CABINET	16th December 2020
Subject Heading:	Housing Revenue Account Business Plan 2020-2050
Cabinet Member:	Cllr Joshua Chapman, Lead Member for Housing
SLT Lead:	Patrick Odling-Smee, Director of Housing
Report Author and contact details:	Rita Bacheta, Senior Business Partner
Policy context:	Relates to the funding of council housing and the regeneration strategy.
Financial summary:	Sets out the financial planning for the HRA for the next 30 years and the investment in existing and new housing stock. Seeks approval for the prudential borrowing limits for the HRA.
Is this a Key Decision?	This is a key decision because it relates to: (a) Expenditure (including anticipated income) of £500,000 or more (b) In excess of 10% of the gross controllable composite budget at Head of Service/ Assistant Chief Executive level (subject to a minimum value of £250,000) (c) Significant effect on two or more Ward
When should this matter be reviewed?	The HRA Business Plan should be reviewed on an annual basis.
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 []

SUMMARY

1. The Housing Revenue Account is a sub-account of the Council's general fund and is funded from the rents and other charges paid by the council's tenants. Under the Local Government & Housing Act 1989 the HRA must be used for service relating to the council's role as a landlord. This includes the management and maintenance of the existing stock and the development of new housing stock. The Council is required to ensure that the HRA does not operate in deficit in any financial year.

2. Following the restructuring of housing finance in 2012 the management of the HRA has been carried out on a business planning basis with the planned income and expenditure for the next 30 years projected to ensure that the commitments and assumptions can deliver a plan that it viable.

3. The Chartered Institute of Public Finance & Accounting (CIPFA) have recommended that borrowing in the HRA should be managed in the same way as through the Prudential Code for the General Fund however, given that there are different income and expenditure sources in the HRA there should be different prudential limits. This report recommends the prudential borrowing limits for the HRA that should be adopted based on best practice from CIPFA.

RECOMMENDATIONS

4. That the Cabinet note the proposed income and expenditure for the housing revenue account business plan up to 2050.

REPORT DETAIL

5. The housing revenue account (HRA) business plan sets out the council's intentions for investment in council owned social and affordable rented housing, including repairs and maintenance for its existing housing and the provision of any new affordable housing. The business plan is underpinned by a financial model which is used to project HRA cash flows and model a range of scenarios and assumptions in income and costs.

6. As the business plan makes projections for the next 30 years a number of assumptions have been used:

6.1. **Rental income**

6.2. Dwelling rents - average weekly rent per property (for existing homes) is estimated to increase from £98.51 to £179.25 in year 30 of the plan. This reflects the September 2020 CPI of 0.5% for rent increases applied in April 2021 and then estimated 3% average rent increase for the next for years (being CPI +1%). For subsequent years a prudent inflationary increase (CPI, at 2%) is assumed as Government rent policy is yet to be determined. CPI is assumed at 2% throughout the model.

6.3. Rents for new properties are modelled at affordable levels in line with grant funding requirements from the GLA.

6.4. **Voids and bad debts**

The assumptions of void losses at 2% and bad debts at 1% are consistent throughout the plan and in line with other authorities, with the exception of year 1 with bad debts at 1.41%.

6.5. **Inflation**

Management, maintenance, service costs and charges are all inflated at 2% pa at the assumed CPI rate and therefore aligned with rent increases in the medium to longer-term.

6.6. **Operating costs**

Operating costs cover such items as staffing costs and responsive repairs. Havering's costs are below average however an assumption has been made of a growth 0.5% in year 20/21 and then CPI per year with an adjustment for stock numbers.

6.7. **Stock Numbers**
As at 31st March 2020, the stock numbers were 9,128 tenanted properties. Stock loss is assumed Right to Buys losses of 65 in 20/21 and 50 pa thereafter plus 580 properties lost due to regeneration schemes. Increase in stock due to regeneration and acquisitions are based on the numbers set out in paragraph 9.

6.8 **Interest rates**
6.9 All new borrowing for development and refinancing of existing loans if they cannot be fully repaid within the plan has been set at 2.0%. At the time of writing, LBH anticipate being able to access borrowing at lower rates following the recent government consultation which proposed discounted levels if borrowing for the purposes of housing and regeneration.

6.10 **Minimum Reserve Balance**
The minimum balance for the HRA needs to be determined and the existing level of £10 million has been applied in this model.

7 Investment in the existing and new stock

7.1 The council has carried out a stock condition survey during 2020 to assess the investment needs of the current housing stock. This has been based on surveys of a sample of properties and the analysis of the data held on the council's asset management system. Appendix 1 sets out proposed the investment needs for the stock over the next 30 years. 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.

7.2 This shows some additional spending in some year due the need for component replacement, particularly kitchens, bathrooms and roofs.

7.3 This initial 30 year plan will be used to as the basis on which to support and develop our new Asset Management strategy which will include our continued approach to Decent Homes and the impending Decent Homes 2, our approach to assessing the performance of our stock and investment decisions and the need to digitalise and future proof our properties. It will also importantly determine our ongoing approach and commitment to providing the safest homes possible and the most energy efficient, and start us on the journey to a net carbon zero housing portfolio.

7.4 Total expenditure in the stock over the 30 plan period is £509m and this includes £18m for fire related works and £75m to reduce the carbon emissions from the stock, significant further work is continuing to determine the scope, extent and types of works required in these areas.

7.5 Our previous business plan included a total capital requirement for the maintenance of our stock of £441m but this did not include any monies for the increased building safety agenda, compliance programme nor for energy efficiency improvements so the new and existing business plans have remained largely consistent.

7.6 We have included sufficient monies to continue to address our compliance regimes, both to support our current approaches and to address the future requirements flowing from the Building Safety Bill and Regulatory Reform (Fire Safety) Order.

7.7 Additionally we have allowed for the provision of additional cyclical programmes of work, such as property MOTs, cyclical decorating and drain clearance programmes which 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.

7.8 We are also in the process of procuring our new repairs and maintenance contracts, which will start in late 2021. Tenders prices have increased over the life of the previous contract and with the additional Covid risk it is likely that we will see increased prices for the delivery of the service.

7.9 The build-up of repairs and maintenance costs is on a per unit price, based on average spend information provided by consultants, it therefore does include reasonable contingencies to reflect market uncertainties and potential legislation changes in the future.

8.0 HRA Revenue Accounts

8.1 The HRA account as illustrated in Appendix 2 is always in a surplus position. The net income and expenditure position is top up with borrowing to ensure HRA reserves are maintained at £10m.

8.2 Appendix 2 also shows that the HRA can cover the cost of borrowing.

9.0 Regeneration and borrowing assumptions.

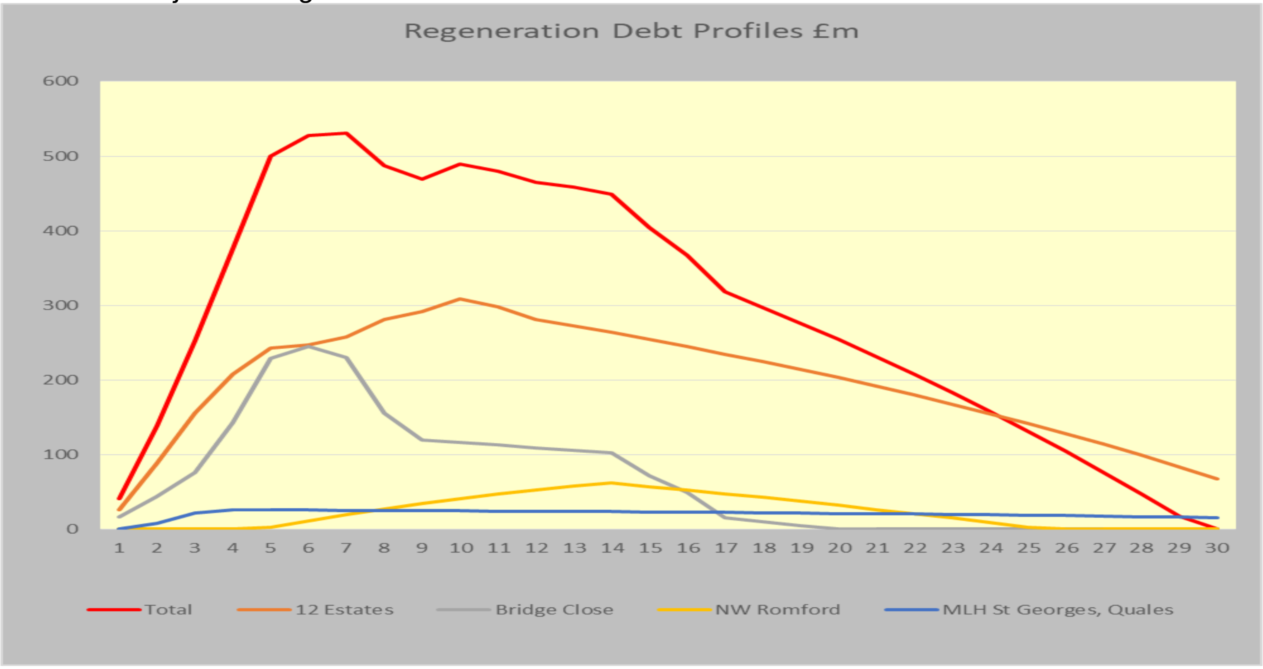
Scheme Name	Years of deliver	No. of units	Total HRA borrowing requirements
Napier New Plymouth	2020-2023	197	£48m
Solar Serena Sunrise	2020-2023	134	£27m
Waterloo Estate	21/22-	556	£91M
Council Buy-back scheme including regen	2020-2030		£43M
Farnham & Chippenham Road including the new Family Welcome & Assessment Centre	2020-2324	685	£96M
Bridge Close	2020-2028	535	£110M
NW Romford	2024-2034	229	£40M
MLH	2020-2024	87	£28M

