

## **CABINET**

**8th February 2023**

**Subject Heading:**

**HRA Business Plan update, Budget  
2023/24 & Capital Programme 2023/24–  
2027/28**

**Cabinet Member**

Councillor Paul McGeary  
Lead Member for Housing

**SLT Lead:**

Patrick Odling-Smee, Director of Housing

**Report Author and contact details:**

Patrick Odling-Smee, Director of Housing  
[Patrick.Odling-Smee@havering.gov.uk](mailto:Patrick.Odling-Smee@havering.gov.uk)

John Price  
Finance Business Partner  
01708 433595  
[j.price@havering.gov.uk](mailto:j.price@havering.gov.uk)

Makeda Mahoney  
Senior Financial Accountant  
01708 4334035  
[Makeda.mahoney@havering.gov.uk](mailto:Makeda.mahoney@havering.gov.uk)

Martin Fahy  
Financial Analyst  
01708 432651  
[martin.fahy@havering.gov.uk](mailto:martin.fahy@havering.gov.uk)

**Policy context:**

This report presents the HRA Budget recommendations for agreement by Cabinet and recommendations on to Council for consideration and approval.

**Financial summary:**

The Council is required to set an annual HRA Revenue Budget for 2023/24. This report includes recommendations to agree the HRA revenue spend budget, the rents and other charges, the HRA Major Works Capital Programme, detailed in Appendix 1a and the Business Plan projections as outlined in Appendix 2a and 2b.

**Is this a Key Decision?**

**Yes**

**Is this a Strategic Decision?**

**Yes**

**When should this matter be reviewed?** | September 2022

**Reviewing OSC** | Places

## **SUMMARY**

This report sets a budget for the Council's Housing Revenue Account (HRA) and HRA Major Works and Capital Programme. Cabinet approved the Housing Asset Management Plan 2021-2051 in October 2021 and the budgets and projections of expenditure required to maintain the stock to a good standard have been used in the preparation of the capital programme in this report. A summary is provided of the HRA Business Plan 2023-2053.

The HRA is a ring-fenced account that is used to manage and maintain the Council's own housing stock. The Council is legally required not to set a deficit budget. The proposed budget will enable the Council to manage and maintain the housing stock to a good standard and provide funding for a significant acquisition, new build and estate regeneration programme. It further sets rents, service charges and other charges for Council tenants and leaseholders for the year 2023/24.

As part of the new regulatory framework for local government housing services, councils are now subject to the Regulator of Social Housing's (RSH) Rent Standard. This has introduced the CPI + 1% increase arrangement, however, in response to the cost of living crisis, and to reduce the cost to the Government of the benefits bill, the RSH has imposed a cap this year limiting increases to 7%.

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

Should the Cabinet adopt the recommendations, a notification will be sent to tenants in the first week of March 2023, to make the new charge effective from the first week of April 2023.

## **RECOMMENDATIONS**

That Cabinet:

- 1 Approve the Housing Revenue Account Budget as detailed in paragraph 3.5.
- 2 Agree that the rents chargeable for tenants in general needs Council properties owned by the London Borough of Havering be increased by 7.0% from the week commencing 3<sup>rd</sup> April 2023.
- 3 Agree that the rents chargeable for tenants in supported housing Council properties, such as sheltered housing and hostels, owned by the London

Borough of Havering, are increased by 7.0% from the week commencing 3<sup>rd</sup> April 2023.

- 4 Agree the four rent-free weeks for 2023/24 are: the week commencing of 28<sup>th</sup> August 2023, 18<sup>th</sup> & 25<sup>th</sup> December 2023 and the 25<sup>th</sup> March 2024.
- 5 Agree that service charges and heating and hot water charges for 2023/24 are as detailed in paragraph 3.14 of this report.
- 6 Agree that charges for garages should be increased by 7.0% in 2023/24 as detailed in paragraph 2.10 of this report.
- 7 Agree that the service charge for the provision of intensive housing management support in sheltered housing for 2023/24 shall be as detailed in paragraph 3.17 of this report.
- 8 Agree the Supported Housing Charge for HRA Hostels as detailed in paragraph 3.23 of this report.
- 9 Agree that the rent charge to shared ownership leaseholders is increased by 7% as detailed in paragraph 2.9 of this report.
- 10 Agree that the Careline and Telecare support charge should be increased by 7.0% for 2023/24 as detailed in paragraph 3.21 of this report.
- 11 Approve the HRA Major Works Capital Programme, detailed in Appendix 1a of this report and refer it to full Council for final ratification.
- 12 Approve the HRA Capital expenditure and financing for the 12 Estates Joint Venture and other acquisition and regeneration opportunities detailed in section and Appendix 1b of this report and refer it to full Council for final ratification.

<b>REPORT DETAIL</b>
----------------------

## **1. BACKGROUND**

- 1.1 This report sets out what HRA income the Council has available to spend on housing, the current HRA financial position and the proposed spending plans for 2023/24.
- 1.2 The regulation of social housing has changed as a result of the Grenfell Tower disaster and the Housing Green Paper of 2019. The Government has instructed the Regulator of Social Housing to take a more proactive role in the implementation of the standards and quality of management of council housing. The Housing White Paper has set out a "Charter for Social Housing Residents" that aims to improve the way that residents engage with their landlords. The Government has also implemented a new rent standard for all social housing and issued guidance to local authorities on the implementation of this standard.

## **Cabinet 8th February 2023**

- 1.3 The Council recognises that there is a need for good quality affordable homes, especially for vulnerable residents such as the elderly, those on low income and first-time buyers, and has set out its ambition to meet these needs by using resources generated through the Housing Revenue Account Business Plan. The formula for setting social rent should enable registered providers, including councils, to set rents at a level that allows them to meet their obligations to their tenants, maintain their stock, to at least Decent Homes Standard, and continue to function as financially viable organisations.
- 1.4 However, there are many influences on the resources available to the HRA. These are all identified and quantified within the HRA Business Plan (HRA BP). The Business Plan is composed of various income and expenditure lines. Some of the lines are under the complete control of the Council, whilst some are affected by market conditions, government policy and legislation.
- 1.5 The lines in the business plan that have a direct impact on the income into the HRA BP include:
- Rent policy regarding supported housing rents.
  - Service charge recovery.
- 1.6 The elements which affect the levels of expenditure in the HRA BP include:
- Planned maintenance to existing stock.
  - Responsive repairs and Compliance costs to existing stock.
  - Delivery of new build homes.
  - Staffing costs.
  - Financing costs of the borrowing in the HRA and interest rates.
  - Losses from bad debts, voids etc.
- 1.7 The Building Safety Act 2022 impacts on the HRA are:
- Building Safety and maintaining homes:
    - A strengthened role of the existing Regulator of Social Housing (RSH) in consumer regulation and safety with links to the new Building Safety Regulator.
    - Social landlords must identify a nominated person responsible for Health & Safety
    - Requirement to have data relating to the construction and maintenance of buildings.
- 1.8 A separate report was presented to Cabinet in January 2022 setting out in detail the implications of the Act and the actions that the Council, as a landlord, will be required to take to prepare for its implementation.

