Havering LONDON BOROUGH

CABINET

13 February 2019

Subject Heading:	**HRA Budget for 2019/2020 and HRA Major Works Capital Programme 2019/20 – 2023/24**
Cabinet Member	**Councillor Joshua Chapman –** Lead Member for Housing
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Policy context:	This report presents the HRA Budget recommendations for agreement by Cabinet and recommendation on to Council for consideration and approval.
Financial summary:	The Council is required to set an annual HRA Revenue Budget 2019/20. This report includes recommendations to agree the HRA revenue spend budget, the rents and other charges as detailed in Appendix 1, the HRA Major Works Capital programme, detailed in Appendix 2a and the Business Plan projections as outlined in Appendix 3a and 3b.
Is this a Key Decision?	**Yes**
Is this a Strategic Decision?	**Yes**
When should this matter be reviewed?	September 2019

Cabinet February 2019

Reviewing OSC Towns and Communities

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

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

Cabinet February 2019

SUMMARY

This report sets a budget for the Council's Housing Revenue Account (HRA) and HRA Major Works Programme. An update to the HRA Business Plan is also provided.

Cabinet should note that there is an ongoing programme of transformation of Housing Services which will result in the reconfiguration of how the department is structured. It is proposed that the department will become a new directorate reporting directly to the Chief Executive of the Council, led by a newly created Director of Housing and newly appointed senior management team. The business case for the restructure of housing services is currently being developed, but it is anticipated that the new structure will be fully implemented by September 2019.

Subject to consultation, it is proposed that there will be changes to staffing and teams which will result in some savings to the HRA and Housing General Fund. At the time of writing, it is too early to quantify the exact level of savings that will be achieved.

The HRA remains a ring-fenced account that is used to manage the Council's own housing stock. The proposed budget will enable the Council to manage the stock to a reasonable standard, maintain the existing stock to the Decent Homes standard and provide funding for a significant new build and estate regeneration programme. It further sets rents, service charges and other charges for Council tenants and leaseholders for the year 2019/20.

In the HRA rent setting report for last year, it was identified that the former rent setting rules limiting increases to CPI + 1% had been changed and that Local Authorities and Housing Associations are being required to reduced general rents by 1% for the four years from 2016/17. This budget reduction was part of the Government's measures to reduce welfare benefit expenditure by £1.45bn. The Department of Housing, Communities and Local Government has issued further policy statements on rent policy which members should be aware of and note. The current policy of a 1% reduction is applicable to general needs and supported housing in the financial year of 2019/20. For the fiscal year 2020/21, a new rent policy will be in place and is outlined later in the report.

The 2018/19 1% reduction, was applied to all rent levels in general needs and supported housing. A similar reduction is to be applied for 2019/20.

Cabinet should note that 2019/20 is a leap year which means that instead of 52 weeks, 2019/20 has 53 weeks. This will deliver an additional week to the overall rent roll.

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 recommendation's, a notification must be sent out to tenants in the first week of March 2019**,** in order to make the new charge effective from the first week of April 2019.

Cabinet February 2019

RECOMMENDATIONS

That Cabinet:

1. **Approve** the Housing Revenue Account Budget as detailed in **Appendix 1**.

2. **Agree** that the average rents chargeable for tenants in general needs Council properties owned by the London Borough of Havering be decreased by 1% from the week commencing 2nd April 2019 in line with the indicative figures contained in paragraph 2.1.4 of this report.

3. **Agree** that the average rents chargeable for tenants in supported housing Council properties, such as sheltered housing and hostels, owned by the London Borough of Havering, be reduced by 1% from the week commencing 2nd April 2019 in line with the indicative figures contained in paragraph 2.1.4 of this report.

4. **Agree** the four rent-free weeks for 2019/20 as being: week commencing 19th August 2019, the two weeks commencing 16th and 23rd December 2019, and the week commencing 30th March 2020.

5. **Agree** that service charges and heating and hot water charges for 2019/20 are as detailed in paragraph 2.2.2 of this report.

6. **Agree** that the service charges for homeless households accommodated in the Council's hostels in 2019/20 are as detailed in paragraph 2.2.3 of this report.

7. **Agree** that charges for garages should be increased by 3.4% in 2019/20 as detailed in paragraph 2.3.1 of this report

8. **Agree** that the service charge for the provision of intensive housing management support in sheltered housing for 2019/20 shall be as detailed in paragraph 2.4.1 of this report.

9. **Agree** that the Careline support charge should be increased by 3.4% for 2019/20 as detailed in paragraph 2.5.1 of this report.

10. **Agree** that the Telecare support charges should be increased by 3.4% for 2019/20 as detailed in paragraph 2.5.1 of this report.

11. **Approve** the HRA Major Works Capital Programme, detailed in **Appendix 2a** of this report and **refer it to full Council** for final ratification.

12. **Approve** the HRA Capital expenditure and financing for the 12 Sites Joint Venture and Bridge Close detailed in paragraphs 3.5.1 to 3.5.17 and **Appendix 2a** of this report and **refer it to full Council** for final ratification.

13. **Approve** the £10m Estate Improvement Programme detailed in paragraph 4.4 and **Appendix 2a** of this report and **refer it to full Council** for final ratification.

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 so the Housing Revenue Account (HRA) budget now looks very different from budgets in previous years. The business plan is designed to provide long term management of the Council's housing assets. The Council 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 - as highlighted by the mandated 1% reduction in rent.

1.3 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 2019/20.

1.4 The central driving aims of the Council are 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.

1.5 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 Council's Housing Revenue Account Business Plan.

1.6 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 Government policy and legislation.

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

- 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.