9.1 The following assumptions on regeneration have been assumed in the business plan:

9.1.1 As referred to above, LBH is undertaking an estate regeneration

9.1.2 The graph below shows specifically the financial impact of the various schemes to the HRA, if borrowing is assumed at 2%.

Chart 1 – Projected Regeneration Schemes Debt Profiles



9.2 Whilst the charts do not take into account the loss of net income from the 580 properties, it does provide reassurance that in overall terms the regeneration schemes fully cover their initial borrowing costs, from 2020, within 30 years.

9.3 Borrowing requirements

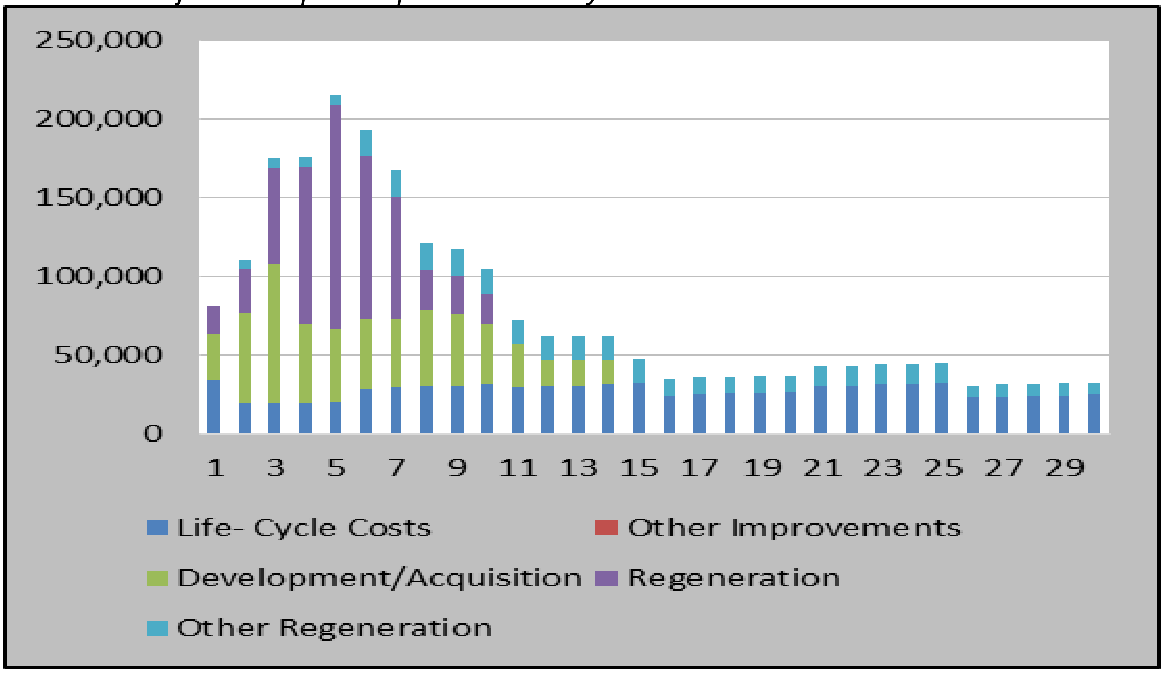
9.3.1 In April 2012, as a result of self-financing, Havering was given a debt allocation of c£170 to date, the HRA self- financing debt remains at £170m which is the bulk of the current HRA borrowing. The cost of servicing this debt is circa £6m pa. Since April 2012, the Council has borrowed a further £28m (in 2019/20) increasing the HRA debt to £198m.

9.3.2 The HRA borrowing requirements, whilst maintaining a £10m reserve balance, for the next 10 years are as follows:

	1	2	3	4	5	6	7	8	9	10
	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
HRA borrowing	11.337	101.844	128.951	125.477	126.981	59.507	18.638	0	0	14.520

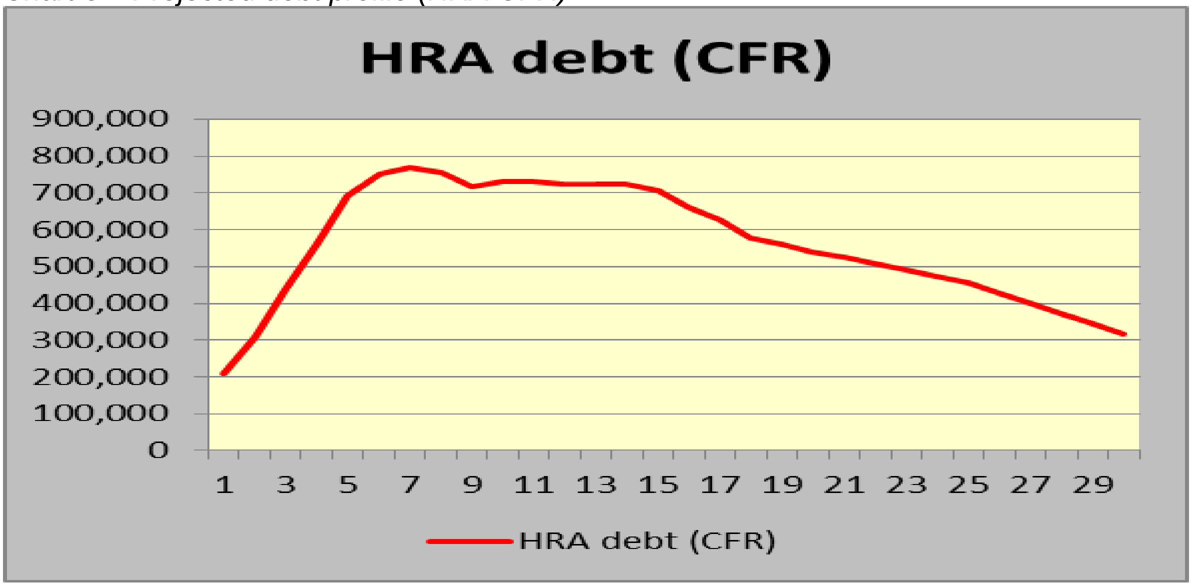
9.3.3 There is significant capital expenditure within the early years of the plan and we have demonstrated in the chart below the categories that provide the reasons for this. It is important to note that the life-cycle costs relating to the existing stock exclude provision for energy efficiency works.

Chart 2 – Projected Capital Expenditure Analysis



9.3.4 In order to the finance the levels of capital expenditure demonstrated above (chart 3) the projected debt (HRA CFR) is demonstrated in the graph below.

Chart 3 – Projected debt profile (HRA CFR)



9.3.5 Borrowing is projected to peak in year 7 at £770million and then is capable of being reduced to £315.8million by year 30.

9.3.6 The HRA BP assumes when the CFR loans mature, the debt is not refinanced. The HRA only borrows as required.

10.0 Metrics

10.1 The impact of modelling in the HRA can be measured through a set of indicators. Post the debt cap it is important that the council adopt a set of metrics to measure the debt and borrowing capacity.

10.2 To measure the viability of the model, the outputs from the HRA Business Plan model can be analysed using a set of well identified metrics. These metrics are starting to be used in councils and more widely in the private sector and housing associations.

10.3 The table below shows the comparisons of the metrics against 15 outer London boroughs and a peer group of similar local authorities, with similar sized HRA. 2018/19 is the latest data available. Data for the gearing ratio is not available.

