,740	14,527,050	(23,690)
Supervision and management plus recharges	27,232,170	28,549,230	1,317,060
Depreciation and impairment	16,590,400	16,590,400	0
Debt management costs	47,820	47,820	0
Bad debt	665,080	665,080	0
Total Expenditure	**59,086,210**	**60,379,580**	**1,293,370**
Net cost of HRA services	**(5,575,310)**	**(10,479,510)**	**(4,904,200)**
Interest payable and similar charges	12,164,130	15,853,190	3,689,060
Interest and investment income	(35,640)	(35,640)	0
Surplus or deficit for the year on HRA services	**6,553,180**	**5,338,040**	**(1,215,140)**
Statement on movement of HRA balances			
Surplus or deficit for the year on HRA services	**6,553,180**	**5,338,040**	**(1,215,140)**
Capital expenditure funded by the HRA	500,000	0	(500,000)
Reversal of impairment charge	(6,128,160)	(6,128,160)	0
Net (income)/Expenditure	**925,020**	**(790,120)**	**(1,715,140)**

3.6 Depreciation & Impairment

3.7 Depreciation is the decline in the value of assets over time due to wear and tear. The Housing Revenue Account receives an annual charge, but an adjustment is also made for the same amount to the Major Repairs Reserve. This can be used to fund capital expenditure, or to pay off debt.

3.8 Impairments are reductions/increases in the book value of capital assets, compared with their market value. In accounting for these annual entries, the Housing Revenue Account is allowed to reverse these amounts out to the Capital Adjustment Account, removing the impact on the HRA. The impairment is only realised if the asset is sold.

4. Capital programme

4.1 There have been significant changes to the regeneration programme, in response to the current challenging economic situation, some of which include the following:

- Inflationary pressures, driven by the factors below have led to a rise in costs across the economy impacting on developers where costs have risen and households, which have experienced a rise in the cost of living, reducing disposable incomes. There are two main drivers behind the rise in prices.
- The recovery from the COVID-19 lockdowns, which led to a sharp rise in consumer and business demand, which created severe supply side pressures.
- The ongoing war in Ukraine, which has had a significant impact on the supply chain and energy markets.
- The Bank of England have, in response to the inflationary pressures in the economy, raised the base rate several times, driving up the cost of borrowing for households and businesses.
- Regulations, the introduction of the new building safety regime alongside the mandating of a second stair for new residential buildings 18 metres and above.

4.2 In general, the impact of both rising interest rates and costs, have extended the payback of the various schemes, to the Council HRA, resulting in higher level of borrowing over the long-term 30-year forecasts.

4.3 12 Sites Joint Venture Funding (Including Farnham & Hilldene)

4.4 The remaining provisions for expenditure below relate to the 12 sites joint venture proposals. An update report on the Havering and Wates Regeneration Joint Venture (HWR JVLLP) Business Plan and Budget 2024/25, is to be presented at March Cabinet

4.5 The proposal is to retain the current capital approval, meaning any modifications to the programme would need to be managed within the existing funding limits. An initial evaluation of the programme, considering possible significant changes, suggests that a gross capital requirement of £623 million is necessary to deliver 1,204 units of affordable housing. The HRA borrowing for the scheme is expected to reach its highest at £355 million. Upon the completion of the scheme, the borrowing is projected to decrease to £325 million, which amounts to £352 million when including interest.

4.6 The following summarises the potential key changes that have been included in the latest refresh of the HWR JVLLP Business Plan and Opportunity Site Assessments:

- Farnham & Hilldene: Phase 1 and full Masterplan for redevelopment of Farnham Hilldene estate.
- Chippenham Road: Incorporate output from the design and pre-planning work.
- Waterloo & Queen Street: Review of Phase 1 and subsequent phases linked to ongoing development of building safety regulations.
- Waterloo & Queen Street: Modular Temporary Housing scheme.
- Park Rise: Review of prospective purchase offer and amended acquisition budget.
- Review of risks and project contingency.

4.7 Bridge Close – Council Direct Delivery

4.8 Cabinet approved the provision of a gross HRA capital budget of £451 million to progress the scheme, to fund site assembly and construction activities.

- HRA Borrowing for the scheme is set to peak at £254 million. At scheme completion, scheme borrowing is projected to fall to £105 million (£153 million including interest).

- The proposed budget incorporates the outputs from the latest refresh of the Bridge Close Business Plan, reflecting the following changes:

  - Update of costs reflecting latest estimates from external advisors.
  - Review of site assembly commitments.
  - Re-profiling of cash flows to optimise Council borrowing exposure.

4.9 Quarles

4.10 £13m has been included for the acquisition of 47 units of affordable housing on the Quarles development & St Georges developments. The scheme currently under construction is led by Mercury Land Holdings/Bellway Homes Joint Venture and is included in its current Business Plan. The gross budget will be funded by a combination of initial disposal receipts, RTB receipts, GLA grant, and HRA borrowing.

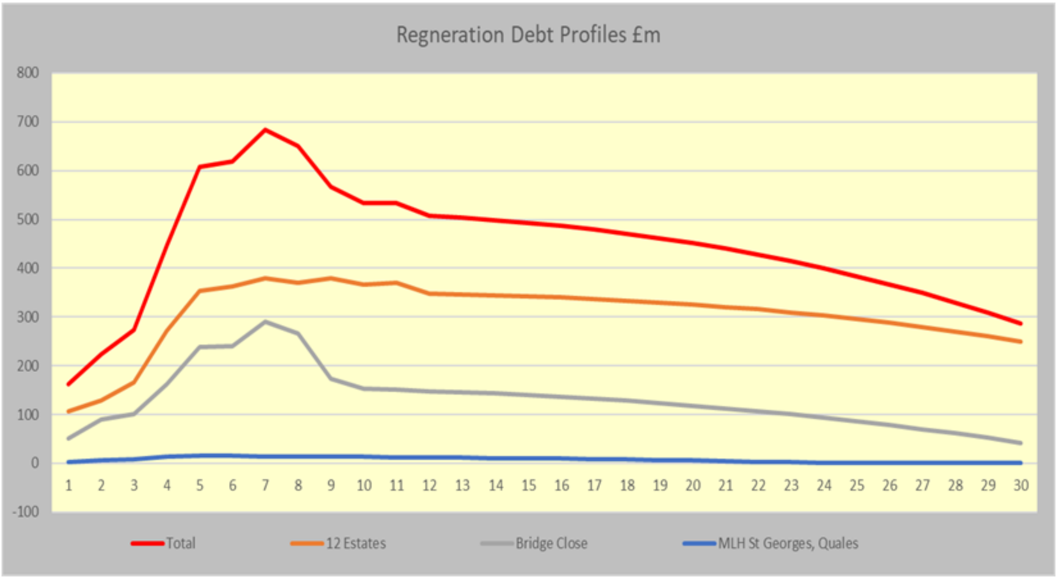
4.11 Regeneration Programme

4.12 The table below sets out the peak borrowing requirement along the number of homes for the regeneration programme.

Scheme Name	Years of deliver	No. of units	Total HRA (peak) borrowing requirements
12 Estates (including Farnham Hilldene)	2022-2031	1,204	£355m

