Harrow COUNCIL LONDON

Report for:	**Cabinet**
Date of Meeting:	8th October 2020
Subject:	Housing Revenue Account Business Plan update 2020
Key Decision:	Yes, sets framework for investment in Council housing and basis for the Budgets and MTFS 2021-22 onwards.
Responsible Officer:	Nick Powell, Divisional Director of Housing; Dawn Calvert, Director of Finance
Portfolio Holder:	Councillor Phillip O'Dell, Portfolio Holder for Housing; Councillor Adam Swersky, Portfolio Holder for Finance & Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All wards
Enclosures:	Appendix 1 Schedule of assumptions Appendix 2 Revenue account projections Appendix 3 Capital account projections

Section 1 – Summary and Recommendations

This report provides an update to the Council's Housing Revenue Account (HRA) Business Plan following approval of the Budget, Medium Term Financial Strategy (MTFS) and Capital Programme by the Council on 27th February 2020. This included progression of the Building Council Houses for Londoners (BCHfL) programme within the HRA which will provide up to 659 new homes in accordance with stated Government objectives. The report sets out the key assumptions used together with an update on key economic and regulatory factors.

Recommendations:

That (1)the HRA Business Plan update 2020, which will set the framework for the draft HRA Budget 2021-22 & MTFS 2022-23 to 2023-24 and capital programme and which will be submitted to Cabinet on 3 December 2020, be approved. (2) the work being conducted on alternative delivery models, the costs and procurement route of which will be the subject of a future report to Cabinet and for which the HRA Business Plan will be updated, be noted.

Reason: (For recommendations)

To have in place an updated 30-year HRA Business Plan required for construction projects within the HRA which will have significant impacts on the Community and Businesses within the Borough by providing much needed accommodation and infrastructure. Given the nature and scale of the approved new developments, together with the impact of Covid 19 and Brexit, regular and rigorous reviews of the HRA Business Plan are warranted together with consideration of alternative delivery models to achieve new housing supply and contribute to the Council's wider regeneration aspirations.

Section 2 – Report

Introductory paragraph

1. The last HRA Business Plan Update, approved by Cabinet on 10 October 2019, made reference to two options available to the Council:
   - to proceed with a more ambitious programme through further grants and borrowing resulting in a significantly increased housing supply
   - to complete the schemes already in progress and not proceed with a more ambitious programme

2. The first option was approved as a sustained depletion of the Council housing stock through Right to Buy ("RTB") sales is set to continue which will eventually compromise the viability of the Council's HRA as well as accentuate pressures on the General Fund from the cost of homelessness unless there is significant new supply of housing.

3. The Council approved, as part of the budget report on 27th February 2020, continuing with the construction of up to 659 homes funded by GLA grant £32.144m, Housing Infrastructure Fund (HIF) grant £10m, with the remainder made up of other HRA capital resources supplemented by borrowing. The total cost of these new homes, which has no impact on General Fund capital resources or borrowing, comes to £171.163m and was originally approved by the Council 28th February 2019.

4. This would assume full achievement of the programme of cost reductions totalling £1.9m on the revenue account by 31st March 2021. The capital programme is based on the latest stock condition data with priority given to compliance and Health & Safety works moving to a "just in time" approach to ensure the programme remains affordable.

5. This report refreshes the position taking into account 95 homes have already completed leaving 564 remaining to be built with £2.078m of the £32.144m GLA grant received leaving £30.066m to be claimed, and £3.573m of the £10m HIF funding received leaving £6.427m to be claimed. A claim for £4m HIF funding has been approved and paid by the GLA.

6. Updated borrowing requirements will be included in the Council's Treasury Management update.

Options considered

Background

7. The HRA Business Plan has had to face a number of financial challenges over the last few years which have had a significant impact on the plan. Although Government have provided some clarity on future rent policy, this will not mitigate the financial loss to the business plan from enforced rent reductions over the last few years. Each year the HRA Business Plan is reviewed and updated to set budgets and charges for the year ahead. It also provides an updated 5-year plan for our capital investment programme. These plans are set within the context of a 30-year affordability profile – our long-term planning horizon for balancing the HRA. HRA income predominately comes from tenant rents, with other income received from Right to Buy receipts and Government grant. HRA expenditure includes the capital investment programme, tenant services and repairs and maintenance.