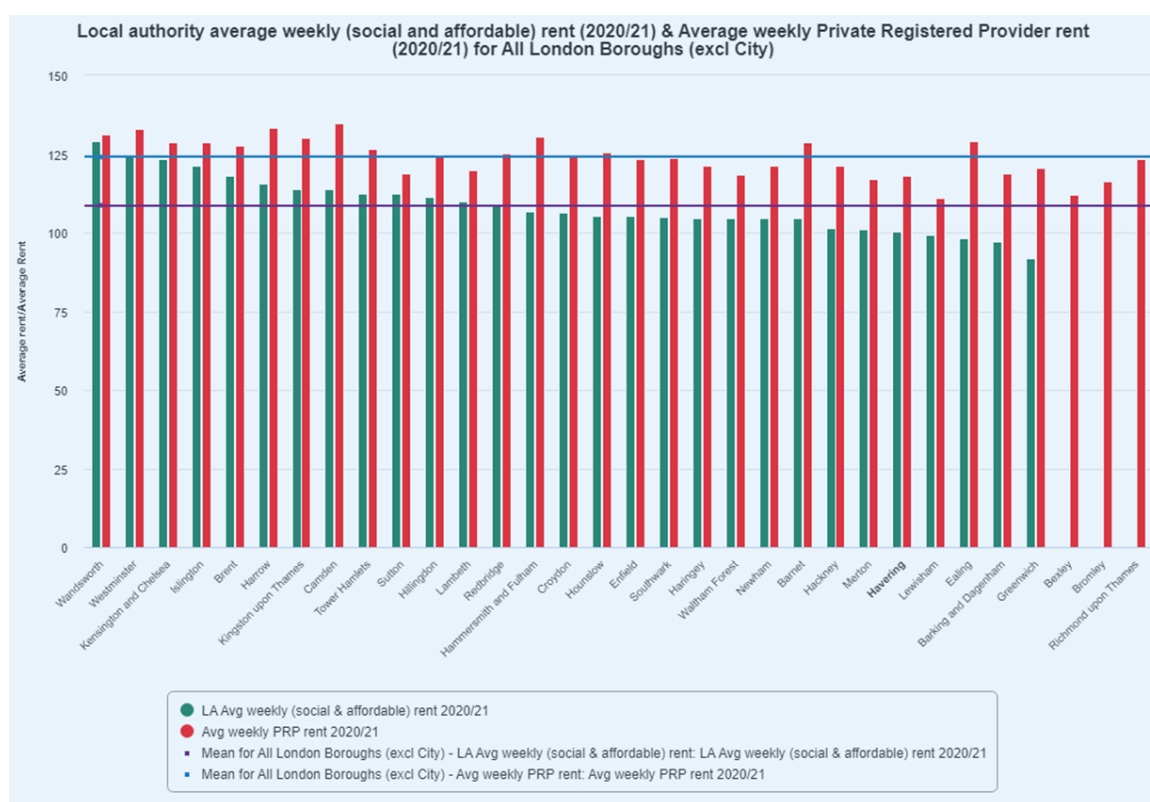
## **2. INCOME**

### **2.1 Rents**

- 2.2 Since 2020/21 the RSH has followed rent setting formula of up to CPI +1%, which was intended to apply for 5 years. This provided certainty for rents in council housing up to 2025. However, in response to the steep increase in inflation, and the impact that will have on the cost to the government of welfare benefits the Government, through the RSH, has imposed a cap of 7.0%. The Council does have discretion to set a lower rent however, the significant strain on costs on the HRA

next year it is recommended to implement the maximum increase allowed. The analysis of the Business Plan in Section 7 demonstrates that given the inflationary impact on building and maintenance costs, and the likely salaries increases, the proposed rent increase only just keeps the HRA in balance within the performance measures.

- 2.3 Following the implementation of Universal Credit a new social housing rents cap at LHA levels was introduced in 2019/20 to replace “limit rents”. In Havering, given the historically low level of council rents, the LHA levels for each bedroom size are above the proposed levels of the 2023/24 social rents and so there is no impact on the HRA BP. Future announcements on LHA levels may have a future impact and this will be kept under review and reported annually as part of the rent setting report. The table below shows the Havering rent levels compared to other London boroughs and the housing association rents in 2020/21 (the latest year for which data is available).



- 2.4 The table shows that Havering Council rents are some of the lowest in London compared to other councils as well as being significantly lower than housing associations rents.
- 2.5 The RSH cap does not apply to formula rents, and the RSH permits the Council to increase formula rents by the CPI + 1%. Formula rents are those underlying rents calculated by the rent formula. Havering has relatively low rents compared to other London boroughs and compared to other sectors. It is therefore proposed that formula rents are increased by the September 2022 inflation rate (10.1%) plus 1%. This will apply to all properties let on or after the 3<sup>rd</sup> April 2023.
- 2.6 The RSH has confirmed that the rent cap does not apply to supported housing such as sheltered housing and hostels. Given the impact on the cost-of-living effects

## **Cabinet 8th February 2023**

those tenants as much as any other, it is recommended that the increase is limited to 7% for sheltered housing tenants in the same way as general needs tenants.

- 2.7 The 2023/24 average weekly rent, applying the 7.0% increase to all General Needs properties and Sheltered Housing units is £122.24. Individually, the average weekly rent for the general needs properties is £123.42 and £104.63 for the sheltered housing.
- 2.8 The rent charged to hostel residents will be increased in line with new general needs rents for 2023/4 – 7.0%.
- 2.9 Shared ownership leaseholders pay rent for the proportion of the equity of the property that they do not own. The lease stipulates that the increase is in line with the retail price index (RPI). The RPI was 12.6%, however, in order to alleviate the impact of this increase, and in line with the guidance from the RSH, it is recommended that this is capped at 7% in line with other rent increases.
- 2.10 **Garages**
- 2.11 It is proposed to increase the level of charges for garages in 2023/4 by 7.0%. There are currently a range of charges for garages within the high, medium and low demand bands. Over one third of our garages have low rates of occupancy. This is due to a combination of poor condition and low marketability. There is significant investment 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 £17.35 per week (£16.21 in 2022/23), £16.16 per week (£15.10 in 2022/23), for a medium demand garage and £12.57 per week (£11.75 in 2022/23) for a low-demand garage.

## **2.8 Service charges**

<b>Service Charges</b>	<b>2022/23 Weekly charge (£)</b>	<b>2023/24 Weekly charge (£)</b>
Caretaking	3.92	4.83
Internal Block Cleaning	4.25	5.15
Bulk Refuse Collection	0.80	0.87
CCTV - Static Service	1.70	No charge
Housing Enforcement Services	1.44	No charge
Door Entry	0.34	0.41
Grounds Maintenance	4.88	5.30
TV access	1.88	2.30

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

- 3 The increases in the costs of the service relate to the increases in salary costs and increased costs of fuel. The weekly increase in the costs of this service is £1.89. Tenants and leaseholders will benefit from not paying the CCTV and enforcement charges, of £3.14.

**3.8 Enforcement Services & Static CCTV**

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

**3.10 Grounds Maintenance**

- 3.11 This is recommended to increase by 9% to cover increased costs of staffing, contract inflation and increased costs of tree maintenance.

**3.12 Communal Electricity**

- 3.13 Charges from April 2023 will be made based on the consumption at individual blocks in the previous calendar year. The price charged per kWh will be capped at the 2022/23 domestic price cap set by OFGEM of £0.32p. The communal electricity charge is full recoverable through Housing Benefit and Universal Credit.

**3.14 Heating & Hot Water Charges**

- 3.15 LBH is part of a consortium of 25 local authorities which enables the Council to continue to deliver considerable efficiencies and cost savings for our residents in the current volatile market conditions. 2022 has seen the most unprecedented wholesale gas and power price movement ever witnessed.
- 3.16 Charges for heating and hot water will be made based on the consumption at individual block and schemes from April 2023. Prices per kWh will be capped at the 2022/3 domestic price cap set by OFGEM of £0.10p.

**3.17 Sheltered Intensive Housing Management Charge**

- 3.18 The sheltered housing service has been reviewed in 2022 and the costs of providing the service has been revised. The new service standard will provide a consistent and high standard of service across all sheltered schemes. The review has been fully consulted on with residents and they have called for a more consistent level of service across all schemes. The service directly supports residents in schemes and in their homes.
- 3.19 Charges for cleaning scheme will reflect the actual costs of providing the cleaning service at each scheme. The average charge of £11.28 for 2022/23 will change to between £8.93 and £12.69 depending in which scheme the tenant is resident.
- 3.20 The costs of providing a consistent level of intensive housing management (IHMS) across all schemes will mean that the charge will increase from £16.68 in 2022/23 to £23.17. This reflects 80% of the cost of providing this service in 2023/24. The

### **Cabinet 8th February 2023**

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

#### **3.21 Service charges – Careline and Telecare support**

- 3.22 It is proposed that the Careline and Telecare service charges will be increased by 7.0%, in line with the rent cap, for 2023/24 as detailed below:

<b>Service</b>	<b>2022/23 Weekly charge (52 Wks) (£)</b>	<b>2023/24 Weekly charge (52 Wks) (£)</b>
Careline – sheltered tenants	5.29	5.66
Careline – community users	5.65	6.05

<b>Service</b>	<b>2022/23 Weekly charge (52 Wks) (£)</b>	<b>2023/24 Weekly charge (52 Wks) (£)</b>
Telecare – base unit plus two sensors	8.20	8.78
Additional Telecare sensor	1.35	1.45

#### **3.23 Hostels in the HRA**

- 3.24 Abercrombie House will close in April 2023 and a temporary hostel will open in Maygreen until the redevelopment of the Harold Hill site takes place. The service provides security and facilities across 24-hour coverage. The unit costs have therefore increased however these have been capped to reduce the impact on residents. The service charges are full recoverable through Housing Benefit and Universal Credit.