Family Welcome Centre	2023-2025	74	£17m
Bridge Close	2023-2032	487	£254m
St Georges Hospital & Quarles	2020- 2025	83	£17m

4.13 The graph below shows the financial impact of the various regeneration schemes to the HRA in isolation, incorporating the latest assumptions on borrowing rates and inflation. This includes the updated 12 estates programme covering work packages 1&2 with Oldchurch Gardens, Maygreen Crescent, Dell Court, Delderfield, Brunswick Court paused.



4.14 In overall terms it is contributing to the wider HRA business plan with overhanging debt balances continuing to reduce over the life of the HRA Business plan but would require significant capital investment in the early years to deliver the long-term benefits to the HRA.

5.0 Major Works Budget – HRA 2023/4 – 2028/9 major works resources and proposed spend.

5.1 Appendix 1a sets out proposed the investment needs for the stock over the next 5 years as agreed by Cabinet in the Housing Asset Management Strategy in October 2021. In principle, the investment in existing stock should be funded through revenue contributions to capital rather than borrowing as the investment maintains the value of the asset rather than creating an asset**.**

5.2 This 30-year plan has been updated to reflect the Housing Asset Management strategy which will include our continued approach to Decent Homes, our continued programme of asset improvement across our estates, the continued focus on building safety and compliance programmes plus our commitment to decarbonising our housing by 2040.

5.3 The Table shows spend broken down by some core themes including our statutory requirements in maintaining the current Decent Homes standard for both internal elements (kitchens, bathrooms, heating etc.) and external elements (roofs, wall finishes, and windows and doors), this level of spend will maintain our near 100 decent home compliance position.

5.4 We have also included some newly arising projects, including replacing soil stacks in blocks and works to the blocks above the shop units at Petersfield Avenue as our increased asset intelligence have identified these as works which will have a significant benefit to residents, whilst reducing responsive repairs and maintenance works.

5.5 We have included monies for the continued refurbishment of our garage sites, which will help address void issues and bring sites back into use. These monies will be used to improve access, refurbish the hard standings and improve lighting and security where possible.

5.6 We acknowledge that our housing stock does not always match the demand profile of our residents, especially in regard to larger family properties. As part of the Asset Management Strategy, we will develop approaches to how we can better match the need through active asset management and have therefore included some funding to undertake extensions, infills, rooftop development or loft conversions where feasible. We are working up a full scheme to add additional rooftop properties on the Ongar Way estate, whilst refurbishing the blocks, maximising opportunities and grant available to deliver additional units which are delayed through the regeneration programme.

5.7 Also included, are the ongoing projects such as the environmental works and a number of replacement lifts across the estate, including the addition of a number of lifts to sheltered properties, both improving accessibility for residents and improving desirability to support lettings.

5.8 Budgets have been included for the provision of additional cyclical programmes of work, including gutter and drain clearance. These programmes will allow us to proactively manage our stock and move from a predominantly responsive service to a more planned approach, which will improve the service for our customers, and provide better long-term value for money. The cyclical decorating procurement has had to be restarted but we have planned to catch up with the programme once contractors have been appointed.

5.9 The addition of pro-active cyclical programmes will also ensure we minimise legal disrepair claims, however we have seen an increasing trend across the sector of claims and are working to manage these effectively.

5.10 The Regulator for Social Housing, in its consultation on the new Consumer standards, said that;

‘Registered providers must have an accurate record at an individual property level of the condition of their stock, based on a physical assessment of all homes, and keep this up to date’.

5.11 Accordingly, we have developed an in-house stock surveying team of six staff to undertake a full programme on a 5-year cycle and an Asset management team to collate and evaluate the data which flows from the surveys and drives programmes going forward.

6.0 Repairs, Maintenance and Compliance Budgets

6.1 We have undertaken a comprehensive review of our repairs, voids, maintenance and compliance budgets to ensure they adequately reflect current and future needs. This reflects a reduction in budget requirement despite the impacts of inflation as we have been able to continue to hone our service to ensure accurate forecasting of needs.

6.2 The Social Housing (Regulation) Act 2023 is now in force and we have ensured that our budgets allow for the proactive approach to the regulation of social housing landlords on consumer issues - such as safety, transparency and tenant engagement.

6.3 Cabinet will be aware of the tragic death of Awaab Ishak. Like all landlords we have been reflecting on our approach to tackling mould in our properties and have included sufficient monies to support residents with solutions, including longer term approaches to addressing inherent, as built, issues through our zero carbon approaches.

6.4 We have included sufficient monies to continue to address our compliance regimes, both to support our current approaches and to address the new requirements flowing from the Fire Safety Act 2021, and the Building Safety Act and Regulatory Reform (Fire Safety) Order 2005, including the likely need for an annual check of all fire doors and improved building safety information.

6.5 We have also included specific budgets for other compliance areas, over and above the core six areas which will help ensure we meet all of our statutory duties as a landlord and comply with the Regulator of Social Housing consumer standards. Included is the budget required for a full asbestos survey of our domestic properties which will help us with improved risk management of homes. Additionally, monies are allocated to provide third party assurance on compliance going forward.

6.6 The new repairs, maintenance and voids contract with Mears started in April 2022. This is working well and delivering above KPI performance, and we see this in reduced complaints across the service. We have also mobilised the Mears Call Centre in May 2023, taking over the handling of calls from LBH call centre, and have seen average call waiting times reduce from over 6 minutes to 19 seconds. This has significantly improved the diagnosis of issues. The cost for this service is included in the budgets and is offset by a reduction in the internal Service Level Agreement.