Description	LBH Forecasts 2020.21	LBH Actual 2018.19	15 Outer London 2018.19	Peer Group 2018.19	National Actual 2018.19
Operating margin	23%	30%	25%	29%	24%
Interest Cover Ratio	1.92	2.90	2.00	1.91	1.93
Loan to Value	36%	30%	24%	28%	28%
Debt: Turnover	3.8	3.1	2.9	4.1	3.2

10.4 Operating Margin is calculated as the percentage of ‘Net Income from Services’ over ‘Total Income’. The Council’s operating margin of 23% is below peer groups. Operating surpluses in 2020.21 are budgeted to be 23% of turnover (the Operating Margin). This is lower than the conventional average performance of housing associations and reflects the high level of repairs and management expenditure as a percentage of turnover, but is on a par with the national position for local authorities in 2018.19[1].

The operating margin is projected to increase in the following years and after year 2023.24 remains above 30% for the rest of the Business Plan.

10.5 The suggested minimum metrics have been set as follows:

- Interest Cover Ratio (ICR) @ minimum 1.25
- Loan to Value (LTV) @ maximum 70%
- Gearing-proxy @ maximum 70%
- Debt to Turnover @maximum 5.0-8.0

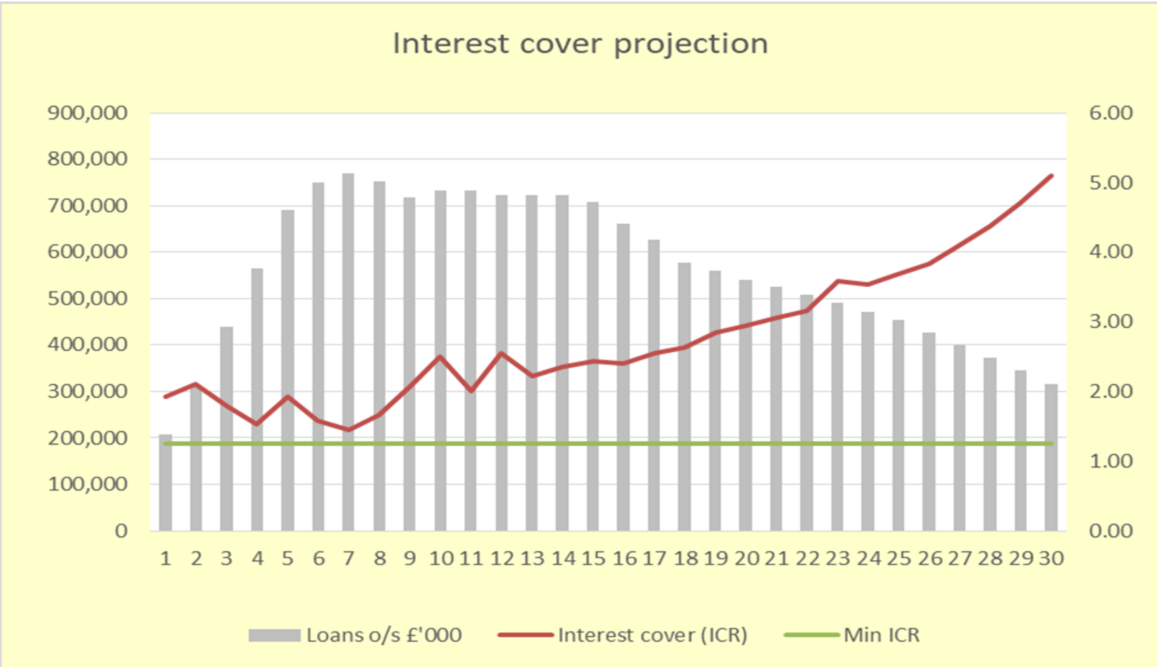
[1] *The latest year for which we have comprehensive sector-wide data*

10.6 These are suggested minimum/maximum constraints and have been based on the benchmarking data and the advice of Savills. Traditionally local authorities, due to the historical constraints of the borrowing cap, have had low levels of borrowing compared to housing association. Therefore their ICR and loan to values have been conservative. Those proposed here are closer to the commercial levels used by housing associations. The Council may wish to operate with a leeway within each.

The four graphs below illustrate these metrics.

Chart 4.1– Interest Cover Ratio Projections

This is the ratio of operating surplus divided by interest costs, and represents the cover that the HRA has against its interest cost liabilities in any year; the ICR is set to a minimum which provides comfort that if there were a sudden drop in income or increase in operating costs, there would be sufficient headroom to continue to cover debt interest.

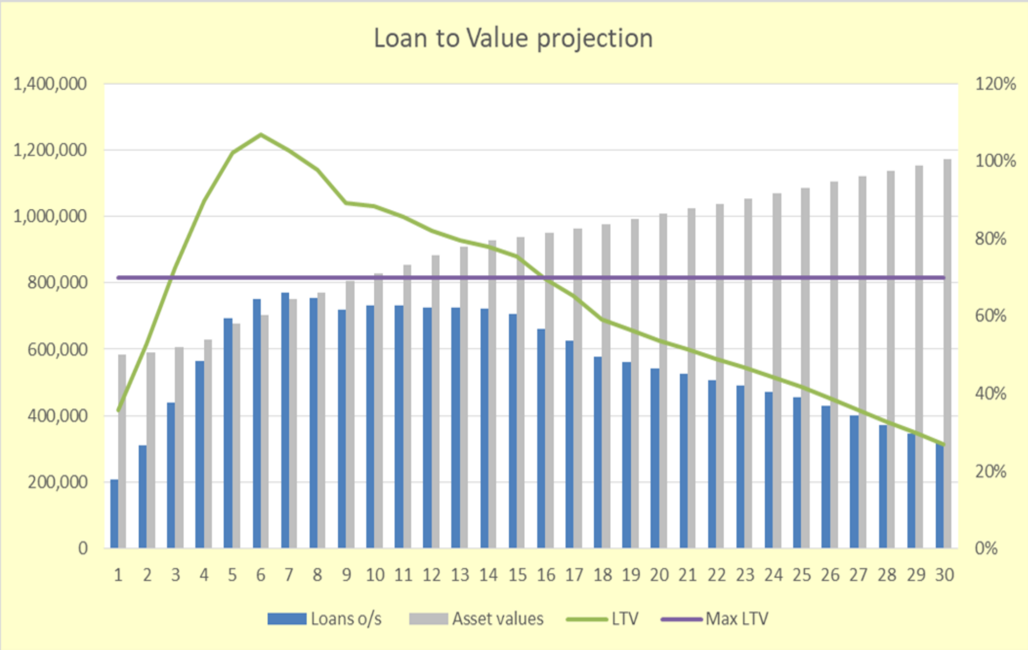


- The ICR does not fall below the 1.25 suggested minimum level throughout the plan (lowest level 1.45 Yr. 6)

- The ICR shows that capacity is available in the early to mid-years and then begins to grow following the completion of the majority of the estate regeneration schemes.

Chart 4.2 – Loan to Value Ratio Projections

LTV is best defined in the HRA context as Outstanding Debt / Fixed Asset Value. Debt is defined as the HRA CFR as this is the amount that must be financed with interest payments in the HRA. Asset values include all assets, dwellings and nondwellings, as all assets are included in the generation of net income cashflows in the HRA.



- The graph demonstrates that there is the same direction of travel in terms of no capacity over the first half of the plan for the LTV and gearing projections until the second-half of the plan.

- This graph requires further explanation. The Existing Use Valuation for asset valuation, used in this formula is 25% of the market value, as stated in the Statement of Accounts. This is the same valuation methodology used across London. This will be revised next year by MHCLG so this figure may be adjusted.

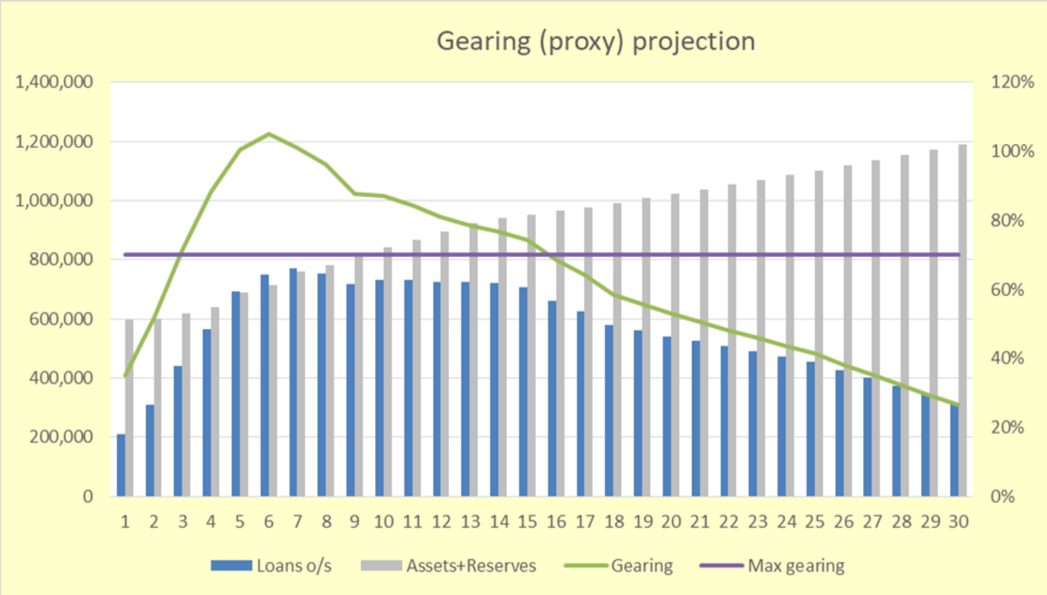
- Hence the LTV figure will always be higher for a HRA then a housing association.