8. Financial year 2019-20 was the last year of the Government imposed statutory rent reductions spanning the four years 2016-17 to 2019-20 inclusive and Government have since approved rent increases of up to CPI + 1% for five years 2020-21 to 2024-25 inclusive. Prior to Covid-19 and the increasing possibility of a no deal Brexit, it was considered not unreasonable to assume such increases would continue in the longer term. A review by external advisors has since suggested such increases may not now be possible therefore this update assumes rent increases will be limited to CPI only from April 2025 with the long-term CPI target set at 2%.

9. Self-financing of the HRA, introduced in 2012, imposed a limit on the Council's HRA borrowing of £150.683m, which was reached as at 31st March 2019. The Council approved debt repayments in line with the level of RTBs therefore this debt has been reduced to £149.924m as at 31st March 2020. In October 2018, Government issued a determination lifting the HRA debt cap, providing more freedom and flexibility to undertake additional borrowing, specifically for new build schemes, subject to the principles of the Prudential Code for Capital Finance in Local Authorities of affordability, sustainability and prudence. As a result of this new borrowing flexibility the aggregate additional borrowing will be £73.1m.

10. This has been supplemented by external funding totalling £42.144m from the GLA although the Council has submitted a further bid to extend the BCHfL programme within the HRA, the impact of which is included in the stress testing section later in the report.

Options

11. The Council can continue to progress the construction of up to 659 units through three options or stop or curtail the scheme under the fourth option:

- First option, through the HRA
- Second option, an alternative delivery model to support the programme should the HRA Business Plan suggest a level of risk which cannot be reasonably mitigated.
- Third option, combination of the above two
- Fourth option, stopping or significantly curtailing construction

Option 1: Continue with the new build programme within the HRA

12. This would provide up to 659 additional units across a mix of tenures including Affordable Rented and shared ownership as part of the BCHfL programme

13. Full utilisation of approved grant and borrowing would be assumed and tested against a broader suite of assumptions in the HRA Business Plan.

14. Regular review and testing of assumptions would ensure continued viability given changing macro-economic and regulatory assumptions with appropriate mitigations against identified risks:

- **Scheme phasing** – new build schemes will be procured in a phased manner once planning consents are secured and the Business Plan re-evaluated to ensure continued viability. This would prevent over extension of resources which would otherwise adversely impact on delivery of core services. Borrowing would also be drawn down in phases to limit the Council's exposure to debt in accordance with the Council's Treasury Management Strategy.

- **Regular re-appraisal** – Business Planning process to continue with reappraisals addressing a range of factors including scheme costs, interest rates, inflation and regulatory issues

- **Earmarked reserves** – A client contingency has been set up to safeguard against unforeseen events and regulatory reforms; this will ensure specific resources are set aside and kept separate from general reserves, balance £173k as at 31st March 2020 with a view to augmentation.

- **Government announcements** –Uncertainty still remains mainly due to the unknown impacts of Covid 19, Brexit and future Government policy as well as the full effects of Welfare Reform and the demands on social landlords post Grenfell. The four year mandatory rent reduction period ended on 31 March 2020. The Regulator of Social Housing's Rent Standard made provision for an annual increase in social housing (including local authority) rents of CPI +1% with effect from 6 April 2020.

- **Rent policy** - We recognise that a return to a CPI + 1% rent increase each year will mean tenants having to pay more to rent their homes from the Council. However, this increased income is vital if we are to maintain services to tenants and develop more social housing to address the needs of local people. The return to a rent increase will not mitigate the losses of the past five years and means that we are now setting rents at a lower baseline than we otherwise would have been. Previous Government Guidance on Social Rents policy of CPI + 1% was intended to apply for 10 years from 2015 but only lasted a year before the statutory decrease came in. There is a risk that this future rent policy may change again and will necessitate remodelling although the withdrawal of CPI + 1% increases post 2025 have already been addressed.

Option 2 : Consider alternative delivery models

- The HRA Business Plan is predicated on a suite of assumptions which can potentially have a significant impact on the viability of the service.

- Although the Business Plan has been stress tested for changes in key assumptions, it is considered prudent for the Council to remain prepared to consider and expedite alternative delivery models to ensure the new housing supply is achieved in full as part of the HRA's risk management strategy.

- Work is planned in considering these options in the context of the Council's wider regeneration aspirations and will be reported, together with the procurement options and their likely financial impact

Option 3 : Combination of development within the HRA combined with alternative delivery option.

- The costs and procurement route of entering into an alternative arrangement to support development within the Council's HRA are currently being worked on and will be reported to Cabinet later in the financial year.

- Such an arrangement would aim to mitigate the risks to the Council whilst supporting its wider regeneration aspirations.

- This option, which is recommended, is to continue with construction within the HRA in accordance with the approved budget.