1.7 The tragic events at Grenfell Tower have led to the holding of a public enquiry as to the circumstances which led to the loss of so many lives. The early discussions have centred on the potential for a detailed and comprehensive review of the current building regulations. The implication's for landlords and building owners is that fire safety must rightly be a primary consideration. It is unlikely that there will be clear recommendations from Government, at least in the short-term, regarding what measures landlords must put in place to maintain the ongoing integrity and safety of residential accommodation. What is clear however is that landlords must anticipate the need to ensure that any potential breaches in fire safety are identified, monitored and risks mitigated. This will include ensuring that all residential buildings are fully compartmentalised, and that all building components are fully compliant. Property Services must ensure that there is adequate funding within the HRA to carry out the ongoing and timely review of fire risk assessments, fire door and dry riser compliance, and the formal consideration of sprinklers including potential retrofitting where this is deemed to be necessary. In addition, adequate funding must be in place to enact any recommendations published by Government in a timely fashion. This is a key risk for the HRA BP, but as implications become clearer, this will be reported back to Cabinet.

2. INCOME

2.1 Rents

2.1.1 The previous Government required Councils to reduce rents by 1% against July 2015 levels for four years. This reduces the rental income available to the HRA over the four years of the reduction by just below £8m. This significantly reduces the income in the business plan model by £68m over 10 years. Three 1% annual reductions have been applied to tenants' rents so far. This is the final year and from 2020/21 it has been announced that the HRA will revert back to the original rent setting formula of CPI +1% for 5 years. This provides certainty for rents in council housing up to 2025.

2.1.2 The capping of new rents at LHA levels is now effective. In Havering, the LHA levels for each bedroom size is above the levels of the 2018/19 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 review and reported annually as part of the rent setting report.

2.1.3 The 2018/19 average weekly rent, including all rented units in Havering is £96.22. Applying the 1% reduction to all General Needs properties and to Sheltered Housing with effect from April 2019 gives an average decrease of £0.63 per week. Therefore the average rent for 2019/20 will be £95.59 per week. This will mean that average rents are as set out in the table below:

	Rents 2018/19 weekly (£)	Rents 2019/20 weekly (£)	Decrease (£)	Decrease (%)
Bedsit	77.11	76.27	0.84	1%
1 Bed	83.61	82.87	0.74	1%
2 Bed	93.99	93.47	0.52	1%
3 Bed	112.30	111.23	1.07	1%
4 Bed	130.35	129.14	1.21	1%
5 Bed	145.99	144.53	1.46	1%
Average Rent	**96.22**	**95.59**	**0.63**	**1%**

2.1.4 This can be further broken down to show the impact on rents within general needs housing and sheltered housing accommodation as follows:

General Needs Housing 1% reduction:

	Rents 2018/19 weekly (£)	Rents 2019/20 weekly (£)	Decrease (£)	Decrease (%)
Bedsit	75.95	75.19	0.76	1%
1 Bed	83.67	82.99	0.68	1%
2 Bed	93.99	93.47	0.52	1%
3 Bed	112.30	111.23	1.07	1%
4 Bed	130.35	129.14	1.21	1%
5 Bed	145.99	144.53	1.46	1%
Average Rent	**97.35**	**96.70**	**0.65**	**1%**

Sheltered Housing Accommodation 1% reduction:

	Rents 2018/19 weekly (£)	Rents 2019/20 weekly (£)	Decrease (£)	Decrease (%)
Bedsit	79.57	78.72	0.85	1%
1 Bed	83.41	82.44	0.97	1%
2 Bed	94.55	93.65	0.90	1%
Average Rent	**83.04**	**82.08**	**0.96**	**1%**

2.1.5 The above tables show the average rent levels. Within those averages, there are wide bands within the maximum and minimum rent levels. This is because the rent calculation takes into account the value and floor areas of the property.

2.1.6 The rent charged to hostel residents will also reduce by 1%.

2.2 Service charges

2.2.1 The aim of the Council, in respect of service charges, is to ensure that those receiving the service are paying for them, but to ensure the services they receive are value for money. Work has been done to improve the value-for-money of services, either by reviewing the staffing and costs of the service, or by the renegotiation of contracts with some service providers. There will continue to be a regular programme of reviews of services, in order to ensure that the Council remains aware of the views of tenants on the levels of services they wish to pay for.

2.2.2 The basis for calculation of service charges is to ensure full recovery of the cost of the service. This is accepted practice where landlords are able to fully justify the cost base and calculation method. In order to cap any increases and mitigate the potential financial impact on residents, a limit of 25% has been applied to the increase on each service charge line. On that basis the service charges and heating and hot water charges for 2019/20 are detailed in the following table:

Service Charges	2018/19 Weekly charge (£)	2019/20 Weekly charge (£)
Caretaking (para 2.2.4)	5.06	4.86
Internal Block Cleaning	2.44	2.85
Bulk Refuse Collection	0.52	0.60
CCTV - Mobile Service	0.70	0.76
CCTV - Static Service	1.47	1.70
Community Wardens	1.10	1.12
Door Entry	0.32	0.35
Ground Maintenance	3.98	4.38
Sheltered Cleaning	5.60	7.00
TV access	1.83	1.88
Heating (para 2.2.5)	6.44	6.39
Heating and Hot Water	9.82	9.89

2.2.3 It is proposed that service charges for hostel residents will increase to £27.58 per week (£26.68 in 2018/19). Service charges in hostels cover the maintenance of the hostel communal areas, as well as 24 hour staffing. The basis for this calculation is also to ensure full cost recovery.

2.2.4 The Caretaking Service Charge has reduced, as a result of the caretaker's time being apportioned differently, due to demand changes.

2.2.5 The Heating Service Charge has reduced slightly, due to the cost base being lower.

2.3 Garages

2.3.1 It is proposed to increase the level of charges for garages in 2019/20 by 3.4%. There are currently a range of charges for garages within the high, medium and low demand bands. However, over one third of our garages have low rates of occupancy at the present time. This is due to a combination of poor condition and low marketability. There is a significant investment programme 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 £14.94 per week (£14.45 in 2018/19), £13.92 per week (£13.46 in 2018/19) for a medium demand garage and £10.83 per week (£10.47 in 2018/19) for a low-demand garage.

2.3.2 These charges compare favourably with charges in the private market which range from £31.25 per week to £15.63 per week depending on location, size and condition.