- The above graph demonstrates that debt will exceed the balance sheet values of the properties between years 3-16. This is expected as the majority of the build phase is in the next 10 years, after which point the Assets Values start to increase and hence the LTV begins to reduce to 70% in year 16. Performance needs to be carefully monitored to ensure the LTV reduces to the target level.

Chart 4.3 – Gearing Ratio Projections

The gearing ratio aims to capture the extent to which assets are financed through debt. Gearing is set to a maximum, with 70% being typical.

There are obvious challenges in the HRA context in considering the use of historic costs for asset acquisition/development and also the extent to which assets have been financed from reserves or capital receipts over many decades. We have therefore proposed a “proxy” for gearing which aims to capture some sense of the development of reserves alongside asset value to provide an extra sense around capacity.

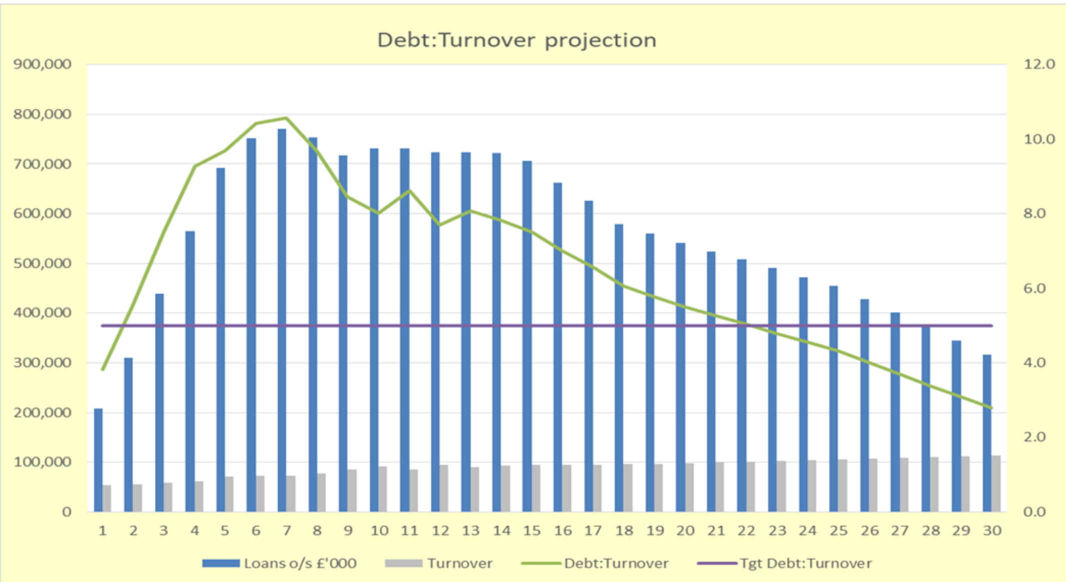


The measure demonstrates the difference between borrowing and asset value, including reserve balances. Gearing is above the recommended 70%, between years 3 and 16.

As explain above, this is expected whilst the Council is build phase and Asset Values do not realise until after year 10.

Chart 4.4 – Debt: Turnover Ratio Projections

Another measure we have developed for this analysis is the ratio of Debt to Turnover. This measures the level of turnover in relation to debt, which differs slightly from the ratio used for assessing debtor balances against turnover. As a proxy we have suggested a ratio of 5:0, so that turnover can cover the level of debt outstanding by a factor of 5 times.



- In year 0, the starting positon of self-financing, the Debt to Turnover ratio is 3.
- In year one and two (2020/21,2021/22) the plan projects the Council will borrow a further £113m (7.11.2 above), this added to the self-financing debt, results in Debt to Turnover ratio of 5.5.
- The Councils ambitions to borrow a further £474m will no doubt result in ratio above 5 until the builds are complete and rental income is realised.

11.0 Stress testing the assumptions.

11.1 Impact of changing assumptions and behaviour

11.2 The table below sets out a series of sensitivities to illustrate how changes in behaviour or underlying economic assumptions might impact future capacity, given no additional changes to stock numbers.

Sensitivity of future debt capacity forecasts – ICR basis

	Debt Capacity	
Max debt capacity @ x years £million *	**Year 11**	**Year 30**
Base Plan	**1,179**	**1,333**
General Inflation +1%	1,285	1,630
General Inflation -0.5%	1,129	1,184
Management Costs decrease by 2%	1,200	1,352
Rents Increase by CPI +0.5% long-term post-2025	1,231	1,538

** Based on ICR calculation*

The table illustrates the following:
- Increases in income may support further significant growth opportunities, whether those are driven by real rent increases or simply higher inflation in the shorter-term.
- Local decisions around management and maintenance operating costs can also have an impact on capacity.

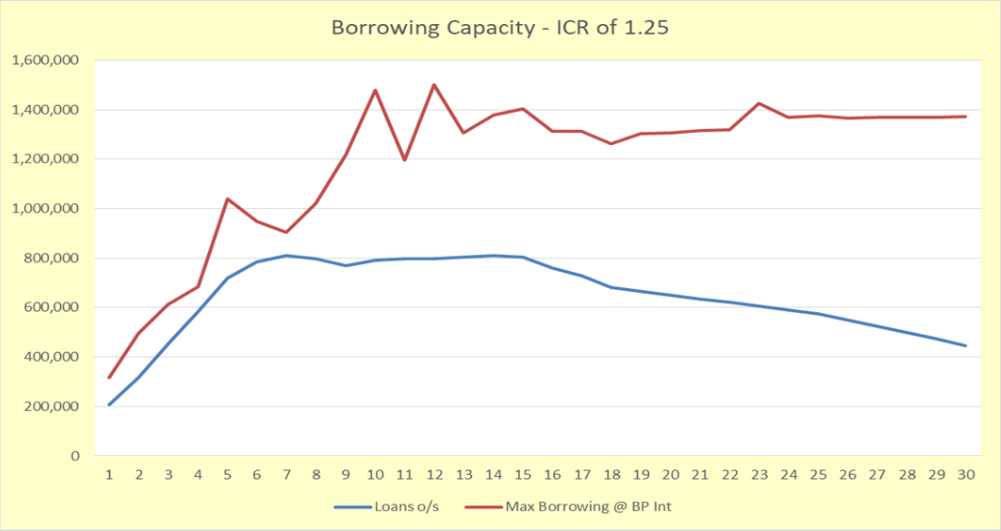
12.0 Scenario modelling: incorporating an estimate for increase in expenditure

A. Energy Efficiency Investment

By way of illustration, if the Council incorporated a general estimate of additional investment expenditure to existing stock in the order of the provision of £75milllion towards energy efficiency works

This will assess if:
1. The potential additional expenditure could be supported by the business plan
2. The impact that such growth could have on increasing capacity over time.