- The costs associated with alternative delivery options to support extension of the construction programme will be used to refresh the HRA Business Plan and will form part of a separate report to Cabinet.

Option 4 : Stopping or significantly curtailing construction

- Should the Council decide to stop or curtail the construction of new homes this would result in abortive expenditure being charged to the revenue account which could impact on its viability as well as compromising broader Council objectives.

- Grant monies received from GLA, some of which have been used, will also have to be repaid.

- Together, the costs associated with this option are expected to be prohibitive therefore this option is not considered viable

Significant assumptions

15. Planned investment programme has been refreshed using latest stock condition data and reflects prioritisation of statutory and compliance works required by current health & safety standards. Costs associated with achieving carbon neutrality and the Government's Green Energy targets, which have not yet been fully quantified, are expected to be significant. These costs will need to be significantly offset by grant support which the Council will be applying for as and when Government makes the funding available and included in a future update.

16. Service reviews identified £1.9m costs on the revenue account which could be eliminated by 31st March 2021 without compromising key service objectives therefore these have been included in the budget for 2020-21. Latest monitoring indicates £1.3m have been achieved up to 31st March 2020 with the last £600k expected to be achieved by 31st March 2021. Although the review has indicated the cost reductions have not been made in the areas originally envisaged, compensating reductions in other areas have been identified. Progress on the remaining cost reductions will be monitored to ensure these can be achieved without compromising service priorities and the position will be kept under review and form part of an update to Cabinet later in the year.

17. A review of tenant service charges is in progress which will ensure tenants are charged appropriately for services received and all relevant costs recovered

18. Other significant assumptions, detailed in Appendix 1, underlying this update are given below:

a) **Rental income** – CPI + 1% for financial years 2020-21 to 2024-25 inclusive reverting to CPI only from April 2025 which is considered a more prudent assumption given developments in the macro-economic environment. Rents for the BCHfL programme will be at London Affordable Rent where they are part funded by GLA grant although rents for existing tenants remaining at Grange Farm will be at the Council's social rents (in accordance with our tenants charter commitment). Re-lets for all other units to be at target rent in line with approved budget.

b) **Right to Buys** – estimated 24 disposals 2020-21 and 2021-22 dropping to 20 per annum thereafter in line with approved budget with an average discount of £111k. It is assumed retained RTB receipts permitted to finance qualifying schemes will remain at 30% (under current rules), although there is a proposal to increase this to 50% (see below "Consultation papers").

c) **Recycled RTB receipts** – the Council successfully recycled £3.073m RTB receipts as capital grant through the GLA in 2019-20, £52k of which was utilised in 2019-20 with the remainder earmarked to support the Grange Farm scheme. No further applications to recycle RTB receipts, which would otherwise become repayable to Government under the terms of the Retention Agreement, have been assumed.

d) **Retained RTB receipts** – in accordance with the terms of the Right to Buy Retention Agreement, entered into 26th September 2012, these resources will be used to support schemes which are not part funded by GLA grant.

e) **Grant** – Housing Infrastructure Funding grant of £10m assumed for Grange Farm; all infrastructure works assumed completed by 31 March 2021 so the full amount can be utilised. GLA grant of £100k per social unit and £38k per shared ownership unit has also been assumed, payable 50% start on site, 50% on completion. As a result of Covid-19 GLA have extended deadlines for grant claims and these have been reflected in the revised spend and rental income profiles.

f) **BCHfL build costs** – recent developments in the economy combined with the increasing possibility of a no deal Brexit suggest build costs may increase. As the majority of schemes are at design stage these developments are likely to have a detrimental impact on the Business Plan. As referenced in the Risk Management section the financial impact of this, together with other developments, will be evaluated and reported to Cabinet later in the year.

g) **Bad debt provision** – assumed £150k as set out in Appendix 1, although this will be kept under review as full impact of Covid-19 and the Government's Welfare Reform & Work Act 2016, become clearer.

h) **Ongoing management cost assumptions** – management costs, which reflect the impact of the Housing Senior Management restructure required as part of the £1.9m cost reductions, are assumed to be at the level included in approved budget 2020-21 and to continue at that level, adjusted for inflation as appropriate. Costs will be reviewed to ensure they are commensurate with stock numbers as part of ongoing benchmarking with other Authorities.

i) **Ongoing revenue maintenance assumptions** – revenue maintenance costs are assumed to be at the level included in approved budget 2020-21, as adjusted for inflation as appropriate assuming CPI is 2% in line with the Government's long term target (see appendix 1). Costs will be reviewed to ensure they are commensurate with stock numbers.