6.7 We have tendered and are in the process of awarding a new 16-year heating contract to deliver heating servicing, repairs and installations. The budgets incorporate the new tendered prices and an increased specification, but the new contract has been secured at a below inflationary increase from the previous arrangements.

7.0 30-year Business Plan 2023/24 to 2053/54

7.1 Attached at Appendix 2a and 2b are extracts from the HRA 30-year Business Plan financial model. Year 1 of the business plan is based on the 2023/24 budget.

7.2 Savills have worked with officers to update the last iteration of the HRA business plan that was produced commencing in financial year 2022/23. There have, however, been significant external factors affecting the social housing sector as a whole since this last plan namely:

- Increased repair and capital costs due to high levels of inflation and shortages in the labour sector
- increased development costs in respect of the estate regeneration schemes that are currently being undertaken due to the same reasons as above
- A significant increase in interest rates, where below 2% long-term borrowing rates were achievable at the beginning of 2022 (and not expecting to increase significantly until 2025) are now currently c5%
- An increase to utility costs due to rising gas and electricity prices, which may not be fully recovered by service charges.
- The costs of increased regulation.

7.3 Given that uncertainty with regards to future interest rates, build costs and other inflation aspects Savills have not arrived at a formal baseline position on which they can recommend the business plan as viable, rather one that sets the scene as to how these factors can have an impact to the overall forecasts.

7.4 The plan for the HRA is based on keeping a minimum equivalent to 10% of annual operating income 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 £10m, are available for major works, for as long as the Asset Management Strategy requires it.

7.5 The Business Plan projections are based on the following assumptions:

- **Rents, Voids and bad debts**
  Rents, follow current guidance, with an assumed increase of 7.7% for April 2024, and re-lets to new tenancies at the property's formula rent (rather than the outgoing rent). An increase of 3.5% for April 2025 (CPI only + 1%), followed by CPI +1% for April 2026 then 2.0% (parity with CPI for prudence) thereafter. Void rates of 2% and Bad Debt provision of 1% have been modelled throughout the plan. It is likely that the current social rent policy will be revisited in light of both its conclusion in April 2024.

- **Inflation**
  - 4.0% for 2024.25
  - 2.5% for 2025.26
  - 2.0% for 2026.27 and onwards

- **Stock Numbers**
  As at 31st March 2023, the stock numbers were 9,135 tenanted properties. The level of sales is modelled at 50 per annum over the next 30 years which accounts for a stock loss of 16.4% over the plan period (excluding the regeneration schemes). Increase in stock due to regeneration and acquisitions are based on the numbers set out elsewhere in this report.

- **Interest rates**
  All new borrowing for development and refinancing of existing loans if they cannot be fully repaid within the plan has been set at:

  - 5.0% for loans drawn down in 2023.24.

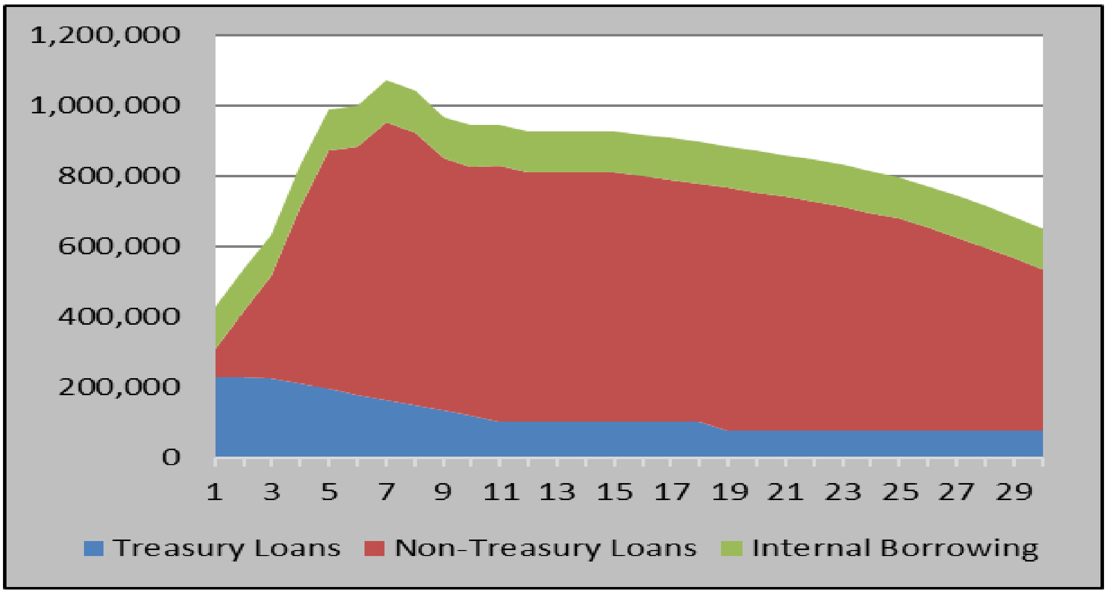
- 4.3% for loans drawn down in 2024.25 (given the extension for HRA borrowing discount of 0.4% until June 2025).
- 3.6% for loans drawn down in 2025.26.
- 3.5% for loans drawn down in 2026.27 and thereafter.

If existing loans cannot be repaid then they are refinanced at the above rates and the model is set to demonstrate repayment of loans where surpluses allow.

7.6 The HRA Business Plan forecasts borrowing to peak at £1.072bn in year seven (2029.30). The borrowing is against the following projects, some of which is funded by HRA reserves, land, and reinvestment of capital receipts:

- Waterloo & Queen Street
- Bridge Close
- Chippenham Road
- Farnham & Hilldene
- Acquisitions Programme.

HRA Debt Analysis 2024/25



7.7 As set out above, debt is expected to reach its highest point at £1.072 billion in year 7 (2029/30), compared to £823 million in year 13. In contrast to the 2022/23 forecast, however, debt is forecast to decrease more rapidly, resulting in a balance of £685 million in Year 29 (2050/51). This figure is £29 million lower than the previous projection.