Chart 5.1 – Interest Cover Ratio projections – £75m of Energy Efficiency Works

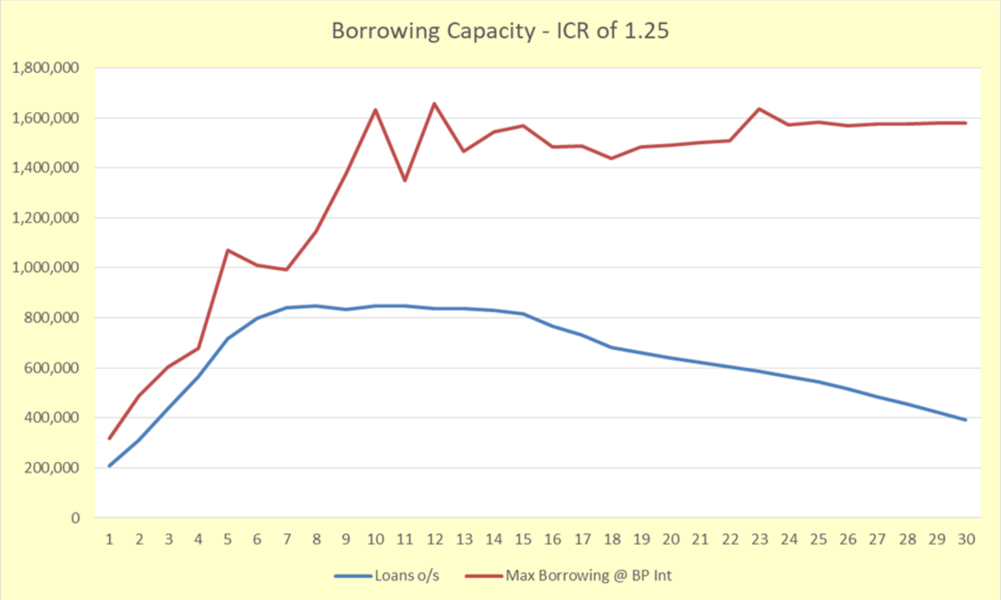


As expected, due to increasing the interest charges and additional borrowing the HRA capacity headroom reduces to a minimum point of £94million in year 6. Furthermore, due to the additional borrowing the projected closing HRA CFR position would be £447million.

B. Investment in Additional New Homes

By way of example we have modelled the addition of 500 homes developed or acquired in years 5 to 9 at a cost of £350,000 per unit (inflated) with assumed subsidy through 1-4-1 receipts at 30% with rents charged at affordable levels.

Chart 5.2 – Interest Cover Ratio projections – addition of 500 new homes

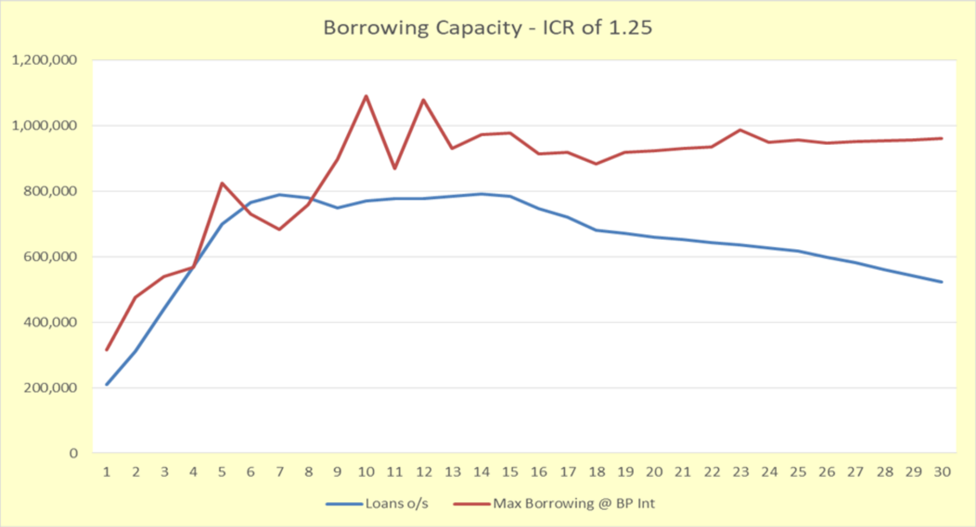


The closing HRA CFR position is higher at £391million but with borrowing headroom minimised at £112million at year 3. Whilst borrowing increases the benefit of additional net rental income increases borrowing capacity.

C. Increase in Interest Charges

In this scenario we have modelled the average interest rate for new borrowing and refinancing at 3.0% to demonstrate the impact this would have on the plan and the ICR borrowing capacity metric.

Chart 5.3 – Interest Cover Ratio Projections – Additional 1% Interest Charge

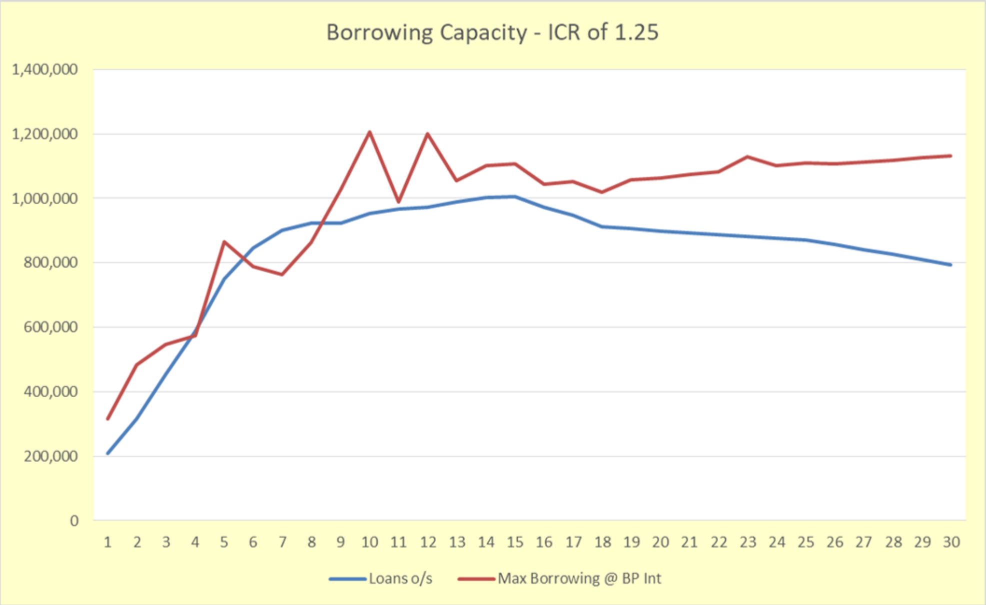


The additional interest charge results in additional borrowing with a forecast closing position of £522million and for a short period of two years the levels of loan capacity being exceeded.

D. Combination of scenarios

We have modelled the combined impact of the above scenarios upon the ICR.

Chart 5.4 – Interest Cover Ratio Projections – Combination of Energy Efficiency, 500 New Homes and Interest Rate Increase



The final debt outstanding is forecast at £794million and in terms of debt capacity, the modelling demonstrates that between years 6 and 8 the HRA CFR would be greater than the suggest maximum level of borrowing.

There are a series of mitigating factors to the scenarios modelled:

- There could be a form of Government subsidy towards the costs of energy efficiency works

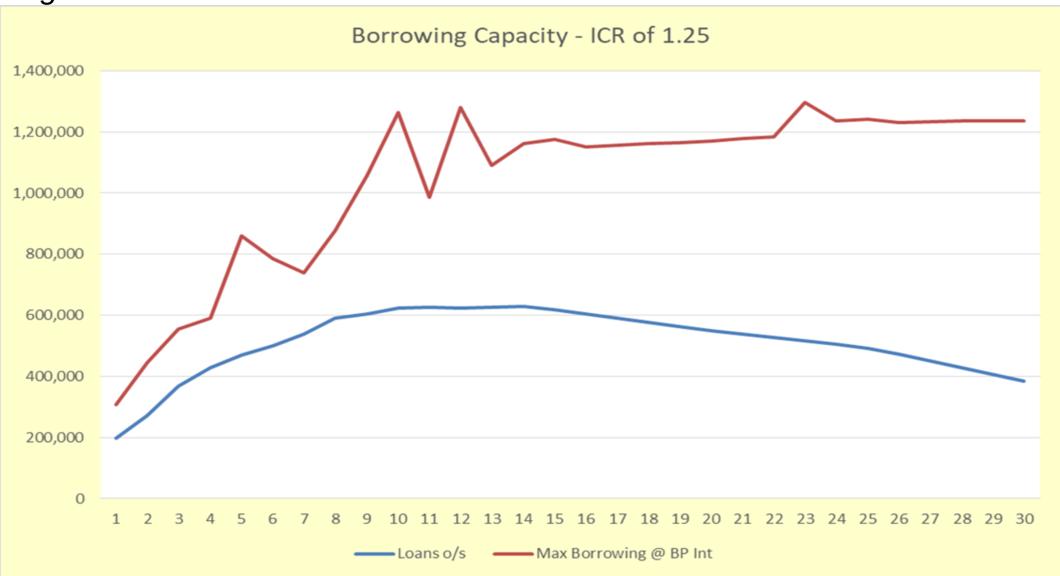
- The profile of delivery of the additional 500 homes could be delayed or spread over a greater period

- The risk of interest rate increases will be offset by significant borrowing in the earlier years which will be on fixed rate borrowing rates this bringing down the average interest rate, possibly below the 2.0% modelled.