j) **General Reserves** – minimum balances of £2.3m as at 31st March 2021 and an average of £2.7m over ten years are required based on a prudent estimate of 7% of gross income. The Business Plan projects £7.1m general revenue reserves as at 31st March 2021 with an average of £11.7m over ten years.

k) **Earmarked reserves** – the Council's HRA has four earmarked (or specific) reserves set up as at 31st March 2020 for prescribed purposes :

- Transformation fund £422k – to support investment in replacement Housing IT system
- Hardship fund £25k – to support the most vulnerable and disadvantaged Council tenants affected by the Governments programme of Welfare Reforms which can significantly reduce benefit entitlement and the ways these are paid
- Regeneration reserve £173k – it is prudent to set aside reserves for unforeseen expenditure for which no budget provision was made.
- Repairs reserve £164k – to support voids, cyclical and response repairs

The Business Plan has assumed set aside for the above items although these will be kept under review.

l) **Borrowing** – this is divided into historic and new borrowing :

- historic debt – this includes debt that self-financing Authorities were required to take on in order to leave the subsidy system and resulted in the Council reaching the Government imposed cap of £150.683m on 31st March 2019; reduced by debt repayment to £149.924m as at 31st March 2020 commensurate with the number of RTB disposals thereby reducing interest exposure and providing capacity for future investment in existing stock. Interest on this historic debt, shared in a single loans pool with General Fund, averages at 4.05%.
- new borrowing – for new build programme only, estimated at £73.1m in line with approved budget and expected to be at lower interest rate of 3%, not shared with General Fund. Current estimates indicate this would be taken out over a total of six years although this will be reviewed as the construction programme progresses.

Neither debt attracts Minimum Revenue Provision (MRP) which is a set aside designed to ensure the principal debt is repaid at the end of the term as this is not currently required for the HRA.

Interest rates are stated after taking into account the impact of the 1% increase on Public Works Loans Board (PWLB) borrowing.

Although debt repayments have commenced in line with RTB disposals, current estimates suggest further repayments will be possible. As the majority of HRA debt is in the shared pool, additional repayments will affect General Fund therefore a co-ordinated approach is required to ensure maximum advantage to the Council and will form part of the Treasury Management update to Cabinet later in the year.

m) Use of HRA stock as Temporary Accommodation – HRA units have been used to accommodate homeless families and it has been assumed this will continue to alleviate the significant cost pressures which would otherwise arise on the Council's General Fund.

19. A full list of assumptions underpinning this update is given in Appendix 1.

Summary outputs

20. The table below summarises the key outputs from the Business Plan as at years 5 and 10 based on the current information available and assumptions listed in Appendix 1 and shows, on a cumulative basis:

- Revenue reserves
- Capital expenditure including new build
- Debt, historic and new debt
- Major Repairs Reserve (MRR) which can be used for additional capital expenditure and increased repayment of debt

Cumulative revenue & capital expenditure and borrowing

Financial year, all cumulative	Revenue reserves £'000s	Capital expenditure £'000s	Borrowing including historic debt £'000s	MRR after provision for debt repayments £'000s
2024-25, to yr 5	9,962	176,863	223,020	107
2029-30, to yr 10	18,934	216,531	223,020	12,752

21. MRR or revenue reserves can be used to repay debt thereby reducing interest costs or be used to increase planned investment in stock.

22. Although estimated balances on the MRR are expected to steadily increase in the medium term these will be fully utilised over the 30-year life of the Business Plan, as funding planned investment expenditure, therefore only revenue balances can be used to repay debt.

23. Longer term projections of the revenue and capital accounts are given in Appendices 2 and 3 respectively.

Government Consultations

24. “Use of receipts from Right to Buy sales” – Government is proposing increasing the proportion of eligible new build expenditure which can be funded from retained right to buy receipts from 30% to 50% as well as potentially extending the deadline for reinvestment of these proceeds from three to five years enabling Councils more time and manoeuvrability to reinvest earmarked sales proceeds to replenish stock lost through right to buy. This will mean the Council will have to put less of its own resources in should this proposal go through.

25. Other proposals in this consultation paper include ring fencing of returned RTB receipts for future use by the Council, possibly as a recycled grant, and allowing greater flexibility in the use by the Council owned housing companies to reinvest these proceeds on the Council’s behalf. Another proposal is extending the use of retained RTB receipts to fund shared ownership products and providing increased flexibility for the transfer of vacant General Fund land to HRA for development. Consultation closed 9th October 2018 and Government are reviewing responses as at date of this report.