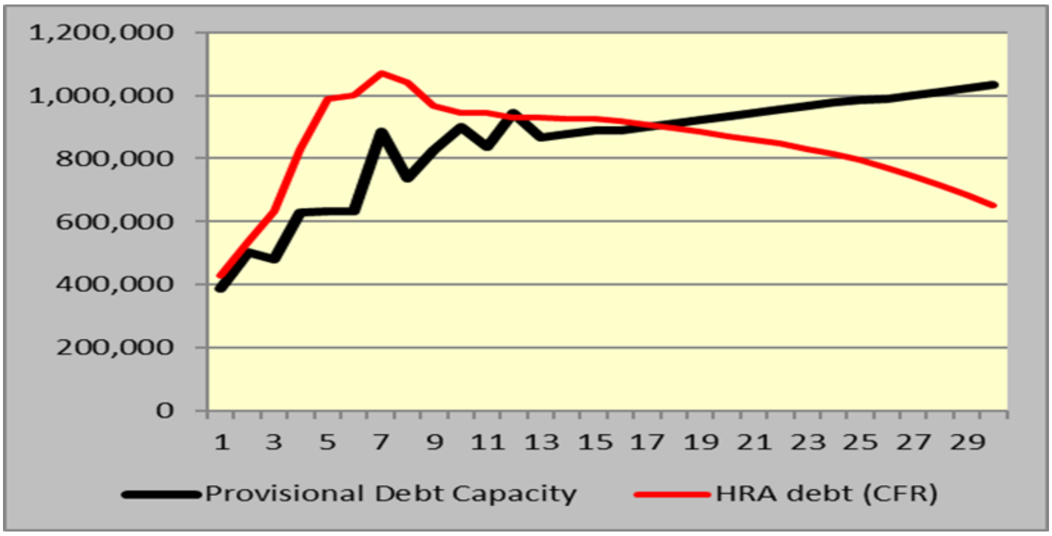
7.8 The provisional debt capacity, also known as prudential borrowing, does not adhere in all years to the established "golden rule" where the interest cover ratio should not fall below 1.25, as previously agreed upon. The most significant strain on this capacity is projected to occur in year 6 (2028/29), where the minimum level of borrowing headroom reaches a deficit of **minus £367 million**.

7.9 The Interest Cover Ratio (ICR) is calculated as the operating surplus divided by interest costs, and it indicates the Housing Revenue Account's (HRA) ability to cover its interest cost liabilities in any given year. Setting the ICR to a minimum ensures that there is adequate buffer to continue covering debt interest, even if there is a sudden decrease in income or an increase in operating costs. In the 2021/22 period, the average ICR for the housing association sector was around 1.8. The typical lending covenants for housing associations range between 1.10 and 1.50, depending on their size and nature, with 1.25 being a common expectation. This level of 1.25 was the one agreed upon by Cabinet in 2021.

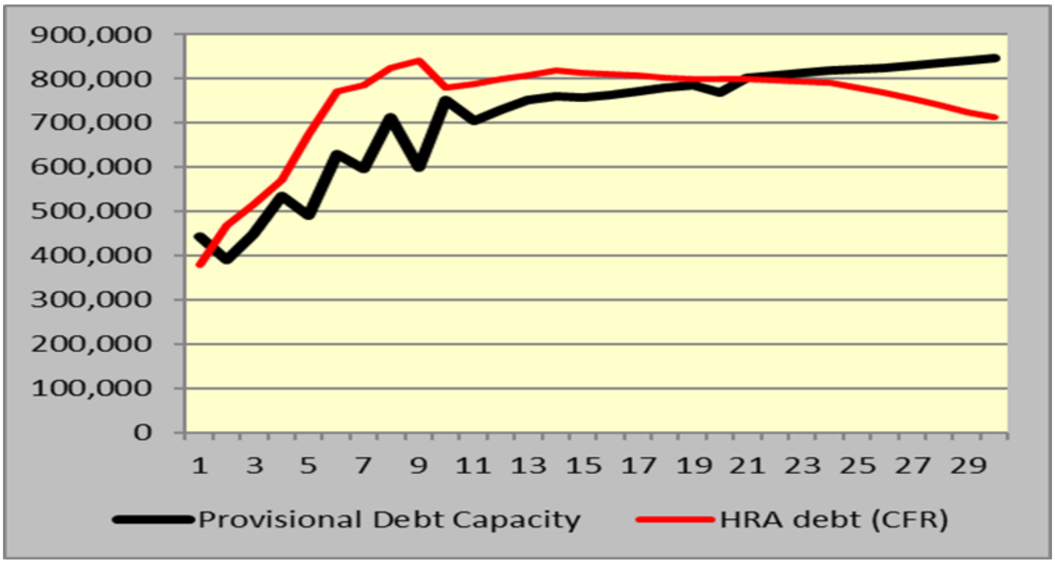
7.10 The debt gap reflects the significant capital investment required for the Council's regeneration programme. Generally, there is a 2 to 3-year gap between the start of construction and the delivery of new homes. In this period, the Council allocates capital, funded by borrowing, to support construction efforts. As a result, the Council bears financing costs prior to the completion of the new homes. The completion of these homes is anticipated to generate increased revenue (rent and charges) and enhance the Council's ability to service its debt.

7.11 In the early years of the plan, it is difficult to mitigate against a significant debt gap. As a result, it is necessary to apply an additional financial safeguard.