#### **Additional Hostel Support**

<b>Service</b>	<b>2022/23 Weekly charge (£)</b>	<b>2023/24 Weekly charge (£)</b>
Hostels - Additional Staffing Support (ASS)	31.13	38.91
Hostels – Service Charges (HSC)	60.77	75.96

### **3. THE HRA BUDGET 2023/4**

- 3.1 The major expenditure from the HRA Business Plan is the investment in existing stock or the capital programme. The level of expenditure is controlled by each local authority and is dependent on the investment levels in the Asset Management Strategy (AMS). During 2020/21, the council carried out a new stock condition survey, the results of which have informed investment decisions in the new Asset Management Strategy.



- 3.2 As detailed in the AMS, this level of expenditure allows decent homes levels to be maintained and health and safety requirements to be met. In order to meet the decent homes target, planned expenditure on new kitchens, bathrooms and electrical systems remain at previous levels.
- 3.3 The level of expenditure also begins to address the zero-carbon journey, bring the worst performing stock up to EPC C and maximising available grant where available.
- 3.4 As the main 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 65 properties per year through RTB and other stock due to regeneration. This reduces rental income by around £0.179m per year, assuming a full year loss of income per property. Rent loss will also be incurred from the loss of properties through the regeneration programme. These losses have been factored into the business plan income projections.

**3.5 Proposed HRA Budget 2023/24**

	<b>2022-23 Final Budget</b>	<b>2023-24 Final Budget</b>	<b>Variance</b>
<b>Income and Expenditure</b>		£	£
<b><i>Income</i></b>			
Dwelling rents	(49,025,150)	(52,814,450)	(3,789,300)
Garages	(369,600)	(395,470)	(25,870)
Charges for services and facilities - Tenants	(6,546,900)	(7,023,610)	(476,710)
Charges for services and facilities - Leaseholders	(1,744,570)	(3,196,650)	(1,452,080)
Shared ownership	(278,640)	(485,380)	(206,740)
Other	(733,060)	(750,470)	(17,410)
<b>Total Income</b>	<b>(58,697,920)</b>	<b>(64,666,030)</b>	<b>(5,968,110)</b>
<b><i>Expenditure</i></b>			
Repairs and maintenance	11,364,490	14,550,740	3,186,250
Supervision and management plus recharges	26,285,760	28,331,050	2,045,290
Depreciation and impairment	16,590,400	16,590,400	0
Debt management costs	47,820	47,820	0
Bad debt	665,080	665,080	0
<b>Total Expenditure</b>	<b>54,953,550</b>	<b>60,185,090</b>	<b>5,231,540</b>
<b>Net cost of HRA services</b>	<b>(3,744,370)</b>	<b>(4,480,940)</b>	<b>(736,570)</b>
Interest payable and similar charges	9,700,850	12,164,130	2,463,280
Interest and investment income	(35,640)	(35,640)	0
<b>Surplus or deficit for the year on HRA services</b>	<b>5,920,840</b>	<b>7,647,550</b>	<b>1,726,710</b>
<b>Statement on movement of HRA balances</b>			
<b>Surplus or deficit for the year on HRA services</b>	<b>5,920,840</b>	<b>7,647,550</b>	<b>1,726,710</b>
Capital expenditure funded by the HRA	4,270,110	500,000	(3,770,110)
Reversal of impairment charge	(6,778,300)	(6,778,300)	0
<b>Net (income)/Expenditure</b>	<b>3,412,650</b>	<b>1,369,250</b>	<b>(2,043,400)</b>
HRA balance brought forward		(19,573,812)	
Net (income)/Expenditure		1,369,250	
<b>HRA balance carried forward</b>	<b>(19,573,812)</b>	<b>(18,204,562)</b>	

### **3.6 Depreciation & Impairment**

- 3.7 Depreciation is the decline in the value of assets over time due to wear and tear. The Housing Revenue Account receives an annual charge, but an adjustment is also made for the same amount to the Major Repairs Reserve. This can be used to fund capital expenditure, or to pay off debt.
- 3.8 Impairments are reductions/increases in the book value of capital assets, compared with their market value. In accounting for these annual entries, the Housing Revenue Account is allowed to reverse these amounts out to the Capital Adjustment Account, removing the impact on the HRA. The impairment is only realised if the asset is sold.

## **4. Capital programme**

- 4.1 There have been significant changes to the regeneration programme, in response to the current challenging economic situation, as set out below: -
- 4.2 The viability of the programmes has been impacted by a series of adverse economic factors over the past twelve months, which include:
- 4.3 Inflationary pressures, driven by the factors below have led to a rise in costs across the economy impacting on developers where costs have risen and households, which have experienced a rise in the cost of living, reducing disposable incomes. There are two main drivers behind the rise in prices.
- 4.4 The recovery from the COVID-19 lockdowns, which led to a sharp rise in consumer and business demand, which created severe supply side pressures.
- 4.5 The ongoing war in Ukraine, which has had a significant impact on the supply chain and energy markets.
- 4.6 The Bank of England have in response to the inflationary pressures in the economy, have raised the base rate, driving up the cost of borrowing for households and businesses.
- 4.7 The fallout from the Government mini-budget statement on 23 September 2022, which led to an immediate sharp rise in borrowing costs for households, businesses, and government. While most of the tax-cutting commitments have subsequently been reversed, borrowing rates have fallen but not back to the levels in the Summer of 2022. It could be argued that the intervention has added a structural premium on borrowing rates for households, businesses and Government.
- 4.8 In general, the impact of both rising interest rates and costs, have extended the payback of the various schemes, to the Council HRA, resulting in higher level of borrowing over the long-term 30-year forecasts.
- 4.9 12 Sites Joint Venture Funding (Including Farnham & Hilldene)**

- 4.10 The remaining provisions for expenditure below relate to the 12 sites joint venture proposals. A report on the revised Havering and Wates Regeneration Joint Venture (HWR JVLLP) Business Plan and Budget 2023/2024, is to be presented to Cabinet on 8<sup>th</sup> February 2023. One of the provisional recommendations on this report is:

That Cabinet agree:

Agree and endorse the inclusion of a budget of £77.2m equity for the scheme together with a budget of £70.1m for potential land acquisition/CPO costs within the proposed HRA capital programme that will be considered by Cabinet in February 2023 in the annual rent setting and Capital Strategy and Programme report, and this is recommended to Council for final approval in February 2023.

- 4.11 The gross capital requirement for the scheme is £640 million to deliver 1,273 units of affordable housing. HRA Borrowing for the scheme is set to peak at £293 million. At scheme completion, scheme borrowing is projected to fall to £260 million (£291 million including interest).
- 4.12 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.
- The following sites have been placed on hold pending a review of delivery options, releasing c. £158 million of capital commitments to minimise the Council exposure.
    - Oldchurch Gardens
    - Maygreen Crescent
    - Dell Court
    - Delderfield
    - Brunswick Court.
  - Convert 184 homes earmarked for private sale disposal to private rented sector on WQS phase 1.
  - Convert Chippenham Road to 100 per cent Council scheme, in recognition of the current economic conditions which has impacted on the scheme viability.
  - Incorporate Farham Hildene into the Joint Venture arrangements as a Council led scheme.
  - Setting aside an enhancement to the budget forecasts of £66.3 million predominately to meet the additional costs across the portfolio linked to the current inflationary pressures in the construction sector.