Performance Issues

26. The BCHfL programme contributes to delivery of the Homes for Harrow programme and the specific delivery targets agreed with the GLA for Harrow’s Council House Building for Londoners Programme, the Council’s target to provide up to 659 new Council homes as well as the overall affordable housing targets set out for Harrow in the London Plan. Failure to continue with the project would jeopardise achievement of the above targets and potentially result in grant funding not being taken up resulting in costs already incurred being written off to revenue which would compromise the longer term viability of the Council’s HRA.

Environmental Implications

27. All new homes must meet high standards of energy efficiency to reduce CO2 emissions as well as reduce fuel poverty as required by London Plan.

Data Protection Implications

28. There are no GDPR implications.

Risk Management Implications

29. The HRA Business Plan is based on a set of assumptions which, if changed, will have a significant impact on both Revenue and Capital resources which will impact on investment decisions in the Council’s Housing stock.

30. Key assumptions underpinning the Business Plan are set out in Appendix 1 and these are included in the risk register.

31. The Business Plan has been stress tested by varying interest rates on borrowing, rent policy changes beyond April 2025, extending the BCHfL programme and its costs and flexing achievement of cost reduction targets and minimum balances. The results indicate impacts on HRA resources as shown below:

Scenario	Revenue account	Capital account
Base case – rent increases at CPI only from April 2025, borrowing 4.05% historic, 3% new, BCHfL as approved budget	Fully funded	Fully funded
Base+ 20 new units for Rough Sleepers "next steps"- additional cost £4.2m in excess of BCHfL, £120k grant each, at London Affordable Rent, support package to help persons into mainstream society	Fully funded	Fully funded
Base+ BCHfL cost pressures – additional £3m costs not budgeted for identified on BCHfL programme	Fully funded	Fully funded
Base + increased borrowing rate – new borrowing up 1% from 3% to 4% in annual ¼% increments	Fully funded	Fully funded
Base + reduced borrowing rate – new borrowing down from 3% to 2% from 2020-21, all years	Fully funded	Fully funded
Base + cost reductions delayed – final £600k of £1.9m cost reductions delayed 12 months	Fully funded	Fully funded
Base + lower revenue balances, thresh hold for minimum revenue reserves reduced from 7% to 5% x gross income	Fully funded	Fully funded
Base + increase in build cost, increase of cost of remaining units increased by 25% to reflect changes in market and macro-economic environment	Fully funded to yr 27, breach yr 28, exhausted yr 30	Fully Funded

32. All scenarios are over a 30-year time horizon. The first seven assume the programme will be delivered based on the original cost estimates approved by the Council 28th February 2019 and can be accommodated. The final scenario assumes an increase in build costs of 25% for the remaining units which are exposed to cost increases (i.e. not on site or at tender stage). This scenario suggests revenue reserves are at risk of breaching minimum thresholds at year 28 then becoming exhausted at year 30.

33. Most of the programme is currently at design stage therefore actual costs are still to be firmed up as build contracts are tendered taking account of ongoing economic impacts from Covid-19 and Brexit. Additionally, the current BCHfL programme made assumptions about the cost of delivering Phase 2 of Grange Farm and did not include the costs of delivering Phase 3. A report on the Procurement strategy and cost provision for Grange Farm Phase 2 and 3 will be considered by Cabinet in November/December 2020 and the HRA business plan will need to be reviewed at this point to assess the impact of the additional costs of completing Grange Farm and other schemes. Given the long-time horizons involved this will form part of future updates in accordance with the Council's risk management strategy.

Procurement Implications

The recommendation of this report has no direct or immediate procurement implications however any procurement arising from the recommendation will be required to follow internal governance process, comply with the Public Contract Regulations 2015 and the Council's Contract Procedure Rules. The procurement team will provide professional advice and support when required to do so

Legal Implications

Council, as a Local Housing Authority, must maintain a Housing Revenue Account (HRA) in accordance with s74 of the Local Government & Housing Act 1989 (the "1989 Act"). The HRA must include sums falling to be credited or debited in accordance with the category of properties listed within s74(1) of the 1989 Act, which consists primarily of Council housing stock. The HRA must include any capital expenditure on housing stock which a Local Authority has decided to charge to revenue. Save in accordance with a direction of the Secretary of State, sums may not be transferred between the HRA and the General Fund, therefore the HRA is ring-fenced and cannot be used to subsidise a budget deficit within the General Fund, neither can the General Fund be used to subsidise a budget deficit in the HRA. Section 76 of the 1989 Act requires Local Authorities to formulate and implement proposals to secure that the HRA for each financial year does not show a debit balance. If a debit occurs, this must be carried forward to the next financial year.