7.12 **HRA Debt Profile 2024/25**

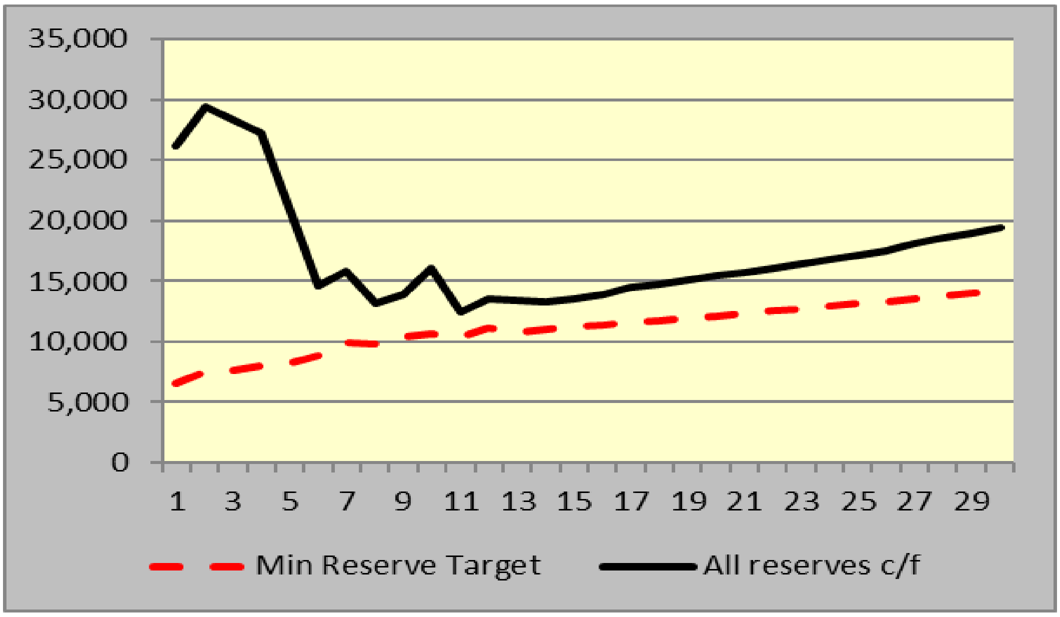


7.13 **HRA Debt Profile 2023/24**



7.14 Future borrowing would be drawn down on a fixed rate basis, with the rates effectively locked in at the point of drawdown. On that basis, the HRA exposure to variable rates risk is low as such provided schemes are progressed on sound Value for Money criteria, the key financing risk is on the sustainability of the net operating incomes derived from the existing asset base. To mitigate this risk, a target has been set to maintain a working reserve balance of at least 10% of operating income for the life of the plan.

7.15 **HRA Working Balance 2024/25**



7.16 As set out above, in all years the minimum balance exceeds the 10% target, which indicates that the Council is forecast to maintain an adequate reserve to manage revenue risks and sustain the projected borrowing profile.

7.17 The Business Plan makes provision for the repayment of some of treasury debt. It would be prudent, in future Business Plans, once projects have been completed, to make provision to reduce debt levels. This level of debt needs to be sustainable in the long term and supported through the Council's Treasury Management policy.

7.18 Furthermore, the Council can refinance some of the debt portfolio later, when rates are lower, reducing the long-term financing costs on the HRA. No assumptions about this have been made.

7.19 The plan demonstrates a broadly similar outcome to the previous iteration but highlights increased strain on borrowing and revenues, reflecting the impact of continuing economic uncertainty and regulatory changes. While the debt gap has increased, adequate reserves are forecast to be maintained to manage risk on operating income and the ability to service the associated debt. While debt is forecast to peak at a higher level, over the life of the plan the debt falls more rapidly than in the previous forecast.

7.20 In respect of the regeneration programme, the Council maintains a significant degree of control over both the timing and commitment of capital spend. Aside from Park Rise, the remaining sites are still in the pre-construction phase, with the bulk of the capital commitment linked to construction is dependent on future decisions. Any decision to proceed would be based on sound Value for Money considerations, taking account of the general economic outlook and the sustainable and long-term interest of the HRA and Council. In practice, the Council retains significant control here as it has the ability, as necessary and appropriate, to direct the shape, extent, phasing and pace of the regeneration programme.

7.21 The HRA business plan forecast has set out the modelling and shows both forecasts for reserve balances, forecast debt (HRACFR) and future potential borrowing capacity. The plan is based on a relatively sound financial basis but given the potential for greater than normal variances in respect of rent increases, inflation and interest rates this could be considered an "initial" plan. Therefore, this must be seen as a position statement rather than something on which to make firm strategic decisions.

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 and set a budget that is not in deficit.

Alternative Options Considered

There are no alternative options in so far as setting a budget is concerned. There are however 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 increases, budget growth and major works programme proposals. The rationale for the levels of investment and levels of charges are contained within the body of this report.

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 2024/25 and the revision of the figures for the 30-year Business Plan. The HRA is sufficiently robust to generate a minimum estimated annual working balance reserve of £26.2m at the end of 2023/24 and for the following 3 years.

In addition to £26.2m reserves on the HRA, there is a bad and doubtful debt provision of £4.363m.

The revised projections for the 30-year HRA Business Plan indicate several negative shifts in the fundamental assumptions. These changes are attributed to the ongoing uncertainty in the UK's economic outlook and anticipated regulatory modifications. These factors are expected to exert additional cost pressures on the capital and revenue budgets in the short to medium term.

The forecast for council borrowing rates indicates they will stay elevated for an extended period, with the anticipated long-term borrowing cost rising from 3.2% to 3.5% throughout the plan's duration. This increase is particularly noteworthy considering the extensive scale of the Council's Regeneration program. During the construction phase, this situation becomes especially pertinent, as the Council will need to commit substantial capital and bear the related financing expenses until the new homes are finished and ready to be let.

The assessment of the Regeneration Programme has highlighted cost pressures, mainly due to the need to include a second staircase in buildings over 18 metres and persistent inflationary pressures within the construction industry. As a result, additional expenses are expected to materialise across the entire programme, without an automatic corresponding increase in capital grant funding to offset these costs.

Moreover, the review underscores the necessity to align the budget with the updated timelines for programme delivery. This adjustment leads to an earlier capital requirement and, consequently, accelerates the completion of new homes. Consequently, the projected borrowing needs are higher in the initial years of the plan, coinciding with a period of relatively high borrowing rates. Although there exists a potential to refinance at projected lower rates in the future, this possibility has not been factored into the baseline forecast.

In 2023, the actual inflation rate surpassed the initial forecasts, which is now accounted for in the proposed rent increase for the year 2024/25, set at 7.70% instead of the previously forecasted 7.0%. While this additional 0.7% increase offers some financial advantage over the duration of the plan, it is not enough to fully offset the pressures stemming from the aforementioned factors.

These factors, alongside the revenue pressures, highlighted in the main report have resulted in a considerable adverse effect on the projected financial outlook, with notable implications for both the Debt Gap and Minimum Reserve estimates. In the absence of corrective measures, the expected debt gap in the early stages of the plan is projected to escalate significantly, increasing from £241 million to £434 million. Moreover, the minimum reserve level is now anticipated to decrease to 6.63%, a drop from the earlier projection of 9.65%. These two indicators underscore the heightened financial strain on the HRA during the initial years of the plan.

As such, it is necessary to implement a series of measures to bring one of both key financial metrics back within target. These include:

<u>Review of the core stock capital programme</u>
Analysis of the Core Stock Capital Programme: The core capital maintenance and replacement programmes are experiencing a structural financing deficit of approximately £31 million annually for the first 5 years, and falls to an average of £15 million over the life of the plan. This deficit arises because the capital maintenance and replacement budgets surpass the designated revenue contributions, leading to an ongoing borrowing need. While this investment is needed to maintain existing revenues, and therefore would be applied against an ever-increasing level of associated borrowing.