E. Exclusion of Bridge Close Regeneration Scheme

This scenario considers the exclusion of the Bridge Close Regeneration scheme initially delivering a total of 535 properties for rent at affordable and sub-market rent with shared ownership included.

Chart 5.5 – Interest Cover Ratio Projections – Exclusion of Bridge Close Regeneration Scheme



Due to the positive impact this scheme has on the plan the resulting debt at year 30 increases to £385.4million, an increase of £69.6million. It does, however, create additional borrowing capacity where the minimum headroom is £163million in year four.

13.0 **Summary**

13.1 The HRA business plan forecast has been refined to generate an analysis of future borrowing capacity.

13.2 The defined four metrics or ratios illustrate how a capacity framework might be developed to underpin future decision making in investment and borrowing strategies.

13.3 Operating margins of c23% are lower than the national HRA average and peer group. Our current performance against the four capacity metrics suggests that the HRA is however slightly higher geared initially than the average HRA and then increases with additional borrowing. This then reduces after year 6. Unutilised capacity is immediately available, but dependent upon assumptions within the model this may be planned to be utilised in future years.

13.4 The plan provides a robust base upon which to analyse future debt capacity levels.

13.5 By substantially increasing the investment in existing stock, for example to assist with meeting the energy efficiency agenda, would still result viable business plan although at the expense of additional borrowing. The investment in new stock, through the acquisitions and regeneration schemes, creates the income stream from the additional rent, that enables the long-term investment in the existing stock. Without that investment in new stock the income stream would diminish, thus reducing our ability to maintain our stock to a decent level.

13.6 The primary suggested capacity constraint, therefore, within the business plan is the Interest Cover Ratio, which measures the extent to which operating surpluses can cover debt interest payments and provide comfort against short-medium term reductions in income or increases in costs against the backdrop of £10million minimum reserve balances (inflated) within the plan.

13.7 The Council can affect future operating surpluses through effective cost management and this would increase borrowing capacity. Similarly, increases in inflation and in particular in rent inflation would add significantly to future capacity.

REASONS AND OPTIONS

14.0 Reasons for the decision:

It is best practice from the CIPFA to carry out a review of the 30 year business plan on a regular basis and to test out potential scenarios based on the risks that have been identified. The proposed prudential borrowing rules enable the assessment of the risks to the business plan to be considered in the context of the impact they would have to the financial health of the HRA.

15.0 Other options considered:

15.1 Alternative scenarios and options have been set out in the body of the report.

IMPLICATIONS AND RISKS

16.0 Financial implications and risks:

16.1 As has been portrayed in the graphs and information earlier in this report, the latest plan seeks to maximise the investment in regeneration programmes in order to deliver new homes for the borough. The consequence of this is that the capital expenditure profile drives up the level of borrowing required in order to achieve this objective, taking the peak borrowing year in the plan (2026/27) to £770.00m. Up to year 13, the borrowing remains above £731m before reducing over the remainder of the plan as capital expenditure decreases. This sustained increased debt level, reduces the ability of the HRA to absorb and manage the financial impact of unforeseen and unplanned risks that may materialise during the course of the plan.

16.2 This means that if any overspends to budget occur which place an increased burden on the HRA, or if capital receipts are delayed or reduced, this would further increase the borrowing requirement. The HRA is currently by law not allowed to budget for an in year I&E deficit so there is a point where the revenue budget cannot support sustained high levels of borrowing. Therefore, the Council would need to identify and implement a number of actions which mitigate and reduce the pressure on borrowing.

16.3 It is important to note that the spend profile in this plan is not wholly and contractually committed such that the council is left with no controls or levers with which to control the level of capital spend set out in the programme. It sets out the aspiration of what could be achieved within the constraints of the assumed borrowing cap and reserves if everything went to plan, while also demonstrating that over the longer term the plan can be maintained as a viable proposition.

16.4 The Business Plan conforms to the Chartered Institute of Housing (CIH) and CIPFA voluntary code on self-financing HRAs. This includes compliance with CIPFA's Code of Practice on Local Authority Accounting in the UK including depreciation of assets on a componential basis.

16.5 The Council complies with the both the principles of co-regulation as set out in "The Regulatory Framework for Social Housing in England from 2012" and the requirements of the CIPFA/CIH "Voluntary code of practice on self-financing HRAs".

17.0 Legal implications and risks

17.1 Statutory requirements as to the keeping of a Housing Revenue Account (HRA) are contained in the Local Government and Housing Act 1989. The provisions include a duty, under Section 76 of the Act, to budget to prevent a debit balance on the HRA and to implement and review the budget.

17.2 The Localism Act 2011 contains provisions relating to housing finance in Sections 167 to 175. These provisions introduced a new system of council housing finance which ended the current Housing Revenue Account subsidy system in England and replaced it with self-financing arrangements. Section 171 of the Localism Act 2011 empowered the Secretary of State to make provision relating to the level of indebtedness in relation to local housing authorities in England which keep a Housing Revenue Account.

17.3 Under Regulation 12 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) local authorities are required to use RTB capital receipts to pay the "poolable amount" to the Secretary of State, on a quarterly basis.

18. Human Resources implications and risks:

There are no direct human resources implications of this report.

19. Equalities implications and risks:

The investment in the council housing stock and the delivery of new affordable housing set out in this report will have a positive impact on current and future tenants with protected characteristics.

20. Health and Wellbeing implications and Risks

The provision of good quality affordable housing has a direct impact on the health and well-being of residents of Havering.

BACKGROUND PAPERS

Appendices

Appendix 1. Housing Investment Needs for council stock
Appendix 2. HRA Business Plan Projections

Appendix 1

Housing Investment Needs for council stock

Source: Savills Stock Condition Survey 2020

Element	Years 1 to 5	Years 6 to 10	Years 11 to 15	Years 16 to 20	Years 21 to 25	Years 26 to 30	30 year total
Capital							
Capital Programme	£34,713,845	£84,276,624	£78,412,849	£54,005,198	£65,624,718	£37,590,886	£354,624,120
Contingent Major Repairs @ 3%	£1,041,415	£2,528,299	£2,352,385	£1,620,156	£1,968,742	£1,127,727	£10,638,724
Environmental Improvements	£4,351,000	£4,351,000	£2,500,000	£2,500,000	£2,500,000	£2,500,000	£18,702,000
Related Assets	£3,263,250	£3,263,250	£3,263,250	£3,263,250	£3,263,250	£3,263,250	£19,579,500
Asbestos Contingency	£1,000,000	£1,000,000	£1,000,000	£0	£0	£0	£3,000,000
Block - M&E	£5,000,000	£5,000,000	£0	£0	£0	£0	£10,000,000
Building Safety	£18,000,000	£0	£0	£0	£0	£0	£18,000,000
Zero Carbon	£25,000,000	£25,000,000	£25,000,000	£0	£0	£0	£75,000,000
Sub total	£92,369,511	£125,419,173	£112,528,484	£61,388,604	£73,356,710	£44,481,862	£509,544,343
Revenue							
Responsive Maintenance	£32,632,500	£32,632,500	£32,632,500	£32,632,500	£32,632,500	£32,632,500	£195,795,000
Void Maintenance	£10,877,500	£10,877,500	£10,877,500	£10,877,500	£10,877,500	£10,877,500	£65,265,000
Compliance programme	£17,404,000	£17,404,000	£17,404,000	£17,404,000	£17,404,000	£17,404,000	£104,424,000
Cyclical Maintenance	£15,228,500	£15,228,500	£15,228,500	£15,228,500	£15,228,500	£15,228,500	£91,371,000
Sub total	£76,142,500	£76,142,500	£76,142,500	£76,142,500	£76,142,500	£76,142,500	£456,855,000
Grand Total	£168,512,011	£201,561,673	£188,670,984	£137,531,104	£149,499,210	£120,624,362	£966,399,343
Total per annum	£33,702,402	£40,312,335	£37,734,197	£27,506,221	£29,899,842	£24,124,872	£32,213,311