2.4 Sheltered Intensive Housing Management Charge

2.4.1 The sheltered housing service directly engages with residents in schemes and in their homes. This was formerly funded by a Supporting People grant, which met the charges for elderly residents. The Housing Service has previously implemented a service funded through a mix of HRA funding and service charges that tenants opted for following consultation. When the new service was being designed, the funding was to be derived from an equal contribution from rent and service charges. Good practice, as adopted for general service charges, is that support costs are de-pooled from rent costs. The Council is therefore embarking on a programme to ensure this service is paid for via service charges. Over the next couple of years, several sheltered schemes will close and three will be redeveloped. In addition, the remaining sites will have improved scheme manager resources so that they can become community hubs for residents not living in the schemes to help tackle social isolation. The move to cost recovery via service charges will be linked to the modernisation of this service and will be completed over three years. The rent for sheltered housing will be reduced by 1% and the service charge for 2019/20 will increase by CPI plus 1% instead of increasing to the 25% cap level. This is pending the outcome of a further review into the actual costs of the future service in recognition of the fact that a number of schemes are due to close or change. The service charge for 2019/20 will be £8.83 per week (£8.54 in 2018/19).

2.5 Service charges – Careline and Telecare support

2.5.1 It is proposed that the Careline and Telecare service charges will be increased by 3.4% for 2019/20 as detailed below:

Service	2018/19 Weekly charge (£)	2019/20 Weekly charge (£)
Careline – sheltered tenants	4.71	4.87
Careline – community users	5.03	5.20

Service	2018/19 Weekly charge (£)	2019/20 Weekly charge (£)
Telecare – base unit plus two sensors	7.31	7.56
Additional Telecare sensor	1.21	1.25

3. THE HRA BUDGET 2019/20

3.1 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). The proposed budget continues the AMS principle for investment in existing stock of "just in time" as reported to Cabinet in October 2016 and February 2017.

3.2 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.

3.3 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 £0.205m per year, assuming a full year loss of income per property.

3.4 The table below shows the 2018/19 revised budget position, followed by the individual budget movements required to establish the 2019/20.

	(£)
Revised Expenditure Budget 2018/19	**49,059,270**
Pay award (para 3.4.1)	208,600
Reduction in direct charges for services (para 3.4.2)	(511,880)
Contract Inflation (para 3.4.3)	290,360
Increase in SERCOP Recharges (Support Charges) (para 3.4.4)	331,170
Business Rates (para 3.4.5)	28,880
Block Security (para 3.4.8)	5,390
Contract re-provisioning. (para 3.4.9)	5,400
Block Refurbishments. (para 3.4.10)	160,000
Out of Scope works. (para 3.4. 11)	70,000
Storage Facilities. (para 3.4. 12)	10,000
Specialist Equipment & Adaptations (para 3.4.13)	20,000
Door Entry Maintenance (para 3.4.14)	10,000
Technical Support (para 3.4.15)	28,000
Specialist Advice (para 3.4.16)	250,000
Pension Fund Contribution (para 3.4.17)	868,040
Interest payments on the additional borrowing (para 3.4.19)	408,790
2019/20 Original Expenditure Budget	**51,242,020**
Revised Income Budget 2018/19	**(55,158,510)**
Rent decrease	1,254,110
Increase in Service Charges	(54,640)
Increase in Right to Buy income. (para 3.4.7)	(101,650)
2019/20 Original Income Budget	**(54,060,690)**
Net Budget	**(2,818,670)**
Increase in Capital funded by revenue (para 3.4.18)	2,418,680
Net Budget after Capital Adjustment	**(399,990)**

Reasons for variation – growth and additional cost items

3.4.1 A provision has been made for a 2% pay award, at a cost of £0.209m. This is a standard level of award across Havering Council.

3.4.2 A review of the methodology for recharging the HRA for support services provided, has delivered a budget reduction of £0.512m. This is linked to 3.4.4.

3.4.3 Contract inflation has been allowed for to the sum of £0.290m.

3.4.4 Central Services recharges have increased by £0.331m. This is the result of an increase in central costs due to the methodology review referred to in 3.4.2.

3.4.5 The business rates budgets have been increased by £0.029m, to reflect the costs of those HRA properties incurring a charge.

3.4.6 Budget provision for Property Services has been reviewed in light of the current expenditure in 2018/19 and in anticipation of new demands for service delivery. For the most part, these are minor uplifts to the budget provision based on the activity in the current year.

3.4.7 Right to Buy income has been increased by £0.102m. This is a prudent projection based on the current level of sales, which have been maintained at consistent levels. Officers have reviewed the projections for 2019/20 and the fact that there have been no change to the discount levels for those seeking to purchase under Right to Buy. It is not considered that there will be a significant dip in sales and income to the HRA.

3.4.8 For voids, there has been a slight increase in the budget requirement of £0.005m which anticipates the need for adequate security provision for blocks being vacated to accommodate the regeneration programme. Security provision is needed to ensure that there is no trespass or illegal occupation of blocks pending demolition.

3.4.9 The responsive repairs contract budget has been increased by £0.005m, to ensure that there is adequate provision to support the re-procurement of the current responsive repairs and void contracts that will need to be in place by 2020.

3.4.10 Officers have made additional provision for an ongoing planned maintenance Programme to ensure that blocks are properly maintained. This includes an additional budget requirement of £0.160m for cyclical decorations to internal communal areas, which are now due for refurbishment, and to ensure that there is funding for a future rolling programme.

3.4.11 The current responsive repairs contract does not allow for works which are ‘out of scope’. Although this will be addressed in the new contract specification, an additional £0.070m is required to ensure that the current contractor is funded appropriately, to deliver on all day to day maintenance of Council housing stock to fulfil the Council obligations as a landlord.

3.4.12 An ongoing need has also been identified for adequate storage for the increased use of specialist equipment, such as electric scooters. An additional £0.010m has been included in the budget to fund this requirement, primarily at sheltered schemes throughout the borough.

3.4.13 Additional provision has also been made for the repairs and maintenance of specialist disabled equipment and adaptations, with an increase in the budget of £0.020m.

3.4.14 There is also a provision for an uplift in the door entry maintenance contract, for the service and repair of door entry systems that have been installed since the contract for door entry maintenance was let. This additional funding of £0.010m will provide the necessary increase to vary the scope of the existing contract.