#### **4.9 Bridge Close – Council Direct Delivery**

- 4.10 Cabinet approved the provision of a gross HRA capital budget of £407 million to progress the scheme, to fund site assembly and construction activities.
- HRA Borrowing for the scheme is set to peak at £219 million. At scheme completion, scheme borrowing is projected to fall to £74 million (£120 million including interest).
  - The proposed budget incorporates the outputs from the latest refresh of the Bridge Close Business Plan, reflecting the following changes: -

## **Cabinet 8th February 2023**

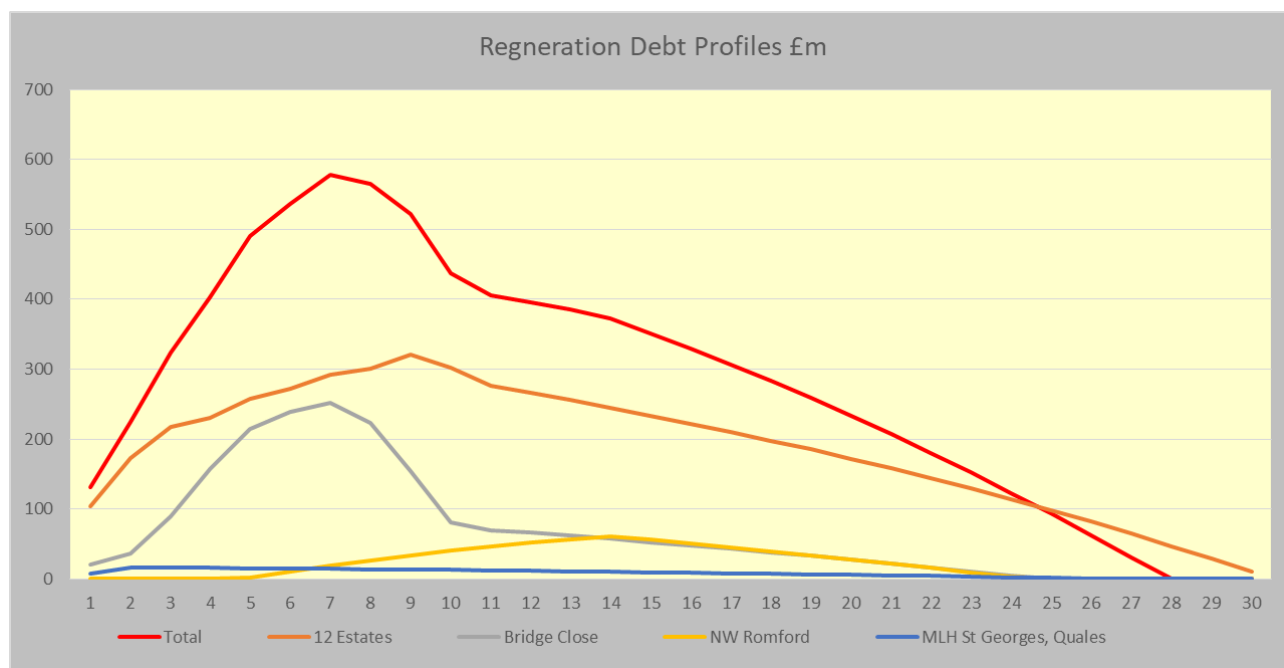
- Update of designs to comply with latest building and fire regulations.
- Update of costs reflecting latest estimates from external advisors.
- Re-profiling of cash flows to optimise Council borrowing exposure

- **St Georges and Quarles**

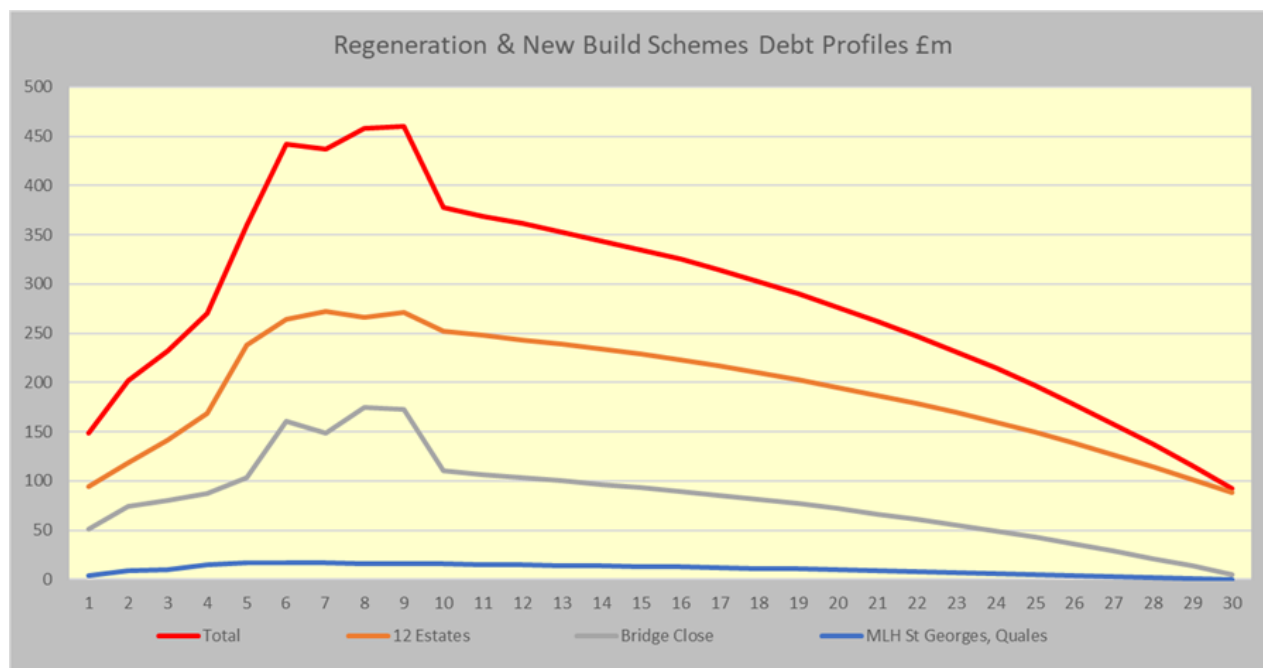
- Cabinet approved the acquisition of land and properties on the St Georges Hospital site. The development would provide 36 units of affordable housing (14 affordable rent, 22 shared ownership). A gross HRA capital budget of £9.9 million has been set aside, including fees and Stamp Duty Land Tax. The gross budget will be funded by a combination of initial disposal receipts, GLA grant, and HRA borrowing.
- A further £13.0 million, including SDLT has been set aside to progress the acquisition of 34 units of affordable housing on the Quarles development. The scheme will be led by Mercury Land Holdings and is incorporated in its current Business Plan. The gross budget will be funded by a combination of initial disposal receipts, RTB receipts, GLA grant, and HRA borrowing.

Scheme Name	Years of deliver	No. of units	Total HRA (peak) borrowing requirements
12 Estates (including Farnham Hilldene)	2022-2031	1,273	£293M
Family Welcome Centre	2022-2024		£17m
Bridge Close	2020-2028	487	£219M
St Georges Hospital Quarles	2020- 2024	87	£17M

- The graph below shows specifically the financial impact of the various schemes to the HRA, if long-term borrowing is assumed at 2%, as was presented to Cabinet in February 2022.



However, interest rates and building costs have increased in the past year. Interest rates are estimated to be in the region of 4.6% in 2023.



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

- 5.1 Appendix 1a sets out proposed the investment needs for the stock over the next 5 years as agreed by Cabinet in the Housing Asset Management Strategy in October 2021. In principle, the investment in existing stock should be funded through revenue contributions to capital rather than borrowing as the investment maintains the value of the asset rather than creating an asset.
- 5.2 This 30-year plan has been updated to reflect the new Housing Asset Management strategy which will include our continued approach to Decent Homes our continued

## **Cabinet 8th February 2023**

programme of asset improvement across our estates, the continued focus on building safety and compliance programmes plus our commitment to decarbonising our housing by 2040.