Following a recent review of this programme, there have been some reductions identified which total £82.7million, spread over 29 years of the plan and these have been factored into the revised baseline position.

The largest saving relates to rooftop developments and infill sites. The revised model retains funding for these up until 2028. However, beyond this point, the funding for these schemes has been removed, which will result in a £25 million saving. Although this will reduce the number of additional properties being developed through this particular route, it will be offset by the planned regeneration programme and the acquisition of street properties contained elsewhere within the overall programme.

The second largest saving relates to energy efficiency measures. The overall budget for this has been reduced from £96 million to £75 million. There are government targets to improve the energy efficiency by 2030 and beyond. In addition to this, the Council has stated its intention to become net zero carbon by 2040. This may need to be further reviewed in the longer term in order to ensure that these targets are met.

In addition to the above a 7.5% saving has been made in relation to planned Decent Homes and Environmental Improvement works. These elements are based on our 2020 stock condition data, which is currently being updated and may require further review, once this exercise has been completed.

Rent Rises

Over the past five years, rent increases have adhered to a formula of CPI (Consumer Price Index) plus 1%. Future guidance on this matter is expected from the Government, but as of now, no official announcement has been made, leaving the outcome uncertain. As a matter of prudence, the plan assumes that beyond April 2024 rent increases will be at CPI plus 1% for two years, as the sector anticipates a short-term extension and then onto CPI only.

Should the CPI + 1% rent setting formula be continued for two more years, it would yield a considerable positive impact on the financial forecasts.

Internal Financing Rates

A substantial part of the HRA (Housing Revenue Account) Capital Programme is funded through internal Council resources or assets, which are allocated to generate an investment return for the General Fund. Previously, it was assumed that the Council would provide these funds at an annual cost of 2.0%. However, due to a significant rise in the Council General Fund's borrowing costs, there is now a need to increase the cost of these internal funds from a blended average of 2.0% to 4.0% for the upcoming two years. After this period, the rate is expected to revert to a long-term average of 2.50%.

Projection – After Mitigations

The proposed mitigations are expected to positively influence the financial projections, particularly the minimum revenue balance. This minimum reserve balance over the life of the HRA BP is projected to rise from 6.63% to 11.98% of operating income, surpassing the target of 10%. Additionally, the peak Debt Gap is anticipated to decrease to £367 million and is forecasted to be eliminated by 2040/41.

The Debt Gap will remain substantial in the early stages, reflecting the significant investment in estate regeneration. As the new homes are delivered, this gap is expected to narrow. Nonetheless, during the investment phase, it will be crucial to meticulously manage the delivery of the regeneration programme and its associated risks. This careful management is essential to ensure the sustainability of the HRA position until the new homes are completed and delivered.

Other options considered

The possibility of halting all regeneration activities after fulfilling current contractual commitments was considered. In this scenario, all further regeneration efforts beyond the year 2024/25 would be paused. This would allow for the completion of Park Rise but would result in the suspension of projects on other sites, including Waterloo & Queen Street, Bridge Close, Chippenham Road, and Farnham Hildene.

Ceasing progress on these projects would jeopardise the investments already made in these estates and impose a long-term debt burden on the core stock. Additionally, halting the new regeneration programme would likely have a substantial negative impact on the General Fund, leading to increased homeless pressures and a lost opportunity to increase the Council Tax revenue base.

Under such a scenario, the income generated from the core stock would be inadequate to sustain the accumulating debt. To address this situation, it would be necessary to implement a similar range of cost-saving measures to those highlighted above to stabilise the financial situation. But debt would remain persistently high under this scenario and is not projected to fall significantly over the life of HRA BP.

TABLE – KEY MOVEMENTS

	2023.24 Plan Approved	**2024.25 Plan Initial Position**	**2024.25 Plan Mitigations Applied**
Debt Gap	£241m 2030.31	£434m 2028.29	£370m 2028.29
Ratio Revenue Reserves to Operating Income (Minimum) – Target 10%	9.65% 2031.32	6.63% 2029.30	11.39% 2034.35
Key Assumptions			
Regeneration Schemes		Review Reflecting effect of building regulations and re-profiling	Review Reflecting effect of building regulations and re-profiling
Rent Increase 2024.25	7.00%	7.70%	7.70%
Rent Increases Post 2024.25	CPI	CPI	CPI + 1% for 2 years, CPI thereafter
PWLB long term borrowing cost	3.20%	3.50%	3.50%
Internal Financing Rates	2.00%	2.5%	4.00% 2 years and 2.50% thereafter
Core Stock Capital Programme	Base Position	Base Position	Savings of £82.7 million over 29 years

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Risks

Legal implications and risks

Under Part VI of the Local Government and Housing Act 1989 ("the 1989 Act"), any local authority that owns more than 200 units of housing stock is obliged to maintain a Housing Revenue Account. The HRA is a record of revenue expenditure and income in relation to an authority's own housing stock. 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.

Under section 74 of the 1989 Act, the Council is required to keep a separate Housing Revenue Account of sums falling to be credited or debited in respect of its housing stock. Sections 75 and 76 of the 1989 Act set out the rules for establishing and maintaining that account.

By section 76 of the 1989 Act, the Council is required in January and February each year to prepare, and make available for public inspection, proposals 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 of the 1989 Act also places a duty on local housing authorities: (a) to ensure that the annual budget for their HRA avoids a deficit; (b) to review and if necessary, revise that budget from time to time and (c) if it seems that an end-of-year deficit may occur, to take all reasonably practicable steps to avoid it. The proposed HRA budget fulfils these requirements. Putting it simply, the Housing Revenue Account must be maintained in balance throughout the year and the Council is under a duty to prevent a debit balance in the HRA pursuant to Section 76 of the Act 1989.

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 that 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 obligations under Sections 9A and 11 of the Landlord and Tenant Act 1985.

The Regulator of Social Housing may under section 194(2A) of the Housing and Regeneration Act 2008 set standards for registered providers requiring them to comply with specified rules about their levels of rent (and the rules may, in particular, include provision for minimum or maximum levels of rent or levels of increase or decrease of rent). The current Rent Standard allows for a rent increase of CPI +1% and so the proposed rent increase as set out within in this paper is in line with the Rent Standard.