3.4.15 Technical services are provided by a central team who recharge their time based on the services provided. A review has indicated that a budget increase of £0.028m is required to continue with the existing level of support, based on historic and forecasted spend.

3.4.16 A provision of £0.250m has been added for specialist advice in relation to the Regeneration projects.

3.4.17 Following a review of the methodology used for attributing contributions to the Pension Fund, an additional £0.868m is required from the HRA.

3.4.18 Capital funded by revenue, has increase from £2.6m to £5.0m, in line with the Business Plan requirements.

3.4.19 £0.409m is the anticipate interest payment for the borrowing required to fund the additional capital investment, including the Estate Improvement Programme. (see paragraph 4.4).

3.5 12 Sites Joint Venture Funding

3.5.1 The remaining provisions for expenditure below relate to the 12 sites Joint Venture proposal agreed at Cabinet on the 17th January 2018. A report on the revised Havering and Wates Regeneration Joint Venture (HWR JVLLP) Business Plan and Budget 2019/2020, is presented elsewhere on this Cabinet agenda. One of the recommendations on this report is:

That Cabinet agree

Agree and Endorse the inclusion of a budget of £117.9m equity for the scheme together with a budget of £59.9m for potential land acquisition/CPO costs within the proposed HRA capital programme that will be considered by Cabinet in February 2019 in the annual rent setting and Capital Strategy and Programme report and this is recommended to Council for final approval in February 2019

3.5.2 The update of the HWR JVLLP business plan has significant financial implications for the Housing Revenue Account and Capital Programme.

3.5.3 The following summarises the potential key changes that have been incorporated into the latest refresh of the HWR JVLLP Business Plan and Opportunity Site Assessments.

3.5.4 New sites
It is proposed that HWR JVLLP formally adopt the Chippenham Road site, with a gross equity requirement of £2.8m and vacant possession costs of £5.0m to deliver 140 units of affordable housing at a cost of £24.0m.

3.5.5 Forward Funding
Napier & New Plymouth House (NNP) would require the Council to forward fund the negative value of the site £12.3m. This would be in the form of a grant from the Council (HRA) to HWR JVLLP.

3.5.6 Wholesale redevelopment,
An increase of 350 affordable rent units has been targeted on the red line sites (£60.2m). In addition the average cost per unit in work packages 2, 3 and 4 has risen from £0.172m to £0.191m (costing £12.9m). The total impact of the change is £73.1m.

3.5.7 Funding Review
It will be necessary to recycle capital funding between phases / stages and it will be necessary for both partners to increase the level of the gross equity by way of the cash provided. It is estimated that the Council would need to provide additional equity of £51.9 million (gross), over the approved allocation £63.3 million

Provision will also need to be made for the Chippenham Road site £2.7m bringing the total gross equity requirement up to £117.9m.

3.5.8 Capital Programme
The current proposals for the 12 Sites require £117.9m to meet the Council contribution to the HWR JVLLP. Part of the equity would be in the form of HRA land, the net value of which is currently estimated at £24.8m (all 12 sites + Chippenham Road), with the remaining £93.1m as cash funding. An allocation of £63.3m was approved by Cabinet in January 2018, therefore an uplift of £54.6m is required.

3.5.9 It should be noted that the Council is committed to achieving vacant possession for all 12 sites. An allocation of £50.5 million was set aside by Cabinet in January 2018, from which £9.7 million has been spent to the end of March 2018. Therefore a further uplift of £19.1 million is required.

3.5.10 As outlined above, an allocation of £235.5m should be set aside for the cost of acquiring the affordable housing developed by the HWR JVLLP (1,251 rented units). An allocation of £138.4m was set aside by Cabinet in January 2018, therefore an uplift of £97.1m is required.

3.5.11 The Council has secured £30.3m of grant funding for phase 1 (the first four sites) and a further allocation of £11.4m to fund the development of Chippenham Road. Grant funding has not been assumed for work package 2, 3 and 4 sites [red line] sites due to the GLA requirement for a successful tenant ballot on regeneration sites.

3.5.12 Grant is assumed for the blue line sites at the rates specified in the recent GLA Building Council Homes for Londoners funding prospectus.

3.5.13 The HWR JVLLP will develop 347 shared ownership units, with an assumption of buyers taking a 40% interest. The Council as freeholder will take the residual interest (60%) at no direct cost. In effect this value has been deducted from the valuation of the sites, when granting the build licence/lease to the HWR JVLLP.

3.5.14 It is intended that the HRA will purchase the shared ownership and social rent properties built by the HWR JVLLP. This will require a payment to the HWR JVLLP from the HRA of £235.5m which can be met within the HRA Revenue Budget, Capital Programme and associated business plan.

3.5.15 Bridge Close Joint Venture – Acquisition of Affordable Dwellings

3.5.16 It is intended that the HRA will purchase the shared ownership and social rent properties built by the Joint Venture. This will be subject to review of the HRA Business Plan and any necessary approvals by Cabinet and/or Council of the revised Housing Capital Programme. The units will be purchased on completion. This will require a payment to the Joint Venture from the HRA of £94.7m which can be met within the HRA business plan, along with estimated SDLT costs of £4.7m. This contribution will be reflected in the updated HRA Business Plan, subject to progression of this scheme.

3.5.17 Regulations applying to RTB receipts allow the use of One for One receipts to fund the provision of affordable rented units – these will be used to help meet the HRA's acquisition costs in respect of this project, £6.7m. The One for One agreement with the Secretary of State allows the HRA to fund up to 30% of the costs of acquisition of social units from these receipts. In the regulations "social" means that the units are for rental at a discount to the market rent. One for One receipts cannot be used in conjunction with GLA grant. So any units purchased with the help of One for One receipts cannot have had GLA grant used to part fund their build.