- 5.3 The table shows spend broken down by some core themes including our statutory requirements in maintaining the Decent Homes standard for both internal elements (kitchens, bathrooms, heating etc.) and external elements (roofs, wall finished, and windows and doors), this level of spend will maintain our near 100 decent home compliance position.
- 5.4 Total expenditure in the stock over the 30-year plan period is £645m and this includes £18m for fire related works and £72m to reduce the carbon emissions from the stock, this will largely meet our intermediate target of all properties achieving EPC C by 2030 but further funding is likely to be required in the future to achieve full net zero subject to the identified solutions
- 5.5 We have also included monies to upgrade some of our existing communal heating systems which are coming to the end of their life, and will be looking at where we can introduce new technology as appropriate
- 5.6 We are also looking at introducing enhanced technology to improve efficiency in systems, reducing energy use and bills to customers.
- 5.7 We have included monies for the refurbishment of our garage sites, which will help address void issues and bring sites back into use. These monies will be used to improve the access where possible, refurbish the hard standings and improve lighting and security where possible.
- 5.8 We acknowledge that our housing stock does not always match the demand profile of our residents, especially in regard to larger family properties. As part of the Asset Management Strategy, we will develop approaches to how we can better match the need through active asset management and have therefore included monies to undertake extensions, infills, rooftop development or loft conversions where feasible.
- 5.9 Also included are the ongoing projects such as the estate improvement works and a number of replacement lifts across the estate, including the addition of a number of lifts to sheltered properties, both improving accessibility for residents and improving desirability to support lettings.
- 5.10 Budgets have been included for the provision of additional cyclical programmes of work, including gutter and drain clearance and replacement and cyclical decorating programmes. These programmes will allow us to proactively manage our stock and move from a predominantly responsive service to a more planned approach, which will improve the service for our customers, and provide better long-term value for money.
- 5.11 The addition of pro-active cyclical programmes will also ensure we minimise legal disrepair claims, however we have seen an increasing trend across the sector of claims and are working to manage these effectively.

## **6.0 Repairs, Maintenance and Compliance Budgets**

## **Cabinet 8th February 2023**

- 6.1 We have undertaken a comprehensive review of our repairs, voids, maintenance and compliance budgets to ensure they adequately reflect current and future needs. This shows an increase in budget requirement from previous years, the growth being a reflection of changing requirements, under budgeting in previous years and programmes moving from capital to revenue. The Regulation of Social Housing Bill is due to receive Royal Assent in the spring of 2023 and this will mean a new, proactive approach to the regulation of social housing landlords on consumer issues - such as safety, transparency and tenant engagement. It will also strengthen the Regulator of Social Housing by giving it new enforcement powers, ensuring it can effectively intervene when required.
- 6.2 Cabinet will be aware of the tragic death of Awaab Ishak. Like all landlords we have been reflecting on our approach to tackling mould in our properties, and how we support our residents across a number of interrelated issues including overcrowding, insufficient housing supply and the cost-of-living crises. However, investment in the maintenance of our stock is essential to ensure that our homes meet the current and future safety standards.
- 6.3 We have included sufficient monies to continue to address our compliance regimes, both to support our current approaches and to address the new requirements flowing from the Fire Safety Act 2020, and the Building Safety Act and Regulatory Reform (Fire Safety) Order, including the likely need for an annual check of all fire doors and improved building safety information.
- 6.4 We have also included specific budgets for other compliance areas, over and above the core six areas which will help ensure we meet all of our statutory duties as a landlord and comply with the Regulator of Social Housing consumer standards. Included is the budget required for a full asbestos survey of our domestic properties which will help us with improved risk management of homes. Additionally, monies are allocated to provide third party assurance on compliance going forward.
- 6.5 The ongoing requirement for risk assessments, principally around fire and legionella has been included in our revenue budgets, previously these had been capitalised as they drove the initial capital works programmes to bring our properties up to the relevant requirements, going forward the required resurveys should only identify day-to-day repair issues.
- 6.6 We mobilised the new repairs, maintenance and voids contract with Mears starting in April 2022. this has been an extremely challenging period to mobilises, with increasing costs, difficulties in recruiting staff and increased demand from customers. Although performance is lower than hoped, it is comparable with the previous contract and with clear plans to improve to the contractual KPIs.
- 6.7 The build-up of repairs and maintenance costs is comparable to costs of other organisation as provided by Savills and does include reasonable contingencies to reflect market uncertainties and potential legislation changes in the future.

## **7.0 30-year Business Plan 2021/22 to 2049/50**

- 7.1 Attached at Appendix 2a and 2b are extracts from the HRA 30-year Business Plan financial model. Year 1 of the business plan is based on the 2022/23 budget.



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

- Increased repair and capital costs due to high levels of inflation and shortages in the labour sector
- Increased development costs in respect of the estate regeneration schemes that are currently being undertaken due to the same reasons as above
- A significant shift in terms of interest rates where below 2% long-term borrowing rates were achievable at the beginning of 2022 (and not expecting to increase significantly until 2025) are now currently c4.6%
- An increase to utility costs due to rising gas and electricity prices, which may not be fully recovered by service charges
- The 2022/23 pay award to staff being greater than that anticipated (due to cost-of-living pressures)
- A cap of 7% on rent increases for existing tenants instead of a CPI+1% increase of 11.1%.

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

7.3 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 Asset Management Strategy requires it.

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

- **Rents, Voids and bad debts**

Rents follow current guidance with re-lets to new tenancies at the properties formula rent (rather than the outgoing rent). Void rates of 2% and Bad Debt provision of 1% have been modelled throughout the plan. It is likely that the current social rent policy will be revisited in light of both its conclusion in April 2024 but also the recent cap on rents increases for April 2023 of 7%.

- **Inflation**

- o 3.5% for 2023.23
- o 4.7% for 2024.25
- o 2.0% for 2025.26 and onwards

- **Stock Numbers**

As at 31st March 2023, the stock numbers were 9,260 tenanted properties. The level of sales is modelled at 50 per annum over the next 30 years which accounts for a stock loss of 16.6% over the plan period (excluding the regeneration schemes). Increase in stock due to regeneration and acquisitions are based on the numbers set out elsewhere in this report.

- **Interest rates**

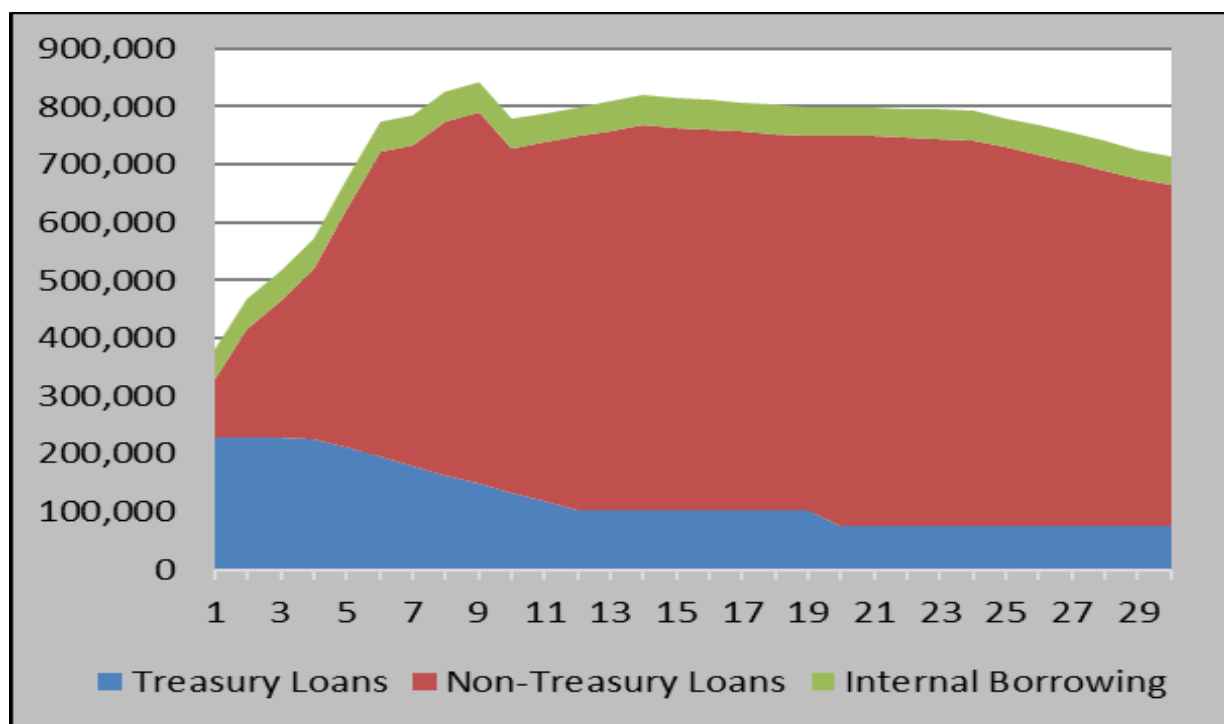
Borrowing for regeneration, new build, loan refinancing and investment in the existing stock ranges from (subject to scenario testing):