Financial Implications

34. Continuation of the new build programme will require full utilisation of external grants together with external borrowing within required timescales.

35. Although permanent cost reductions of £1.9m on the revenue account are expected to be fully achieved by 2021 these will be kept under review as part of the budget monitoring process and included in future updates as required

36. Further debt repayments will have to be co-ordinated with General Fund and will therefore form part of the Treasury Management update to Cabinet later in the year.

37. A key mitigation will be the regular and rigorous review of the financial viability of the Council's HRA as the BCHfL scheme progresses against a suite of assumptions, the most significant of which have already been stress tested.

38. The HRA Business Plan provides a framework within which more detailed budgets can be constructed. Significant decisions around the extension of the BCHfL programme and the procurement route to support this, including alternative delivery models, are outstanding. The financial impacts of these decisions will form part of an update to Cabinet later in the year.

Equalities implications / Public Sector Equality Duty

39. Pursuant to the Equality Act 2010 ("the Act"), the Council, in exercise of its functions, has to have 'due regard' to (i) eliminating discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; (ii) advancing equality of opportunity between those with a relevant protected characteristic and those without; and (iii) fostering good relations between those with a relevant protected characteristic and those without. The relevant protected characteristics are age, race, disability, gender reassignment, pregnancy and maternity, religion

or belief, sex and sexual orientation. The duty also covers marriage and civil partnership, but to a limited extent.

40. When making decisions, the Council must take account of the equality duty and in particular any potential impact on protected groups. There are no new equality impacts of the recommendations contained within this report as it represents a continuation of existing policy.

Council Priorities

1. **Improving the environment and addressing climate change**
   The Planned Investment programme is being designed to address key climate change issues with a focus on renewable energy and efficiency in existing and new homes.

2. **Tackling poverty and inequality**
   The additional housing will be genuinely affordable thereby providing accommodation to the most vulnerable in the Borough

3. **Building homes and infrastructure**
   Provision of additional housing will support the local community and economy thereby contributing to the wellbeing of residents and supporting community cohesion,

4. **Thriving economy**
   The Business Plan is designed to support the longer term viability of the HRA which provides much needed housing and advice to residents and those at risk of becoming homeless.
   Affordable and high quality housing is in high demand and will support the local economy by providing a stable base for local workers as well as contractors engaged in building and maintaining the new houses.

Section 3 - Statutory Officer Clearance

Statutory Officer: Tasleem Kazmi
Signed on behalf of the Chief Financial Officer
Date: 18th September 2020

Statutory Officer: Paresh Mehta
Signed on behalf of the Monitoring Officer
Date: 7th September 2020

Statutory Officer: Nimesh Mehta
Signed by the Head of Procurement
Date: 28th August 2020

Statutory Officer: Paul Walker
Signed by the Corporate Director
Date: 29th September 2020

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards

EqIA carried out: YES

EqIA cleared by: Dave Corby

Section 4 - Contact Details and Background Papers

Contact:
Tasleem Kazmi, Finance Business Partner – Housing & Regeneration,
Tel 020 8416 5201 or email tasleem.kazmi@harrow.gov.uk

Background Papers:
HRA Budget 2020-21 and MTFS 2021-22 to 2022-23

Call-in waived by the Chair of Overview and Scrutiny Committee

NO

Appendix 1: HRA Business plan assumptions

Item	Assumption
Inflation	RPI 2.9%, CPI 2% in line with long term Government target
Rents and service charges	Non-sheltered: ave rent £116.28, service charge £3.25 Sheltered: ave rent £96.73, service charge £3.71 Total: ave rent £115.22, service charge £3.25 2020/21 to 2024/25 CPI + 1%, then reverting to CPI only
Other income	Facility charges 5%, Community Centres 4%, Garages 0% increase
Bad Debt Provision	£150k per annum
RTB sales	2020/21 & 2021/22, 24 disposals then 20 per annum Average valuation £336k, average discount £111k
SSCs	2020/21 £3.435m increasing 2% per annum
Depreciation	Dwellings £7.508m, based on 2019/20 accounts Non dwellings £285k
Capital investment expenditure - existing stock	£6.4m per annum first five years, equating to £1,310 per tenanted dwelling
Repairs - all revenue expenditure & overheads associated with repairs except SSCs	£6.6m per annum first five years, equating to £1,338 per tenanted dwelling
HRA working balance	Set at 7% x gross income given no borrowing capacity on historic debt and macro-economic uncertainties Revenue account minimum balances not breached.
Borrowing and interest	Historic debt £149.924m at 4.05%, repayments linked to RTB, shared pool with General Fund New debt to support BCHfL £73.1m 3%, no repayments assumed No requirement for MRP
External funding	HIF £10m GLA £32.144m RTB receipts recycled as Affordable Hsg Grant £3.073m, no further applications assumed