4. MAJOR WORKS BUDGET – HRA 2019/20 – 2023/24 major works resources and proposed spend

4.1 There has been considerable work carried out in the Property & Land Service to ensure that the current budget provision is sufficient to maintain the stock on an ongoing, timely basis and fulfil the Council's landlord obligations, particularly around health and safety. In previous years, the Council was constrained by the funding restrictions of the HRA borrowing cap. The lifting of the cap has provided flexibility in how the Council can deliver its obligations, as well as providing much-needed additional funding for the building of new council homes and regeneration of the existing housing stock.

4.2 In light of the cap removal, a review has been carried out of the current Housing capital programme to ensure that there is adequate funding provision. This has resulted in funding being made available for additional maintenance programmes which are not currently budgeted for within the HRA. In previous years, it has not been possible to prioritise enhancing the quality of surroundings for residents, and maintain the housing stock. In the 2019/20 budget, we have set aside new funding to improve the quality of the communal surroundings and estates, enhancing the quality of the overall housing environment and to make long term maintenance more affordable and less substantial. This includes building in provision to clean the externals of blocks, including window panels and replacing dilapidated fencing.

4.3 Previously, the Council's planned maintenance programme has been predicated on a 'just in time' principle and validated through site survey's. This has ensured that the Council is able to meet the Government's Decent Homes standard which is concerned with maintaining the fabric of buildings, primarily windows, roofs, kitchens and bathrooms. For this year's budget setting, we have reviewed the asset management data and historic information that we hold for the Council's stock and have re-profiled spend in a number of areas. This has enabled the Council to speed up the phasing and delivery of new kitchens, bathrooms, and attend to roofs, and replace boilers and windows before they are at risk of failure. For 2019/20, this results in an additional budget requirement of £4.138m.

4.4 An additional £10m has been allocated for ongoing estate improvements. This funding will be directed towards improving the external look and feel of estates, to include the refurbishment of the externals of blocks and the surrounding environment. This is a substantial allocation and as such the property services team will be required to gear up to deliver this new programme of works. This may include procuring new contracts and ensuring that there are adequate administration arrangements in place to support increased major works to Council housing and estates. It will also be necessary to prioritise the funding to ensure that those estates and blocks most in need of improvement are first in line. Officers will therefore bring forward detailed proposals to Cabinet in May 2019, setting out an ongoing programme of works for approval.

4.5 The planned maintenance programme has also taken account of the need for additional investment in the Council's plant to ensure that replacements are programmed well in advance of components such as lifts and communal boilers reaching the end of their useful life. Overall these separate elements of the planned maintenance programme include £4.138m for the re-profiled existing programme, and £2.608m for new elements of work.

4.6 There is a new budget provision to ensure that void properties identified through the regeneration programme are utilised for short-life accommodation and are refurbished to a reasonable standard. This investment not only increases the quality of the accommodation for residents needing to be housed temporarily, but also helps to control expenditure on more costly temporary accommodation, thus reducing the pressure on the Housing General Fund.

4.7 The switchover from analogue to digital careline equipment has also been budgeted for to fund replacement equipment in 400 homes. There is also additional investment allocated to upgrade the Council's remaining sheltered schemes to meet the needs of an ageing and frail community. Officers have also identified the opportunity to maximise the increase in residents' parking, through removal of existing under-used garages to improve the affected areas by resurfacing and marking.

4.8 Property and Land Services are also responsible for the direct delivery of new Council housing where the Council oversees the development and building of new council homes on land owned by the HRA. Two schemes are programmed for delivery and require budget provision from the HRA. The scheme at New Zealand Way, Rainham will deliver 30 new houses comprising, 10 Affordable, 10 Low Cost Home Ownership and 10 London Living Rent properties. HRA funding of £6.64m is required, over a 3 years period. The scheme has received outline planning permission and is programmed to commence on site in 2019/20. Also included in the current direct delivery programme is the scheme at Whitchurch Road, Harold Hill, which will deliver 100% affordable housing comprising 5 new houses. This scheme requires HRA funding of £0.9m over the next 2 years. This scheme was successful in securing £0.500m in GLA grant in the Building Council Homes for Londoners bid. Subject to planning the scheme should be completed by March 2021.

4.9 As well as the direct delivery of new council homes, the HRA must make an ongoing capital contribution to ensure the timely maintenance of existing council housing and fulfil landlord obligations around the health and safety of residents. Primary amongst these considerations is an effective fire safety management regime, particularly in light of the tragic Grenfell Tower fire.

4.10 The Council has developed a fire risk management strategy which is supported by an ongoing rolling programme of fire risk assessments. An additional £1.4m has been allocated for works associated with fire risk such as upgrading fire doors, door surveys and fire prevention works. This funding will support the officer resources required to carry out the rolling programme of FRAs. Although it is too early for any recommendations to emerge from the Grenfell Inquiry, we have also made allowance for expenditure to install sprinklers in high-rise buildings from 2020 onwards, pending the outcome of the Inquiry and potential building regulation changes.

4.11 A review of the Council's compliance programme has identified an additional requirement for asbestos surveys to be carried out in both communal areas and individual properties to ensure that the Council's asbestos register is kept up to date. This is an additional budget requirement of £0.200m separate from the asbestos removal management line which covers removal works and surveys to support the year's capital programme.

5. 30 year Business Plan 2018/19 to 2047/48

5.1 Attached at **Appendix 3a and 3b** are extracts from the reworked HRA Business Plan financial model. Years 1 to 10 have been included. Year 1 of the business plan is based on the 2018/19 proposed budget.

5.2 The plan for the HRA is based on keeping a minimum of £10m 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 stock condition survey requires it.

5.3 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 and is currently running at an average of 80 per year reducing to 50 per year from 2020/21. In addition, now that the majority of borrowing (self financing debt) has been fixed at 3.26% for the next 8 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 annual 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 approximately £7.9m.

5.4 In October 2018 the Government announced the immediate removal of the HRA borrowing cap (from 29th October 2018). This implies the Council can borrow against the HRA assets to fund new development. The Business Plan assumes borrowing from 2019/20 of £186.3m over the next 6 years. The majority of this borrowing is to fund the 12 Estates, Bridge Close and two acquisition programmes totalling £30m.