- 4.3% for loans drawn down in 2022.23
- 4.1% for loans drawn down in 2023.24
- 3.6% for loans drawn down in 2024.25
- 3.2% for loans drawn down in 2025.26 and thereafter

7.5 The Business Plan assumes maximum borrowing of £846m in year nine. The borrowing is against the following projects, some of which is funded by HRA reserves, land and reinvestment of capital receipts.

Scheme	Capital £m
12 Estates	366
Bridge Close	77
MLH/Other Schemes	96
HRA Acquisitions Fund	51
Welcome Centre	16
<b>Total</b>	<b>606</b>

### HRA Debt Analysis



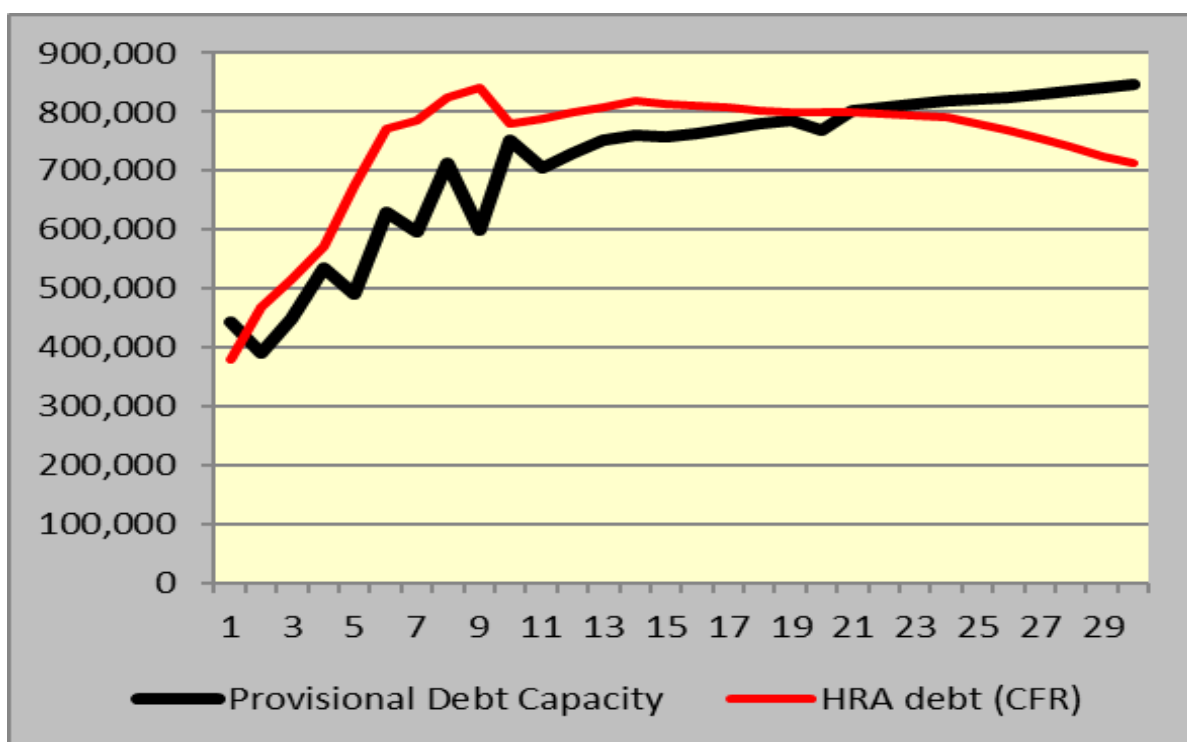
7.6 The HRA continues to increase borrowing until 2037/38, at which point the debt peaks at £896m, up from the previous estimate of £838m and then is capable of being reduced to £697million by year 30.

CFR = Capital Finance Requirement

## **Cabinet 8th February 2023**

- 7.7 From 2038/39, the HRA debt begins to reduce to £714m in year 2053/54 and over the 30 years, the average annual cost of servicing this debt is £24.6m compared to the previous estimate of £18.7m against an average annual rental income of £100m. This is because the debt is made up of long-term loans that are not repaid until after the 30-year plan.
- 7.8 The provisional debt capacity (prudential borrowing) which is set at the “golden-rule” of the interest cover ratio not going below 1.25 as previously agreed. At its greatest, the minimum level of borrowing headroom is minus £241million (at year 5).
- 7.9 The Interest Cover Ratio (ICR) is 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 average ICR for the housing association sector in 2021/22 was around 1.8; typical lending covenants vary between 1.10 and 1.50 depending on the size and nature of the HA, with 1.25 being a typical expectation. That is the level that Cabinet agreed in 2021.

### **7.10 HRA Debt Position**



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

## **8 CONCLUSION**

- 8.1 The Business Plan extracts (Appendix 2a and 2b) shows that the Business Plan is not sustainable over the 30 years. This is due to the changes in interest rates, inflation and costs. The Housing Revenue Account budget, which is set out in this report for 2023/24 may not be possible to maintain going forward and therefore,

unless conditions change, amendments to the business plan will be required. It should be noted that the budget has used significant amount of reserves to balance and this will not be possible in future years.

8.2 It is therefore proposed that during 2023/24 the review is carried out into the following areas:

- Review of the current regeneration schemes to identify areas for cost reduction, re-profiling to reduce the peak debt, or alternative delivery models. This review will be carried out in the first 6 months of 2023.
- Reductions in costs of the capital investment programme or re-profiling of expenditure, while continuing to meet our regulatory and statutory obligations.
- Reductions in underlying costs through efficiencies in management costs.

8.3 Unless these savings and cost reductions are achieved in 2023/4 then then it will not be possible to set a balanced budget for 2024/5.

## **REASONS AND OPTIONS**

### **Reasons for the Decision**

The Council is required to set the housing rent, service charges and a budget in accordance with the Local Government and Housing Act 1989 and set a budget that is not in deficit.

### **Alternative Options Considered**

There are no alternative options in so far as setting a budget is concerned. 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 2023/24 and the revision of the figures for the 30-year Business Plan. The HRA is sufficiently robust to generate a minimum estimated annual working balance reserve of £10m at the end of 2022/23 and for the following 3 years.

In addition to £10m reserves on the HRA, there is a bad and doubtful debt provision of £3.834m.