Total cost per property over 30 years	£98,161

Appendix 2 – HRA Business Plan Projections

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Financial Year	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33	2033.34	2034.35
HRA 30 YEAR SUMMARY															
Dwelling rents	45,699,668	46,749,905	47,169,856	48,995,298	51,160,423	55,624,883	57,386,754	60,972,376	62,694,695	65,237,153	67,280,805	69,705,604	72,181,094	74,615,575	75,735,719
Non-dwelling rents	326,280	327,911	334,470	341,159	347,982	354,942	362,041	369,281	376,667	384,200	391,884	399,722	407,717	415,871	424,188
Service charge income	7,390,380	7,427,332	7,575,879	7,727,396	7,881,944	8,039,583	8,200,375	8,364,382	8,531,670	8,702,303	8,876,349	9,053,876	9,234,954	9,419,653	9,608,046
Other income and contributions	1,036,834	1,541,385	3,364,049	3,923,659	11,961,390	8,012,949	6,854,252	8,125,208	13,215,290	16,917,373	8,262,976	14,959,935	7,723,255	7,958,500	8,296,816
Total income	**54,453,161**	**56,046,534**	**58,444,253**	**60,987,513**	**71,351,739**	**72,032,356**	**72,803,421**	**77,831,248**	**84,818,322**	**91,241,030**	**84,812,014**	**94,119,138**	**89,547,019**	**92,409,599**	**94,064,769**
Repairs & maintenance	7,242,350	7,270,056	7,392,413	7,540,092	7,757,513	8,090,148	8,315,048	8,605,099	8,787,303	9,019,094	9,230,890	9,463,352	9,698,965	9,929,737	10,089,122
Management (incl RRT)	24,861,760	25,060,288	25,610,289	26,219,213	26,968,176	27,930,232	28,707,613	29,599,303	30,307,086	31,134,727	31,885,733	32,692,519	33,520,477	34,354,442	35,054,546
Bad debts	656,911	471,897	471,906	490,407	508,812	554,186	567,935	604,170	621,385	646,961	667,440	691,801	716,671	741,116	752,140
Dwelling Depreciation	9,304,000	9,304,000	9,304,000	9,479,600	9,658,712	9,841,406	10,038,234	10,238,999	10,443,779	10,652,655	10,865,708	11,083,022	11,304,682	11,530,776	11,761,391
Debt management	47,820	48,059	49,020	50,001	51,001	52,021	53,061	54,122	55,205	56,309	57,435	58,584	59,755	60,951	62,170
Total costs	**42,112,841**	**42,154,300**	**42,827,629**	**43,779,312**	**44,944,214**	**46,467,992**	**47,681,892**	**49,101,693**	**50,214,757**	**51,509,745**	**52,707,207**	**53,989,277**	**55,300,551**	**56,617,021**	**57,719,369**
Net income from services	**12,340,320**	**13,892,234**	**15,616,624**	**17,208,201**	**26,407,525**	**25,564,364**	**25,121,529**	**28,729,555**	**34,603,565**	**39,731,284**	**32,104,807**	**40,129,861**	**34,246,468**	**35,792,578**	**36,345,400**
Interest payable	-6,420,270	-6,622,124	-8,686,780	-11,263,859	-13,776,384	-16,230,025	-17,308,221	-17,235,040	-16,685,073	-15,847,137	-15,938,108	-15,739,255	-15,387,323	-15,180,278	-14,922,790
Interest income	515,428	547,503	562,848	430,322	303,406	167,554	400,919	402,486	375,561	194,785	87,113	-32,479	-12,713	6,600	28,884
Net income/expenditure before appropri	**6,435,478**	**7,817,612**	**7,492,692**	**6,374,664**	**12,934,547**	**9,501,894**	**8,214,227**	**11,897,000**	**18,294,053**	**24,078,932**	**16,253,813**	**24,358,127**	**18,846,432**	**20,618,900**	**21,451,494**
Set aside for debt repayment	0	0	0	0	0	0	0	-11,566,379	-17,618,719	0	-46,056	-8,045,162	0	-1,698,762	-15,105,493
Revenue contributions to capital	-1,917,000	-12,117,761	-7,291,692	-6,169,644	-12,725,427	-9,288,591	-7,996,659	0	0	-24,405,723	-15,972,253	-15,956,738	-18,717,427	-18,405,624	-6,036,906
Net HRA Surplus/Deficit	**4,518,478**	**-4,300,149**	**201,000**	**205,020**	**209,120**	**213,303**	**217,569**	**330,621**	**675,334**	**-326,790**	**235,504**	**356,227**	**129,005**	**514,514**	**309,095**
HRA Balance brought forward	**9,831,671**	**14,350,149**	**10,050,000**	**10,251,000**	**10,456,020**	**10,665,140**	**10,878,443**	**11,096,012**	**11,426,633**	**12,101,967**	**11,775,177**	**12,010,680**	**12,366,907**	**12,495,912**	**13,010,426**
HRA surplus/(deficit)	4,518,478	-4,300,149	201,000	205,020	209,120	213,303	217,569	330,621	675,334	-326,790	235,504	356,227	129,005	514,514	309,095
HRA Balance carried forward	**14,350,149**	**10,050,000**	**10,251,000**	**10,456,020**	**10,665,140**	**10,878,443**	**11,096,012**	**11,426,633**	**12,101,967**	**11,775,177**	**12,010,680**	**12,366,907**	**12,495,912**	**13,010,426**	**13,319,521**

Year	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Financial Year	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.50
HRA 30 YEAR SUMMARY															
Dwelling rents	75,756,685	75,971,472	76,001,685	77,153,397	78,320,777	79,503,990	80,703,204	81,918,585	83,150,299	84,398,515	85,663,399	86,945,119	88,243,843	89,559,737	90,892,970
Non-dwelling rents	432,672	441,326	450,152	459,155	468,338	477,705	487,259	497,004	506,944	517,083	527,425	537,973	548,733	559,708	570,902
Service charge income	9,800,207	9,996,211	10,196,135	10,400,058	10,608,059	10,820,220	11,036,624	11,257,357	11,482,504	11,712,154	11,946,397	12,185,325	12,429,032	12,677,612	12,931,165
Other income and contributions	8,522,694	8,911,026	8,896,582	8,882,909	8,870,017	8,857,915	8,846,613	8,836,121	8,826,451	8,817,612	8,809,616	8,802,474	8,796,198	8,790,799	8,786,289
Total income	**94,512,258**	**95,320,034**	**95,544,555**	**96,895,519**	**98,267,191**	**99,659,830**	**101,073,700**	**102,509,067**	**103,966,198**	**105,445,364**	**106,946,837**	**108,470,892**	**110,017,805**	**111,587,856**	**113,181,325**
Repairs & maintenance	10,201,152	10,323,476	10,440,288	10,606,317	10,775,298	10,947,277	11,122,302	11,300,420	11,481,681	11,666,134	11,853,828	12,044,812	12,239,138	12,436,857	12,638,019
Management (incl RRT)	35,671,611	36,315,697	36,959,344	37,698,531	38,452,502	39,221,552	40,005,983	40,806,103	41,622,225	42,454,669	43,303,763	44,169,838	45,053,235	45,954,299	46,873,385
Bad debts	751,941	753,711	753,589	764,902	776,367	787,984	799,755	811,682	823,766	836,009	848,412	860,976	873,704	886,597	899,656
Dwelling Depreciation	11,996,619	12,236,552	12,481,283	12,730,908	12,985,527	13,245,237	13,510,142	13,780,345	14,055,952	14,337,071	14,623,812	14,916,288	15,214,614	15,518,906	15,829,284
Debt management	63,413	64,681	65,975	67,294	68,640	70,013	71,413	72,842	74,298	75,784	77,300	78,846	80,423	82,031	83,672
Total costs	**58,684,735**	**59,694,117**	**60,700,479**	**61,867,953**	**63,058,333**	**64,272,063**	**65,509,595**	**66,771,391**	**68,057,922**	**69,369,667**	**70,707,114**	**72,070,761**	**73,461,114**	**74,878,691**	**76,324,016**
Net income from services	**35,827,523**	**35,625,917**	**34,844,076**	**35,027,566**	**35,208,858**	**35,387,768**	**35,564,106**	**35,737,676**	**35,908,276**	**36,075,697**	**36,239,723**	**36,400,131**	**36,556,691**	**36,709,165**	**36,857,309**
Interest payable	-14,874,546	-13,979,878	-13,256,600	-12,337,237	-11,964,793	-11,579,162	-11,256,673	-9,978,582	-10,171,522	-9,797,650	-9,442,923	-8,899,994	-8,352,146	-7,792,499	-7,224,558
Interest income	50,607	71,467	99,391	122,003	147,510	169,388	195,384	221,783	255,103	275,429	307,374	337,514	369,721	401,776	434,802
Net income/expenditure before appropri	**21,003,583**	**21,717,506**	**21,686,867**	**22,812,333**	**23,391,574**	**23,977,993**	**24,502,817**	**25,980,877**	**25,991,858**	**26,553,477**	**27,104,174**	**27,837,650**	**28,574,266**	**29,318,443**	**30,067,553**
Set aside for debt repayment	-20,952,593	-20,605,933	-21,579,862	-18,597,127	-19,437,233	-16,096,729	-16,532,966	-16,710,399	-18,852,758	-17,217,552	-26,793,793	-27,326,988	-27,949,145	-28,368,601	-28,690,837
Revenue contributions to capital	0	0	0	-3,747,675	-4,216,074	-7,583,767	-7,735,177	-8,014,902	-8,184,639	-8,583,441	0	0	-287,383	-600,829	-1,023,339
Net HRA Surplus/Deficit	**50,989**	**1,111,573**	**107,005**	**467,531**	**-261,733**	**297,498**	**234,673**	**1,255,576**	**-1,045,539**	**752,483**	**310,381**	**510,663**	**337,739**	**349,013**	**353,378**
HRA Balance brought forward	**13,319,521**	**13,370,510**	**14,482,083**	**14,589,088**	**15,056,619**	**14,794,886**	**15,092,384**	**15,327,058**	**16,582,634**	**15,537,096**	**16,289,579**	**16,599,960**	**17,110,623**	**17,448,362**	**17,797,374**
HRA surplus/(deficit)	50,989	1,111,573	107,005	467,531	-261,733	297,498	234,673	1,255,576	-1,045,539	752,483	310,381	510,663	337,739	349,013	353,378
HRA Balance carried forward	**13,370,510**	**14,482,083**	**14,589,088**	**15,056,619**	**14,794,886**	**15,092,384**	**15,327,058**	**16,582,634**	**15,537,096**	**16,289,579**	**16,599,960**	**17,110,623**	**17,448,362**	**17,797,374**	**18,150,752**