6. CONCLUSION

6.1 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 budget which is set out in this report is a prudent budget, designed to maintain a good level of service, and inject further resources into a programme of major investment in the housing stock that will maintain the Decent Homes standard of existing housing stock and provide significant funding for wide-ranging estate regeneration programmes.

REASONS AND OPTIONS

Reasons and Options

Reasons for the Decision

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

There are no alternative options in so far as setting a budget is concerned. However, there are options in respect of the various elements of the budget. These are considered in preparing the budget and cover such things as the rent and service charge 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 2019/20 and the revision of the figures for the 30 year Self Financing Business Plan. The HRA is sufficiently robust to generate a minimum estimated annual working balance reserve of £10m at the end of 2019/20 and for the following 3 years.

In addition to £10m reserves on the HRA, there is a bad and doubtful debt provision of £2.786m.

HRA Investment Capital Budget

Appendix 2a sets out the Major Works Programme 2019-20. This is funded from resources available for housing expenditure, which is summarised in the table below: -

		19/20	20/21	21/22	22/23	23/24	5 yr totals
Funded By		£m	£m	£m	£m	£m	£m
GLA Grant		10.896	10.217	18.656	12.429	2.569	**54.767**
RTB 1-4-1 Funding		14.878	4.410	1.802	2.618	4.370	**28.078**
RTB Debt Repayment Reserve		5.158	1.867	1.053	1.053	1.053	**10.183**
Shared Ownership Receipts		0.813	0.024	1.723	0.371	6.787	**9.720**
12 Estates (Land Receipt)		0.037	3.143	3.642	0.000	6.565	**13.387**
12 Estates (Repayment Equity)		0.000	2.569	3.554	12.929	9.580	**28.632**
Capital Receipts (Bridge Close)		0.000	0.000	0.000	3.515	4.185	**7.700**
Borrowing		39.121	42.289	30.849	9.606	34.115	**155.980**
RCCO		5.000	7.567	8.670	21.160	10.250	**52.647**
MRR		34.808	9.305	9.305	9.305	9.491	**72.212**
		110.710	**81.390**	**79.255**	**72.986**	**88.965**	**433.306**

The capital programme incorporates the HRA capital funding requirements for the 12 Estates HWR JVLLP and sets aside sufficient capital resources to fund the acquisition of 321 affordable dwellings (30% affordable) from the Bridge Close HWR JVLLP. These commitments will require the Council (HRA) to borrow an additional £156m by the close of 2023/24.

Risks

Legal implications and risks:

Under Part VI 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 in relation to an authority's own housing stock. The items to be credited and debited to the HRA are prescribed by statute[i]. 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.

By section 76 of the Local Government and Housing Act 1989, 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 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.

The report seeks approval for major investment estimates in relation to a variety of schemes. In compliance with Section 151 of the Local Government Act 1972, the Council has in place Financial Regulations and Financial Procedures which provide appropriate arrangements for the approval of major works estimates. The various major works schemes must be capable of being carried out within the Council's statutory powers. To the extent that the details of the schemes appear from the body of the report, it does appear that the proposed works meet this requirement. In particular the maintenance and repaid of dwellings may be considered consistent with the Council's repairing obligations under Sections 9A[ii] and 11 of the Landlord and Tenant Act 1985.

To comply with the Welfare Reform and Work Act 2016, the report also seeks Cabinet agreement to a 1% reduction in rent levels for general needs and supported housing. Although Havering's tenancy agreement requires at least 4 weeks notice of a variation in rent, pursuant to section 28 of the WRWA 2016, a term is implied into the Council's tenancy agreements enabling the 1% rent reduction without prior notice where the reduction is made for the purpose of complying with the Act. The provisions for variation of the terms of a secure tenancy under the Housing Act 1985 also take effect subject to section 28. However, to the extent that increases will be made to service charges, then the provisions as to notice of variation under the tenancy agreement and the Housing Act 1985 remain applicable.

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 a number of HR implications which have derived from this report particularly around the transformation programme for Housing Services, savings implied and the recruitment of possibly new roles. All of which will be managed in line with the Council's Organisation Change policy, Recruitment policy and best practice. Staff will consulted on the new proposals informally through information sessions and formally during the statutory consultation period.

Equalities 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. 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.

60% 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. This will advantage this section of the community who are people over the age of 55.

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 EIA 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.

BACKGROUND PAPERS

There are none.

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APPENDIX 1 – Draft HRA budget 2019/20

	2018-19 Final Budget	2019-20 Final Budget	Variance
Income and Expenditure	**£**	**£**	**£**
Income			
Dwelling rents	(46,513,100)	(45,230,440)	1,282,660
Garages	(346,870)	(326,280)	20,590
Charges for services and facilities - Tenants	(5,967,330)	(6,042,560)	(75,230)
Charges for services and facilities – Leaseholders	(1,574,340)	(1,574,340)	0
Shared ownership	(113,980)	(142,530)	(28,550)
Other	(578,080)	(578,080)	0
Total Income	**(55,093,700)**	**(53,894,230)**	**1,199,470**
Expenditure			
Repairs and maintenance	6,817,470	7,304,380	486,910
Supervision and management plus recharges	23,789,680	24,975,080	1,185,400
Depreciation and impairment	16,590,400	16,590,400	0
Debt management costs	47,820	47,820	0
Bad debt	665,000	665,000	0
Total Expenditure	**47,910,370**	**49,582,680**	**1,672,310**
Net cost of HRA services	**(7,183,330)**	**(4,311,550)**	**2,871,780**
Interest payable and similar charges	5,853,300	6,262,090	408,790
Interest and investment income	(64,810)	(64,810)	0
Surplus or deficit for the year on HRA services	**(1,394,840)**	**1,885,730**	**3,280,570**
Statement on movement of HRA balances			
Surplus or deficit for the year on HRA services	**(1,394,840)**	1,885,730	**3,280,570**
Revenue contribution to capital.	2,581,320	5,000,000	2,418,680
Reversal of impairment charge	(7,285,720)	(7,285,720)	0
Net (income)/Expenditure	**(6,099,240)**	**(399,990)**	**5,699,250**
HRA balance brought forward	(4,611,816)	(10,711,056)	
Net (income)/Expenditure - Budgeted	(6,099,240)	(399,990)	
HRA balance carried forward	**(10,711,056)**	**(11,111,046)**	