#### **HRA Investment Capital Budget**

Appendix 1a sets out the Major Works Programme 2023-28. This is funded from resources available for housing expenditure, which is summarised in the table below:

## Cabinet 8th February 2023

London Borough of Havering HRA Business Plan 2022/23+

Base Version

HRA Summary

Year Financial Year	1 2022.23	2 2023.24	3 2024.25	4 2025.26	5 2026.27	6 2027.28
<b>HRA 30 YEAR SUMMARY</b>						
Dwelling rents	49,789,312	54,452,365	59,007,063	60,225,999	61,856,737	63,200,510
Non-dwelling rents	369,600	382,536	400,515	408,525	416,696	425,030
Service charge income	8,291,470	8,581,671	8,985,010	9,164,710	9,348,004	9,534,965
Other income and contributions	1,093,107	1,503,462	3,276,801	6,648,296	2,823,700	8,141,393
<b>Total income</b>	<b>59,543,489</b>	<b>64,920,034</b>	<b>71,669,389</b>	<b>76,447,531</b>	<b>74,445,137</b>	<b>81,301,898</b>
Repairs & maintenance	10,864,490	14,793,890	15,235,556	15,676,114	15,926,769	16,224,952
Management (incl RRT)	26,785,760	27,241,693	28,526,961	29,131,601	29,725,487	30,343,777
Bad debts	665,115	553,171	599,470	611,818	628,368	641,988
Dwelling Depreciation	9,480,290	9,812,100	10,273,269	10,478,734	10,688,309	10,902,075
Debt management	47,820	49,494	51,820	52,856	53,913	54,992
<b>Total costs</b>	<b>47,843,475</b>	<b>52,450,347</b>	<b>54,687,075</b>	<b>55,951,123</b>	<b>57,022,847</b>	<b>58,167,784</b>
<b>Net income from services</b>	<b>11,700,014</b>	<b>12,469,687</b>	<b>16,982,314</b>	<b>20,496,408</b>	<b>17,422,290</b>	<b>23,134,114</b>
Interest payable	-7,874,151	-12,164,130	-15,794,730	-17,606,970	-19,772,195	-23,019,544
Interest income	578,528	674,020	868,017	813,667	910,178	752,991
<b>Net income/expenditure before appropri</b>	<b>4,404,392</b>	<b>979,577</b>	<b>2,055,602</b>	<b>3,703,105</b>	<b>-1,439,727</b>	<b>867,561</b>
Set aside for debt repayment	0	0	0	0	0	0
Revenue contributions to capital	-4,270,110	-500,000	-11,403,012	-3,486,376	0	0
<b>Net HRA Surplus/Deficit</b>	<b>134,282</b>	<b>479,577</b>	<b>-9,347,410</b>	<b>216,729</b>	<b>-1,439,727</b>	<b>867,561</b>
<b>HRA Balance brought forward</b>	<b>19,570,000</b>	<b>19,704,282</b>	<b>20,183,860</b>	<b>10,836,450</b>	<b>11,053,179</b>	<b>9,613,452</b>
HRA surplus/(deficit)	134,282	479,577	-9,347,410	216,729	-1,439,727	867,561
<b>HRA Balance carried forward</b>	<b>19,704,282</b>	<b>20,183,860</b>	<b>10,836,450</b>	<b>11,053,179</b>	<b>9,613,452</b>	<b>10,481,013</b>

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 £557m by the close of 2026/27.

## Risks

### Legal implications and risks

Under Part VI of the Local Government and Housing Act 1989, any local authority that owns more than 200 units of housing stock is obliged to maintain a Housing Revenue Account. The HRA is a record of revenue expenditure and income in relation to an authority's own housing stock. The items to be credited and debited to the HRA are prescribed by statute<sup>1</sup>. 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 that provide appropriate arrangements for the approval of major works estimates. The various major works schemes must be capable of being carried out within the Council's statutory powers. To the extent that the details of the schemes appear from the body of the report, it does appear that the proposed works meet this requirement. In particular the maintenance and repair of dwellings may be considered consistent with the Council's repairing obligations under Sections 9A<sup>ii</sup> and 11 of the Landlord and Tenant Act 1985.

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

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

### **Human Resources implications and risks**

There are no HR implications arising from this report.

### **Equalities, Health and Well-being implications and risks**

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

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

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

## **Cabinet 8th February 2023**

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

An equalities impact assessment has been carried out and is attached as appendix 3. Of note, central government influences rent levels and the rent increases proposed within this report will be affordable to households on welfare benefits. Furthermore, best practice and guidance dictates that service charges should be set at a level that covers the cost of providing the service to which the charge relates. Therefore, the Council cannot operate in an unfettered way within regard to the rents and service charges it sets. That said, the Council has examined the proposals in this report from an equalities perspective.

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

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

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

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

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

<b>BACKGROUND PAPERS</b>
--------------------------

- Appendix 1a** Draft 2023/24– 2027/28 HRA Major Works  
**Appendix 1b** Draft 2023/24– 2027/28 HRA Regeneration and Acquisition Programme.  
**Appendix 2a:** Draft HRA Projections from Business Plan - Years 1-10.  
**Appendix 3** Equalities & Health Impact Assessment



**APPENDICES**

**Appendix 1a – Draft 2023/24– 2027/28 HRA Major Works Capital**

<b>CAPITAL</b>	<b>2023/2024</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/2028</b>
Decent Homes Works - Internals	£ 4,949,402	£ 5,449,402	£ 5,199,402	£ 5,981,179	£ 5,981,179
Decent Homes Works - External	£ 8,935,138	£ 5,685,138	£ 3,935,138	£ 8,438,364	£ 8,438,364
Environment Improvement Works	£ 6,211,936	£ 2,244,291	£ 2,244,291	£ 3,493,052	£ 3,493,052
Energy Saving works	£ 6,000,280	£ 6,000,280	£ 10,000,280	£ 5,004,000	£ 5,004,000
Garages and garage site Work	£ 384,142	£ 384,142	£ 384,142	£ 228,731	£ 228,731
Residents Safety Related Works	£ 5,900,000	£ 5,800,000	£ 5,800,000	£ 250,000	£ 250,000
Stock alignment	£ 1,150,000	£ 1,150,000	£ 1,150,000	£ 1,200,000	£ 1,200,000
Professional Support Services	£ 690,000	£ 690,000	£ 690,000	£ 185,000	£ 185,000
Unidentified Asset Works	£ 200,000	£ 200,000	£ 200,000	£ 200,000	£ 200,000
Cyclical works	£ 780,300	£ 795,906	£ 811,824	£ 780,606	£ 780,606
<b>Total</b>	<b>£ 35,201,198</b>	<b>£ 28,399,159</b>	<b>£ 30,415,077</b>	<b>£ 25,760,931</b>	<b>£ 25,760,931</b>

<b>REVENUE</b>	<b>2021/2022</b>	<b>2022/2023</b>	<b>2023/2024</b>	<b>2024/2025</b>	<b>2025/2026</b>
Responsive Maintenance	£ 4,800,910	£ 5,377,700	£ 6,572,087	£ 6,769,250	£ 6,972,327
Void Maintenance	£ 2,157,750	£ 2,589,233	£ 2,508,664	£ 2,583,924	£ 2,661,442
Compliance	£ 2,377,270	£ 4,154,148	£ 5,060,282	£ 5,212,090	£ 5,368,453
Cyclical Maintenance	£ -	£ -	£ 308,235	£ 317,482	£ 327,007
Asset	£ 79,000	£ 20,600	£ 101,470	£ 142,437	£ 146,073
AD	£ 20,000	£ 25,000	£ 106,550	£ 109,747	£ 113,039
Finance and Utility bills	£ 698,000	£ 718,940	£ 850	£ 876	£ 902
<b>Total</b>	<b>£ 10,132,930</b>	<b>£ 12,885,621</b>	<b>£ 14,658,138</b>	<b>£ 15,135,805</b>	<b>£ 15,589,242</b>

**Appendix 1b - 2023/24– 2027/28 HRA Regeneration and Acquisition Programme.**

REGENERATION CAPITAL	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
<b><u>12 Estates</u></b>					
Affordable Housing	23,005,268	5,337,931	10,273,136	17,247,783	18,322,940
Forward Funding	22,873,969	17,854,430	27,101,045	46,251,464	46,728,734
Partner Loans	7,712,123	14,925,733	11,851,742	11,092,752	4,344,655
Demolition & contingency	2,800,000	0	0	0	0
Site Assembly	4,518,961	5,836,652	4,999,500	4,999,500	4,999,500
<b>12 Estates Total Budget</b>	<b>60,910,321</b>	<b>43,954,745</b>	<b>54,225,423</b>	<b>79,591,499</b>	<b>74,395,829</b>
<b><u>Bridge Close</u></b>					
Forward Funding	0	0	0	20,216,257	87,614,488
Partner Loans	20,924,401	3,448,317	3,990,035	0	0
<b>Bridge Close Total Budget</b>	<b>20,924,401</b>	<b>3,448,317</b>	<b>3,990,035</b>	<b>20,216,257</b>	<b>87,614,488</b>
<b><u>Other Regeneration</u></b>					
HRA New Build	1,150,000	0	0	0	0
MLH Schemes	2,600,000	5,000,000	5,050,000	0	0
HRA Acquisitions	10,000,000	0	0	0	0
Welcome Centre	8,840,000	8,840,000	2,101,000	0	0
<b>Other Regeneration Total Budget</b>	<b>22,590,000</b>	<b>13,840,000</b>	<b>7,151,000</b>	<b>0</b>	<b>0</b>
<b>TOTALS</b>	<b>104,424,722</b>	<b>61,243,063</b>	<b>65,366,458</b>	<b>99,807,755</b>	<b>162,010,316</b>