Appendix 2: HRA Revenue account projections

	Income			**Expenditure**						**Net**		
£'000s / Year	**Net rent Income**	**Other income**	**Total Income**	**Managt.**	**Depreciation**	**Responsive & Cyclical**	**Other Revenue spend**	**Total expenses**	**Interest, RCCO, transfer to/from earmarked reserves**	**Surplus (Deficit) for the Year**	**Surplus (Deficit) b/fwd**	**Surplus (Deficit) c/fwd**
2020.21	29,019	3,292	**32,311**	-10,756	-7,794	-7,573	-133	**-26,256**	-6,484	**-430**	7,526	**7,096**
2021.22	30,289	3,340	**33,629**	-10,971	-7,981	-7,916	-136	**-27,005**	-6,507	**118**	7,096	**7,214**
2022.23	31,628	3,390	**35,018**	-11,191	-8,246	-8,107	-139	**-27,682**	-6,823	**513**	7,214	**7,726**
2023.24	32,999	3,441	**36,440**	-11,415	-8,636	-8,419	-141	**-28,610**	-7,400	**430**	7,726	**8,156**
2024.25	35,907	3,493	**39,401**	-11,643	-8,924	-8,778	-144	**-29,490**	-8,105	**1,806**	8,156	**9,962**
2025.26	37,406	3,548	**40,954**	-11,876	-9,625	-9,177	-147	**-30,825**	-8,326	**1,803**	9,962	**11,765**
2026.27	38,391	3,604	**41,995**	-12,113	-10,052	-9,474	-150	**-31,790**	-8,313	**1,893**	11,765	**13,658**
2027.28	39,019	3,662	**42,681**	-12,356	-10,306	-9,735	-153	**-32,550**	-8,300	**1,832**	13,658	**15,489**
2028.29	39,657	3,721	**43,378**	-12,603	-10,565	-10,004	-156	**-33,328**	-8,288	**1,762**	15,489	**17,251**
2029.30	40,304	3,783	**44,086**	-12,855	-10,832	-10,280	-159	**-34,125**	-8,278	**1,683**	17,251	**18,934**
2030.31	41,749	3,846	**45,595**	-13,112	-11,104	-10,563	-162	**-34,941**	-8,267	**2,386**	18,934	**21,321**
2031.32	41,628	3,911	**45,539**	-13,374	-11,384	-10,854	-166	**-35,777**	-8,257	**1,505**	21,321	**22,825**
2032.33	42,305	3,979	**46,284**	-13,642	-11,670	-11,153	-169	**-36,634**	-8,248	**1,402**	22,825	**24,227**
2033.34	42,992	4,048	**47,040**	-13,914	-11,963	-11,461	-172	**-37,510**	-8,240	**1,290**	24,227	**25,517**
2034.35	43,690	4,120	**47,810**	-14,193	-12,264	-11,776	-176	**-38,408**	-8,233	**1,169**	25,517	**26,686**
2035.36	45,252	4,194	**49,446**	-14,477	-12,571	-12,101	-179	**-39,328**	-8,226	**1,891**	26,686	**28,577**
2036.37	45,117	4,270	**49,387**	-14,766	-12,887	-12,434	-183	**-40,270**	-8,221	**896**	28,577	**29,473**
2037.38	45,846	4,349	**50,195**	-15,061	-13,210	-12,777	-187	**-41,235**	-8,217	**744**	29,473	**30,216**
2038.39	46,587	4,430	**51,017**	-15,363	-13,541	-13,129	-190	**-42,223**	-8,213	**581**	30,216	**30,798**
2039.40	47,339	4,514	**51,852**	-15,670	-13,880	-13,491	-194	**-43,234**	-8,211	**408**	30,798	**31,205**
2040.41	48,102	4,600	**52,702**	-15,983	-14,227	-13,862	-198	**-44,271**	-8,209	**222**	31,205	**31,427**
2041.42	49,816	4,689	**54,505**	-16,303	-14,583	-14,244	-202	**-45,332**	-8,207	**966**	31,427	**32,393**
2042.43	49,662	4,781	**54,443**	-16,629	-14,948	-14,636	-206	**-46,419**	-8,206	**-181**	32,393	**32,212**
2043.44	50,459	4,876	**55,335**	-16,962	-15,321	-15,039	-210	**-47,532**	-8,206	**-402**	32,212	**31,810**
2044.45	51,269	4,974	**56,243**	-17,301	-15,703	-15,453	-214	**-48,672**	-8,206	**-635**	31,810	**31,175**
2045.46	52,090	5,075	**57,165**	-17,647	-16,095	-15,879	-219	**-49,839**	-8,206	**-881**	31,175	**30,294**
2046.47	52,924	5,179	**58,103**	-18,000	-16,496	-16,316	-223	**-51,035**	-8,206	**-1,138**	30,294	**29,156**
2047.48	54,804	5,287	**60,090**	-18,360	-16,907	-16,765	-227	**-52,260**	-8,206	**-376**	29,156	**28,780**
2048.49	54,628	5,398	**60,026**	-18,727	-17,328	-17,227	-232	**-53,514**	-8,207	**-1,695**	28,780	**27,085**
2049.50	55,499	5,512	**61,011**	-19,102	-17,760	-17,701	-237	**-54,798**	-8,209	**-1,996**	27,085	**25,089**