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Appendix 2a – Draft 2019/20 – 2023/24 HRA Major Works Capital Programme

Major Works Programme 2019-23							
		19/20	20/21	21/22	22/23	23/24	5 yr totals
New Build Programme and pre-commitments in 2018/19		**£M**	**£M**	**£M**			**£M**
New Build Programme (funded)		3.134	2.758	0.000	0.000	0.000	**5.893**
Other Capital Schemes (funded)		3.225	0.000	0.000	0.000	0.000	**3.225**
Total		**6.360**	**2.758**	**0.000**	**0.000**	**0.000**	**9.118**
New Build Programme Requiring New Funding from 2019/20		19/20	20/21	21/22	22/23	23/24	5 yr totals
New Zealand Way		1.390	3.000	2.250	0.000	0.000	**6.640**
Whitchurch Road		0.225	0.675	0.000	0.000	0.000	**0.900**
Total		**1.615**	**3.675**	**2.250**	**0.000**	**0.000**	**7.540**
		19/20	20/21	21/22	22/23	23/24	5 yr totals
Stock Upkeep works to maintain standards including Major Repairs							
Major Voids		0.450	0.450	0.450	0.450	0.450	**2.250**
Major Voids (Regen Decants)		0.300	0.000	0.000	0.000	0.000	**0.300**
Structural		0.200	0.050	0.051	0.052	0.050	**0.403**
Electrical Upgrade/Mains Supplies		0.130	0.100	0.102	0.104	0.100	**0.536**
Legionella		0.170	0.170	0.100	0.100	0.100	**0.640**
Fencing / Boundary Walls		0.060	0.060	0.060	0.060	0.060	**0.300**
Drainage/Sewers		0.050	0.050	0.051	0.052	0.050	**0.253**
Asbestos Removal/Management		0.100	0.100	0.102	0.104	0.100	**0.506**
Asbestos Re-Surveys		0.200	0.050	0.050	0.050	0.050	**0.400**
External Redecorations		0.818	0.818	0.833	0.850	0.818	**4.137**
DDA Fire Protection/Means of Escape		0.035	0.035	0.036	0.036	0.035	**0.177**
Careline equipment		0.152	0.050	0.051	0.052	0.050	**0.355**
Aids and Adaptations		0.550	0.550	0.561	0.572	0.550	**2.783**
Total		**3.215**	**2.483**	**2.447**	**2.482**	**2.413**	**13.040**
Stock Reinvestment to improve conditions including maintaining the Decent Homes Standard							5 yr totals
Stock Investment "Replacements" & "Fire Risk"		6.266	6.936	8.093	7.743	6.723	**35.762**
Kitchen/Bathrooms at Void stage (Routine)		0.270	0.270	0.275	0.281	0.270	**1.366**
Kitchen/Bathrooms at Void stage (Decant Voids)		0.210	0.000	0.000	0.000	0.000	**0.210**
Total		**6.746**	**7.206**	**8.368**	**8.024**	**6.993**	**37.338**
Stock Remodelling							5 yr totals
Bedsit Remodelling		0.109	0.000	0.000	0.000	0.000	0.109
Garages		0.350	0.000	0.000	0.000	0.000	0.350
Total		**0.459**	**0.000**	**0.000**	**0.000**	**0.000**	**0.459**
Future Investment							5 yr totals
Major Improvements (sheltered housing)		0.660	0.000	0.000	0.000		0.660
Estate Improvements Programme		10.000	0.000	0.000	0.000		10.000
		10.660	**0.000**	**0.000**	**0.000**		**10.660**

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Below the Line Additional Capital Expenditure

		19/20	20/21	21/22	22/23	23/24	5 yr totals
		£m	£m	£m	£m	£m	£m
12 Estates							
Affordable Housing (inc SDLT)		11.883	33.707	28.111	19.136	23.806	**116.644**
Partner Loan (Land)		0.037	3.143	3.642	0.000	6.565	**13.387**
Partner Loan (Cash)		6.164	7.943	7.586	11.594	11.748	**45.034**
NNP Gap Funding		4.616	6.155	1.539	0.000	0.000	**12.310**
Vacant Possession		12.780	9.463	4.503	2.746	3.206	**32.698**
Tenant Compensation		2.781	0.825	0.581	0.408	0.890	**5.485**
Demolition (NNP and SSR)		2.144	0.000	0.000	0.000	0.000	**2.144**
Regeneration							
Multi Disciplinary Team (Prof Fees)		0.250	0.000	0.000	0.000	0.000	**0.250**
Bridge Close							
Affordable Housing (inc SDLT)		0.000	0.000	14.273	24.073	28.788	**67.134**
Acquisitions (Residential Properties)		11.000	0.000	0.000	0.000	0.000	**11.000**
North West Romford							
Affordable Housing (inc SDLT)		0.000	0.000	1.922	4.523	4.556	**11.001**
The Bund							
Affordable Housing (inc SDLT)		0.000	4.032	4.032	0.000	0.000	**8.064**
HRA Regeneration Acquisitions							
Affordable Housing (inc SDLT)		20.000	0.000	0.000	0.000	0.000	**20.000**
HRA Acquisitions Fund							
Affordable Housing (inc SDLT)		10.000	0.000	0.000	0.000	0.000	**10.000**
Proposed Capital Programme (Including New Build and Funded Schemes)		**110.710**	**81.390**	**79.255**	**72.986**	**88.965**	**433.306**
		19/20	20/21	21/22	22/23	23/24	5 yr totals
Funded By		£m	£m	£m	£m	£m	£m
GLA Grant		10.896	10.217	18.656	12.429	2.569	**54.767**
RTB 1-4-1 Funding		14.878	4.410	1.802	2.618	4.370	**28.078**
RTB Debt Repayment Reserve		5.158	1.867	1.053	1.053	1.053	**10.183**
Shared Ownership Receipts		0.813	0.024	1.723	0.371	6.787	**9.720**
12 Estates (Land Receipt)		0.037	3.143	3.642	0.000	6.565	**13.387**
12 Estates (Repayment Equity)		0.000	2.569	3.554	12.929	9.580	**28.632**
Capital Receipts (Bridge Close)		0.000	0.000	0.000	3.515	4.185	**7.700**
Borrowing		39.121	42.289	30.849	9.606	34.115	**155.980**
RCCO		5.000	7.567	8.670	21.160	10.250	**52.647**
MRR		34.808	9.305	9.305	9.305	9.491	**72.212**
		110.710	**81.390**	**79.255**	**72.986**	**88.965**	**433.306**