Once Cabinet decides on the setting of the rents in respect of the Council's housing stock, notices of variation will be served on the tenants pursuant to section 103 of the Housing Act 1985 to give them notification of the changes in rent which will come into effect from 1 April 2024.

The Equality Act 2010 requires the Council to have due regard to the public sector equality duty when carrying out its functions and have due regard to the need to eliminate discrimination and advance equality of opportunity. They must also show they have carried out an Equality Impact Assessment in reaching such decisions as introducing charges to tenants.

Human Resources implications and risks

There are no HR implications arising from this report.

Equalities, Health and Well-being implications and risks

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

(i) the need to eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the Equality Act 2010.
(ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
(iii) foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

An equalities impact assessment has been carried out and is attached as Appendix 3. Of note, central government influences rent levels and the rent increases proposed within this report will be affordable to households on welfare benefits. Furthermore, best practice and guidance dictates that service charges should be set at a level that 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.

68% of council tenants are in receipt of welfare benefits and this rises to 75% for tenants over 65 years old. The proposed rents and service charges eligible for housing benefit, or universal credit, are within the benefit caps for Havering, therefore those in most financial hardship, which can include particular minority groups, will be protected.

The investment in new homes through the HRA will benefit those in housing need in the borough and will therefore have a positive impact on households with protected characteristics. With the higher percentage of people with disabilities and disadvantages, the ongoing partnership working and future opportunities for engaging with those groups to improve overall health and wellbeing is essential.

The Council will monitor the impact of the increase across protected characteristics. We will ensure that anyone affected by the increase has equal access to advice and information in relation to income maximisation should they be unable to meet their rent/service charge liabilities. We will follow the guidelines set out in the income maximisation policy. The EqHIA will be updated in 6 months with information provided through the monitoring process and if required further activity will be undertaken to mitigate any adverse impact.

The report proposes increases in charges to tenants to ensure the continuing financial sustainability of the HRA. The HRA directly benefits the health and wellbeing of local residents. It funds the delivery of new high quality affordable housing and thereby alleviates levels of overcrowding and households living in poor housing. It also funds the maintenance of existing stock to ensure they do not fall into disrepair and expose tenants to consequent risks to health e.g. associated with damp and mould.

Rents charged in Havering are relatively low and will remain so after the proposed increases. Nonetheless, any increase is charges is likely to put additional financial stress on residents given the ongoing cost of living crisis. Vulnerable residents such as the elderly and those on low income make up the majority of tenants. Most will be shielded from the impact of the proposed increase in charges by a proportionate increase in benefits. Residents with incomes and or savings above the threshold for housing benefits are most likely to struggle. They will be signposted to available support and advice to ensure they receive any benefits available to them.

BACKGROUND PAPERS

Appendix 1a	Draft 2024/25– 2028/29 HRA Major Works
Appendix 1b	Draft 2024/25– 2028/29 HRA Regeneration and Acquisition Programme.
Appendix 2a:	Draft HRA Projections from Business Plan - Years 1-10.
Appendix 3	Equalities & Health Impact Assessment

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Appendix 1a – Draft 2024/25 – 2028/29 HRA Major Works Capital

CAPITAL	2023/2024	2024/25	2025/26	2026/27	2027/28
Decent Homes Works - Internals	£8,549,402	£9,002,435	£6,854,530	£4,511,166	£4,621,001
Decent Homes Works - External	£9,965,438	£11,866,261	£15,384,749	£6,728,791	£6,825,655
Environment Improvement Works	£6,211,936	£6,252,584	£3,011,052	£3,019,884	£3,080,481
Energy Saving works	£6,000,280	£6,000,000	£7,000,000	£8,000,000	£8,000,000
Garages and garage site Work	£384,142	£400,000	£662,000	£681,860	£702,316
Residents Safety Related Works	£3,750,000	£3,693,350	£3,660,680	£1,165,500	£1,170,465
Stock alignment	£1,150,000	£2,259,000	£9,159,000	£159,000	£159,000
Professional Support Services	£490,000	£440,000	£453,200	£466,796	£480,800
Unidentified Asset Works	£200,000	£212,000	£218,360	£224,911	£231,658
TOTAL	**£36,701,198**	**£40,125,630**	**£46,403,571**	**£24,957,908**	**£25,271,376**

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Appendix 1b - 2024/25– 2028/29 HRA Regeneration and Acquisition Programme.

12 Estates	2024/25	2025/26	2026/27	2027/28	2028/29
Affordable Housing	1,651,000	11,847,000	20,967,000	19,356,000	5,705,000
Forward Funding	34,260,000	48,814,000	76,669,000	60,191,000	7,549,000
Partner Loans	2,500,000	2,500,000	5,588,000	14,236,000	10,110,000
Demolition & contingency	2,886,000	2,586,000	2,586,000	2,585,000	2,586,000
Site Assembly	6,515,000	4,844,000	4,025,000	5,050,000	3,050,000
12 Estates Total Budget	**47,812,000**	**70,591,000**	**109,835,000**	**101,418,000**	**28,999,000**

Bridge Close	2024/25	2025/26	2026/27	2027/28	2028/29
Forward Funding	0	9,860,000	59,802,000	89,219,000	49,378,000
Partner Loans	36,286,000	5,239,000	0	0	0
Bridge Close Total Budget	**36,283,000**	**15,099,000**	**59,802,000**	**89,219,000**	**49,378,000**

Other Regeneration	2024/25	2025/26	2026/27	2027/28	2028/29
HRA New Build	0	0	0	0	0
MLH Schemes	5,672,000	2,383,000	5,421,000	5,150,000	0
HRA Acquisitions	20,000,000	20,000,000	20,000,000	0	0
Welcome Centre	8,840,000	2,101,000	0	0	0
Other Regeneration Total Budget	**34,512,000**	**24,939,000**	**25,421,000**	**5,150,000**	**0**

TOTALS	**118,607,000**	**110,629,000**	**195,058,000**	**195,786,000**	**78,377,000**

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Appendix 2: Draft HRA Projections from Business Plan - Years 1-10.