Cabinet, 16 December 2020

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Financial Year	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33	2033.34	2034.35
HRA CAPITAL PROGRAMME															
Stock capital investment	34,102,932	19,033,250	19,383,665	19,740,483	20,103,821	28,859,680	29,395,055	29,956,264	30,618,606	31,691,052	29,252,455	30,171,353	30,764,732	31,512,213	32,195,382
Other improvements	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Development/Acquisition	29,271,755	57,607,173	88,400,280	49,418,151	46,598,255	44,341,281	43,209,613	48,895,128	45,325,100	37,616,278	27,094,321	16,175,567	15,745,419	14,958,148	0
Demolition & Forward Funding	17,528,066	27,889,731	60,563,927	100,585,272	141,920,251	103,370,740	77,960,528	25,337,873	24,762,373	18,767,786	0	0	0	0	0
Other Regeneration	20,055,036	28,580,631	16,682,653	10,056,176	4,402,794	8,379,628	18,035,268	13,569,164	11,731,481	3,316,475	512,803	0	0	0	0
Capital programme	**100,957,789**	**133,110,786**	**185,030,524**	**179,800,082**	**213,025,121**	**184,951,329**	**168,600,464**	**117,758,429**	**112,437,560**	**91,391,590**	**56,859,580**	**46,346,920**	**46,510,151**	**46,470,360**	**32,195,382**
Scheduled Debt Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financed by...															
Major Repairs Reserve	-31,034,664	-9,304,000	-9,304,000	-9,479,600	-9,658,712	-9,841,406	-10,038,234	-5,123,254	7,996,124	-10,652,655	-10,865,708	-11,083,022	-11,304,682	-11,530,776	-11,761,391
RTB receipts (Allowable Debt)	-1,459,779	-1,065,039	-1,072,644	-1,080,265	-1,073,930	-1,067,468	-1,060,876	-1,054,153	-1,047,295	-1,040,301	-1,033,166	-1,025,888	-1,018,465	-1,010,894	-1,003,171
1-4-1 receipts	-5,594,802	-4,116,130	-7,480,420	-8,354,837	-8,991,521	-4,901,958	-3,283,799	-1,670,035	-1,334,390	-249,645	0	0	0	0	0
Other receipts and grants	-49,614,194	-4,663,738	-30,930,675	-29,238,970	-53,594,257	-100,344,741	-127,583,222	-109,910,987	-118,051,998	-40,523,396	-28,825,843	-18,281,272	-15,457,409	-15,523,067	-13,393,913
Revenue contributions	-1,917,000	-12,117,761	-7,291,692	-6,169,644	-12,725,427	-9,288,591	-7,996,659	0	0	-24,405,723	-15,972,253	-15,956,738	-18,717,427	-18,405,624	-6,036,906
HRA borrowing	-11,337,350	-101,844,118	-128,951,093	-125,476,765	-126,981,274	-59,507,165	-18,637,674	0	0	-14,519,872	-162,611	0	-12,167	0	0
Capital financing	**-100,957,789**	**-133,110,786**	**-185,030,524**	**-179,800,082**	**-213,025,121**	**-184,951,329**	**-168,600,464**	**-117,758,429**	**-112,437,560**	**-91,391,590**	**-56,859,580**	**-46,346,920**	**-46,510,151**	**-46,470,360**	**-32,195,382**
Net balance on capital programme	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Major Repairs Reserve b/fwd	**21,730,664**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
HRA depreciation (net)	9,304,000	9,304,000	9,304,000	9,479,600	9,658,712	9,841,406	10,038,234	10,238,999	10,443,779	10,652,655	10,865,708	11,083,022	11,304,682	11,530,776	11,761,391
Financing for capital programme	-31,034,664	-9,304,000	-9,304,000	-9,479,600	-9,658,712	-9,841,406	-10,038,234	-5,123,254	7,996,124	-10,652,655	-10,865,708	-11,083,022	-11,304,682	-11,530,776	-11,761,391
Debt Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Repayment (Max)	0	0	0	0	0	0	0	-5,115,745	-18,439,903	0	0	0	0	0	0
Major Repairs Reserve c/fwd	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Year	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Financial Year	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.50
HRA CAPITAL PROGRAMME															
Stock capital investment	24,334,253	24,939,077	25,571,122	26,045,040	26,382,445	29,974,698	30,355,900	30,870,748	31,394,046	31,925,929	23,091,832	23,494,760	23,904,569	24,321,372	24,745,285
Other improvements	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Development/Acquisition	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Demolition & Forward Funding	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Regeneration	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital programme	**24,334,253**	**24,939,077**	**25,571,122**	**26,045,040**	**26,382,445**	**29,974,698**	**30,355,900**	**30,870,748**	**31,394,046**	**31,925,929**	**23,091,832**	**23,494,760**	**23,904,569**	**24,321,372**	**24,745,285**
Scheduled Debt Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financed by...															
Major Repairs Reserve	12,267,060	2,716,846	13,589,920	-12,730,908	-12,985,527	-13,245,237	-13,510,142	-13,780,345	-14,055,952	-14,337,071	-14,287,375	-14,891,250	-15,214,614	-15,518,906	-15,829,284
RTB receipts (Allowable Debt)	-995,294	-987,259	-979,064	-970,704	-962,177	-953,480	-944,609	-935,561	-926,331	-916,917	-907,314	-897,520	-887,530	-877,340	-866,946
1-4-1 receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other receipts and grants	-35,606,018	-26,668,663	-38,181,978	-8,595,752	-8,218,666	-8,192,214	-8,165,972	-8,139,940	-8,114,117	-8,088,500	-7,897,143	-7,705,990	-7,515,042	-7,324,296	-7,025,716
Revenue contributions	0	0	0	-3,747,675	-4,216,074	-7,583,767	-7,735,177	-8,014,902	-8,184,639	-8,583,441	0	0	-287,383	-600,829	-1,023,339
HRA borrowing	0	0	0	0	0	0	0	0	-113,009	0	0	0	0	0	0
Capital financing	**-24,334,253**	**-24,939,077**	**-25,571,122**	**-26,045,040**	**-26,382,445**	**-29,974,698**	**-30,355,900**	**-30,870,748**	**-31,394,046**	**-31,925,929**	**-23,091,832**	**-23,494,760**	**-23,904,569**	**-24,321,372**	**-24,745,285**
Net balance on capital programme	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Major Repairs Reserve b/fwd	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
HRA depreciation (net)	11,996,619	12,236,552	12,481,283	12,730,908	12,985,527	13,245,237	13,510,142	13,780,345	14,055,952	14,337,071	14,623,812	14,916,288	15,214,614	15,518,906	15,829,284
Financing for capital programme	12,267,060	2,716,846	13,589,920	-12,730,908	-12,985,527	-13,245,237	-13,510,142	-13,780,345	-14,055,952	-14,337,071	-14,287,375	-14,891,250	-15,214,614	-15,518,906	-15,829,284
Debt Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Repayment (Max)	-24,263,679	-14,953,397	-26,071,202	0	0	0	0	0	0	0	-336,437	-25,039	0	0	0
Major Repairs Reserve c/fwd	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**