Appendix 3: HRA Capital account projections

Expenditure				Financing						
£'000s / Year	Major Works & Imps	New Build Development	Total Expenditure	Borrowing	RTB 141 Receipts	Other RTB Receipts	Other	MRR	RCCO	Total Financing
2020.21	10,153	24,601	**34,754**	4,249	0	782.3	14,362	14,860	500	**34,754**
2021.22	5,296	28,861	**34,157**	10,440	280	1039	15,115	7,283	0	**34,157**
2022.23	5,447	33,119	**38,566**	19,000	860	700.4	10,875	7,130	0	**38,566**
2023.24	6,147	41,877	**48,023**	23,500	885	630.3	14,681	8,327	0	**48,023**
2024.25	6,323	15,041	**21,364**	7,700	551	982.9	3,650	8,480	0	**21,364**
2025.26	7,491	0	**7,491**	0	0	1030.1	0	6,461	0	**7,491**
2026.27	7,706	0	**7,706**	0	0	1038.7	0	6,667	0	**7,706**
2027.28	7,927	0	**7,927**	0	0	920	0	7,007	0	**7,927**
2028.29	8,155	0	**8,155**	0	0	656.1	0	7,498	0	**8,155**
2029.30	8,389	0	**8,389**	0	0	665.6	0	7,723	0	**8,389**
2030.31	8,760	0	**8,760**	0	0	675.3	0	8,084	0	**8,760**
2031.32	9,295	0	**9,295**	0	0	685.1	0	8,610	0	**9,295**
2032.33	9,671	0	**9,671**	0	0	695.2	0	8,976	0	**9,671**
2033.34	10,480	0	**10,480**	0	0	705.4	0	9,774	0	**10,480**
2034.35	11,104	0	**11,104**	0	0	715.8	0	10,388	0	**11,104**
2035.36	12,324	0	**12,324**	0	0	726.3	0	11,597	0	**12,324**
2036.37	12,678	0	**12,678**	0	0	737.1	0	11,941	0	**12,678**
2037.38	13,042	0	**13,042**	0	0	748.1	0	12,294	0	**13,042**
2038.39	13,417	0	**13,417**	0	0	759.2	0	12,657	0	**13,417**
2039.40	14,475	0	**14,475**	0	0	770.6	0	13,704	0	**14,475**
2040.41	14,891	0	**14,891**	0	0	782.2	0	14,109	0	**14,891**
2041.42	15,319	0	**15,319**	0	0	794	0	14,525	0	**15,319**
2042.43	15,759	0	**15,759**	0	0	806	0	14,953	0	**15,759**
2043.44	16,211	0	**16,211**	0	0	818.2	0	15,393	0	**16,211**
2044.45	16,677	0	**16,677**	0	0	830.6	0	15,847	0	**16,677**
2045.46	16,359	0	**16,359**	0	0	843.3	0	15,516	0	**16,359**
2046.47	16,829	0	**16,829**	0	0	856.2	0	15,973	0	**16,829**
2047.48	17,313	0	**17,313**	0	0	869.4	0	16,443	0	**17,313**
2048.49	17,810	0	**17,810**	0	0	882.7	0	16,928	0	**17,810**
2049.50	18,322	0	**18,322**	0	0	896.4	0	17,426	0	**18,322**