Havering
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Appendix 3a: Draft HRA Projections from Business Plan - Years 1-10

Year	**2018.19**	**2019.20**	**2020.21**	**2021.22**	**2022.23**	**2023.24**	**2024.25**	**2025.26**	**2026.27**	**2027.28**
£'000	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
INCOME:										
Rental Income	47,563	46,674	47,880	50,535	53,190	54,782	57,070	58,333	60,687	61,846
Void Losses	-1,365	-1,283	-925	-901	-869	-900	-941	-965	-1,009	-1,036
Service Charges	7,768	7,617	7,769	7,925	8,083	8,245	8,410	8,578	8,749	8,924
Non-Dwelling Income	347	326	334	350	1,181	1,371	2,016	2,705	2,839	3,953
Grants & Other Income	782	996	1,165	2,541	12,715	1,579	6,454	7,564	15,509	8,424
Total Income	**55,094**	**54,330**	**56,222**	**60,449**	**74,301**	**65,077**	**73,009**	**76,214**	**86,775**	**82,110**
EXPENDITURE:										
General Management	-23,790	-24,975	-25,350	-25,855	-26,371	-26,897	-27,434	-27,981	-28,540	-29,109
Special Management	0	0	0	0	0	0	0	0	0	0
Other Management	0	0	0	0	0	0	0	0	0	0
Rent Rebates	0	0	0	0	0	0	0	0	0	0
Bad Debt Provision*	-665	-667	-681	-712	-744	-760	-788	-802	-828	-835
Responsive & Cyclical Repairs	-6,817	-7,304	-7,355	-7,475	-7,598	-7,737	-7,946	-8,192	-8,435	-8,684
Total Revenue Expenditure	**-31,272**	**-32,946**	**-33,385**	**-34,043**	**-34,713**	**-35,395**	**-36,168**	**-36,975**	**-37,803**	**-38,628**
Interest Paid	-5,977	-6,262	-7,433	-8,599	-9,345	-9,818	-10,830	-11,538	-11,456	-10,985
Finance Administration	-48	-48	-49	-50	-51	-52	-53	-54	-55	-56
Interest Received	214	143	66	61	60	60	61	102	135	135
Depreciation	-9,305	-9,305	-9,305	-9,305	-9,305	-9,491	-9,681	-9,874	-10,072	-10,273
Net Operating Income	**8,706**	**5,912**	**6,117**	**8,514**	**20,947**	**10,382**	**16,339**	**17,875**	**27,525**	**22,303**
APPROPRIATIONS:										
FRS 17 /Other HRA Reserve Adj	0	0	0	0	0	0	0	0	0	0
Revenue Provision (HRACFR)	0	0	0	0	0	0	0	-408	-2,801	-15,587
Revenue Contribution to Capital	-2,581	-5,000	-7,481	-8,615	-21,111	-10,207	-16,368	-3,783	-27,253	-4,156
Total Appropriations	**-2,581**	**-5,000**	**-7,481**	**-8,615**	**-21,111**	**-10,207**	**-16,368**	**-4,191**	**-30,054**	**-19,742**
ANNUAL CASHFLOW	**6,125**	**912**	**-1,365**	**-101**	**-164**	**175**	**-29**	**13,684**	**-2,529**	**2,561**
Opening Balance	4,612	10,737	11,649	10,285	10,184	10,020	10,195	10,166	23,850	21,321
Closing Balance	**10,737**	**11,649**	**10,285**	**10,184**	**10,020**	**10,195**	**10,166**	**23,850**	**21,321**	**23,881**

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

Year	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28
£'000	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
EXPENDITURE:										
Planned Variable Expenditure	0	0	0	0	0	-30	-194	-430	-654	-888
Planned Fixed Expenditure	-18,074	-32,460	-16,287	-16,313	-20,187	-22,014	-19,012	-16,605	-23,958	-14,798
Disabled Adaptations	0	0	0	0	0	0	0	0	0	0
Other Capital Expenditure	-2,100	-3,221	-5,313	-6,312	-2,320	-6,565	0	0	0	0
New Build Expenditure	-21,058	-75,029	-59,790	-56,630	-50,478	-60,356	-56,331	-47,502	-35,500	-42,402
Procurement Fees	0	0	0	0	0	0	0	0	0	0
Previous Year's B/F Shortfall	0	0	0	0	0	0	0	0	0	0
Total Capital Expenditure	**-41,232**	**-110,710**	**-81,390**	**-79,255**	**-72,986**	**-88,965**	**-75,537**	**-64,537**	**-60,113**	**-58,089**
FUNDING:										
Major Repairs Reserve	14,464	34,808	9,305	9,305	9,305	9,491	9,681	9,874	10,072	10,273
Right to Buy Receipts	2,409	1,867	1,867	1,053	1,053	1,053	1,053	1,053	1,053	1,053
HRA CFR Borrowing	0	37,991	42,124	30,024	9,654	34,158	32,348	0	0	0
Other Receipts/Grants	20,175	16,167	16,203	28,455	29,244	29,686	11,984	46,852	20,600	41,238
HRA Reserves	1,603	14,878	4,410	1,802	2,618	4,370	4,103	2,975	1,135	1,369
Revenue Contributions	2,581	5,000	7,481	8,615	21,111	10,207	16,368	3,783	27,253	4,156
Total Capital Funding	**41,232**	**110,710**	**81,390**	**79,255**	**72,986**	**88,965**	**75,537**	**64,537**	**60,113**	**58,089**