	1	2	3	4	5	6	7	8	9	10
	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33
HRA 30 YEAR SUMMARY										
Dwelling rents	54,085,933	59,175,658	62,067,510	64,422,574	66,669,687	70,418,430	74,419,744	76,288,740	78,234,535	80,607,649
Non-dwelling rents	395,470	411,289	421,571	430,002	438,602	447,375	456,322	465,448	474,757	484,253
Service charge income	10,220,260	11,981,070	12,280,597	12,526,209	12,776,733	13,032,268	13,292,913	13,558,772	13,829,947	14,106,546
Other income and contributions	1,340,283	3,102,051	1,955,318	2,144,736	2,720,329	5,117,183	10,803,429	7,237,142	12,078,668	11,625,848
Total income	**66,041,946**	**74,670,069**	**76,724,997**	**79,523,521**	**82,605,352**	**89,015,255**	**98,972,408**	**97,550,102**	**104,617,908**	**106,824,296**
Repairs & maintenance	15,957,288	16,039,873	16,491,816	16,946,005	17,424,249	17,715,929	18,068,519	18,372,515	18,662,176	18,973,095
Management (incl RRT)	28,331,050	29,476,855	30,225,119	30,838,755	31,469,105	32,123,465	32,796,612	33,458,060	34,133,208	34,825,798
Bad debts	639,608	580,813	609,477	632,753	655,152	692,864	733,143	751,653	770,936	794,569
Dwelling Depreciation	9,812,100	10,204,584	10,459,699	10,668,893	10,882,270	11,099,916	11,321,914	11,548,352	11,779,319	12,014,906
Debt management	47,820	49,733	50,976	51,996	53,036	54,096	55,178	56,282	57,407	58,556
Total costs	**54,787,866**	**56,351,858**	**57,837,086**	**59,138,401**	**60,483,812**	**61,686,269**	**62,975,366**	**64,186,862**	**65,403,047**	**66,666,924**
Net income from services	**11,254,080**	**18,318,211**	**18,887,911**	**20,385,120**	**22,121,540**	**27,328,986**	**35,997,042**	**33,363,239**	**39,214,861**	**40,157,372**
Interest payable	-10,019,529	-15,853,185	-20,519,643	-22,375,310	-29,177,687	-34,622,792	-35,186,499	-37,570,899	-36,516,876	-33,731,674
Interest income	658,536	728,948	600,866	855,052	557,546	1,233,966	306,377	1,641,792	264,653	1,225,711
Net income/expenditure before appropriatior	**1,893,087**	**3,193,973**	**-1,030,866**	**-1,135,138**	**-6,498,600**	**-6,059,840**	**1,116,921**	**-2,565,868**	**2,962,638**	**7,651,409**
Set aside for debt repayment	0	0	0	0	0	0	0	0	-2,238,758	-5,579,974
Revenue contributions to capital	-500,000	0	0	0	0	0	0	0	0	0
Net HRA Surplus/Deficit	**1,393,087**	**3,193,973**	**-1,030,866**	**-1,135,138**	**-6,498,600**	**-6,059,840**	**1,116,921**	**-2,565,868**	**723,880**	**2,071,435**
HRA Balance brought forward	**24,819,000**	**26,212,087**	**29,406,060**	**28,375,195**	**27,240,056**	**20,741,456**	**14,681,616**	**15,798,537**	**13,232,669**	**13,956,549**
HRA surplus/(deficit)	1,393,087	3,193,973	-1,030,866	-1,135,138	-6,498,600	-6,059,840	1,116,921	-2,565,868	723,880	2,071,435
HRA Balance carried forward	**26,212,087**	**29,406,060**	**28,375,195**	**27,240,056**	**20,741,456**	**14,681,616**	**15,798,537**	**13,232,669**	**13,956,549**	**16,027,984**

Appendix 2b: Draft HRA Capital Investment Requirement Projection from Business Plan

Year		1	2	3	4	5	6	7	8	9	10
Financial Year		2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33
HRA CAPITAL PROGRAMME											
Stock capital investment	780,972,825	38,981,382	42,477,113	50,472,262	29,355,492	29,554,618	26,829,702	27,264,471	27,575,686	28,021,261	28,473,629
Other Improvements	0	0	0	0	0	0	0	0	0	0	0
Development/Acquisition	226,402,513	34,561,513	42,678,200	41,630,648	50,413,393	29,555,507	8,754,680	5,141,714	3,641,714	3,341,714	3,341,714
Demolition & Forward Funding	645,485,456	25,805,962	37,145,800	61,259,947	139,057,223	151,994,955	59,512,457	111,431,668	42,244,864	9,431,735	4,303,987
Other Regeneration	116,354,544	16,761,385	38,783,359	7,738,801	5,587,738	14,236,135	10,110,172	10,149,387	4,244,655	8,742,913	0
Capital programme	**1,769,215,338**	**116,110,242**	**161,084,471**	**161,101,657**	**224,413,847**	**225,341,215**	**105,207,010**	**153,987,241**	**77,706,918**	**49,537,624**	**36,119,330**
Scheduled Debt Repayment	**0**	0	0	0	0	0	0	0	0	0	0
Financed by...											
Major Repairs Reserve	-210,235,228	-13,675,100	-10,204,584	-10,459,699	-10,668,893	-10,882,270	-11,099,916	-11,321,914	17,298,235	60,663,835	6,717,983
RTB receipts	-38,551,714	-1,113,177	-1,124,309	-1,135,552	-1,146,907	-1,158,376	-1,184,924	-1,212,037	-1,224,157	-1,231,157	-1,235,554
1-4-1 receipts	-59,262,836	-6,596,777	-6,949,130	-6,950,597	-8,141,137	-10,505,361	-5,828,842	-8,209,914	-3,680,851	-932,859	-766,440
Other receipts, Reserves and grants	-708,237,845	-13,777,279	-32,637,438	-46,875,165	-10,484,873	-40,918,570	-75,434,867	-62,854,019	-90,100,146	-108,037,443	-40,835,319
Revenue contributions	-26,764,318	-500,000	0	0	0	0	0	0	0	0	0
HRA borrowing	-726,163,396	-80,447,909	-110,169,011	-95,680,645	-193,972,037	-161,876,637	-11,658,461	-70,389,358	0	0	0
Capital financing	**-1,769,215,338**	**-116,110,242**	**-161,084,471**	**-161,101,657**	**-224,413,847**	**-225,341,215**	**-105,207,010**	**-153,987,241**	**-77,706,918**	**-49,537,624**	**-36,119,330**
Net balance on capital programme	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Cabinet 8th February 2024

Appendix 3: Equality & Health Impact Assessment (EqHIA)

(See attached)