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

Year	1	2	3	4	5	6	7	8	9	10
Financial Year	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32
<b>HRA 30 YEAR SUMMARY</b>										
Dwelling rents	49,789,312	54,452,365	59,007,063	60,225,999	61,856,737	63,200,510	65,381,945	68,291,381	70,243,490	72,658,702
Non-dwelling rents	369,600	382,536	400,515	408,525	416,696	425,030	433,531	442,201	451,045	460,066
Service charge income	8,291,470	8,581,671	8,985,010	9,164,710	9,348,004	9,534,965	9,725,664	9,920,177	10,118,581	10,320,952
Other income and contributions	1,093,107	1,503,462	3,276,801	6,648,296	2,823,700	8,141,393	8,720,500	10,603,497	5,799,368	12,161,625
<b>Total income</b>	<b>59,543,489</b>	<b>64,920,034</b>	<b>71,669,389</b>	<b>76,447,531</b>	<b>74,445,137</b>	<b>81,301,898</b>	<b>84,261,640</b>	<b>89,257,256</b>	<b>86,612,484</b>	<b>95,601,345</b>
Repairs & maintenance	10,864,490	14,793,890	15,235,556	15,676,114	15,926,769	16,224,952	16,574,061	16,864,962	17,183,203	17,531,776
Management (incl RRT)	26,785,760	27,241,693	28,526,961	29,131,601	29,725,487	30,343,777	30,998,916	31,653,394	32,313,810	33,007,825
Bad debts	665,115	553,171	599,470	611,818	628,368	641,988	664,155	693,749	713,573	738,121
Dwelling Depreciation	9,480,290	9,812,100	10,273,269	10,478,734	10,688,309	10,902,075	11,120,117	11,342,519	11,569,369	11,800,757
Debt management	47,820	49,494	51,820	52,856	53,913	54,992	56,092	57,213	58,358	59,525
<b>Total costs</b>	<b>47,843,475</b>	<b>52,450,347</b>	<b>54,687,075</b>	<b>55,951,123</b>	<b>57,022,847</b>	<b>58,167,784</b>	<b>59,413,341</b>	<b>60,611,838</b>	<b>61,838,313</b>	<b>63,138,004</b>
<b>Net income from services</b>	<b>11,700,014</b>	<b>12,469,687</b>	<b>16,982,314</b>	<b>20,496,408</b>	<b>17,422,290</b>	<b>23,134,114</b>	<b>24,848,299</b>	<b>28,645,418</b>	<b>24,774,171</b>	<b>32,463,342</b>
Interest payable	-7,874,151	-12,164,130	-15,794,730	-17,606,970	-19,772,195	-23,019,544	-26,226,422	-26,613,875	-27,910,550	-26,856,240
Interest income	578,528	674,020	868,017	813,667	910,178	752,991	615,691	409,323	395,057	138,345
<b>Net income/expenditure before appropri</b>	<b>4,404,392</b>	<b>979,577</b>	<b>2,055,602</b>	<b>3,703,105</b>	<b>-1,439,727</b>	<b>867,561</b>	<b>-762,432</b>	<b>2,440,867</b>	<b>-2,741,321</b>	<b>5,745,446</b>
Set aside for debt repayment	0	0	0	0	0	0	0	1,165,000	0	-1,685,827
Revenue contributions to capital	-4,270,110	-500,000	-11,403,012	-3,486,376	0	0	0	-1,360,132	0	0
<b>Net HRA Surplus/Deficit</b>	<b>134,282</b>	<b>479,577</b>	<b>-9,347,410</b>	<b>216,729</b>	<b>-1,439,727</b>	<b>867,561</b>	<b>-762,432</b>	<b>2,245,735</b>	<b>-2,741,321</b>	<b>4,059,619</b>
<b>HRA Balance brought forward</b>	<b>19,570,000</b>	<b>19,704,282</b>	<b>20,183,860</b>	<b>10,836,450</b>	<b>11,053,179</b>	<b>9,613,452</b>	<b>10,481,013</b>	<b>9,718,582</b>	<b>11,964,316</b>	<b>9,222,996</b>
HRA surplus/(deficit)	134,282	479,577	-9,347,410	216,729	-1,439,727	867,561	-762,432	2,245,735	-2,741,321	4,059,619
<b>HRA Balance carried forward</b>	<b>19,704,282</b>	<b>20,183,860</b>	<b>10,836,450</b>	<b>11,053,179</b>	<b>9,613,452</b>	<b>10,481,013</b>	<b>9,718,582</b>	<b>11,964,316</b>	<b>9,222,996</b>	<b>13,282,615</b>

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

## Cabinet 8th February 2023

Year	1	2	3	4	5	6	7	8	9	10
Financial Year	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32

### HRA CAPITAL PROGRAMME

Stock capital investment	34,900,556	38,780,962	33,143,896	35,362,568	33,571,523	34,110,519	34,657,646	35,213,014	35,776,734	35,023,119
Other Improvements	0	0	0	0	0	0	0	0	0	0
Development/Acquisition	70,346,017	50,114,229	25,014,583	22,423,636	22,247,283	23,322,440	13,739,213	6,265,714	1,044,286	0
Demolition	13,925,771	25,673,969	17,854,430	27,101,045	66,467,721	134,343,221	91,055,256	94,790,511	105,392,679	35,724,090
Other Regeneration	24,143,192	28,636,524	18,374,050	15,841,777	11,092,752	4,344,655	8,742,560	0	0	0
<b>Capital programme</b>	<b>143,315,535</b>	<b>143,205,683</b>	<b>94,386,959</b>	<b>100,729,025</b>	<b>133,379,278</b>	<b>196,120,835</b>	<b>148,194,675</b>	<b>136,269,240</b>	<b>142,213,699</b>	<b>70,747,209</b>
<b>Scheduled Debt Repayment</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Financed by...</i>										
Major Repairs Reserve	-22,858,290	-9,812,100	-10,273,269	-10,478,734	-10,688,309	-10,902,075	-11,120,117	-11,342,519	-11,569,369	48,877,220
RTB receipts (Allowable Debt)	-1,065,028	-1,068,066	-1,067,087	-1,074,459	-1,067,728	-1,060,863	-1,053,860	-1,046,717	-1,039,432	-1,032,000
1-4-1 receipts	-6,260,448	-8,111,517	-4,541,687	-2,579,946	-6,726,515	-8,935,047	-6,257,940	-5,690,459	-6,509,917	-1,483,790
Other receipts and grants	-9,094,692	-35,089,623	-19,064,413	-27,992,069	-13,314,165	-75,605,315	-117,897,775	-77,558,614	-106,180,035	-117,108,639
Revenue contributions	-4,270,110	-500,000	-11,403,012	-3,486,376	0	0	0	-1,360,132	0	0
HRA borrowing	-99,766,967	-88,624,377	-48,037,492	-55,117,441	-101,582,561	-99,617,535	-11,864,984	-39,270,798	-16,914,946	0
<b>Capital financing</b>	<b>-143,315,535</b>	<b>-143,205,683</b>	<b>-94,386,959</b>	<b>-100,729,025</b>	<b>-133,379,278</b>	<b>-196,120,835</b>	<b>-148,194,675</b>	<b>-136,269,240</b>	<b>-142,213,699</b>	<b>-70,747,209</b>