City of Westminster

Meeting or Decision Maker:	Cabinet
Date:	10th February 2020
Classification:	General Release
Title:	Housing Revenue Account Business Plan 2020/21 and 30-Year Housing Investment Plan
Wards Affected:	All
City for All:	This report addresses the income and expenditure on the Council's current housing stock and the investment in new housing, non-residential buildings and public realm in regeneration areas and as such has a major impact upon the City for All policy.
Financial Summary:	This report presents a 30-year Business Plan for the Housing Revenue Account with consideration for both the Capital and Revenue position. The Revenue Business plan, over a 5-year position, projects gross income of £593.07m and gross expenditure of £584.37m. The HRA Capital Position provides for a total capital investment of £896m over the next 5 years and a total of £1.754bn over the 30 years. The Business Plan demonstrates that the investment proposals are fundable, subject to the assumptions within the plan, and that the HRA remains sustainable and viable over the 30-year period.
Report of:	Barbara Brownlee, Executive Director of Growth, Planning and Housing and Gerald Almeroth, Executive Director of Finance & Resources

1. Executive Summary

1.1 This report presents the Housing Investment Plan and 30-year Housing Revenue Account (HRA) Business Plan. The City Council's investment plans are ambitious and will deliver a range of lasting benefits for the City, its residents and wider community members. The Council has large ambitions to provide additional social and intermediate homes whilst ensuring the current housing stock is maintained at decent levels. As at November 2019 the Council owns 20,791 social dwellings of which c11,800 were tenanted (56%) and 8,991 were leased (44%). The stock number are expected to grow to 21,030 units by the end of 2019/20 with further increases to stock number as New Build properties are completed.

1.2 Whilst the HRA business plan is for a period of 30 years, more focus is on the medium-term (five years) as there is more certainty on costs, demands, resources and pressures, which will enable the prioritisation of housing investment. However, the view of the medium term is also considered in the light of the strategic objectives of the Council and the impact of Government policies on rents, disposals and regeneration.

1.3 The HRA is expected to collect approximately £107.00m in income in 2020/21 which will be across a range of income streams with majority of this coming in from Dwelling Rent at £77.80m. Further details of the income streams are provided for within the Section 7 of this report.

1.4 The HRA is expected to spend approximately £111.35m on various upkeep of its housing stock and for various other business support requirements. The largest spend will be towards supporting the management of the housing services, supporting housing tenants, repairs and maintenance and long-term asset management, totalling £73.31m. Further details of the expenditure and income streams are provided for within the Section 7 of this report.

1.5 Westminster is engaged in an ambitious development programme that, in addition to building new homes, will redevelop and regenerate existing properties. The development programme will create new homes that will enrich and promote healthy neighbourhoods and communities via mixed use developments, proactive place shaping and providing greater support to local services and amenities.

1.6 The HRA will play a significant role in the delivery of the Housing Programme and will work with the Council's General Fund and the Council's Wholly Owned Companies to ensure the aspiration of the housing plan is delivered. The planned capital spend for 20/21 is £187m with a total of £1.754bn planned to be spent over the 30-year business plan. This is an increase of £163m since the February 2019 HRA budget report. This programme will be funded using various funding sources, including the use of the Affordable Housing Fund (AHF), Capital Receipts and

HRA Borrowing. Further details of the Capital Programme are detailed within Section 8.

1.7 With house building costs rising significantly over the past few years and the sales market seeing a slowing down, this has had a significant impact on scheme viability and value for money considerations for the Build Programme. Nonetheless, the Council will proactively look at cost effective financing options including applying its affordable housing fund efficiently and take advantage of the lifting of the HRA borrowing cap along with the current low interest rates. Of the total £1.754bn of capital allocation, a total of £932m will be spent on Regeneration and New Build Programme.

1.8 In addition to the Regeneration and New Build Programme, the Council is looking to spend £822m on Major Works Capital Programme. The Major Works Capital programme will focus on maintaining and bringing the Westminster Housing Stock to decent standards and will include spending on Fire Safety, Major Decorations, Electricals and Mechanical works.

1.9 Despite the uncertainties and pressure on resources, the Council remains committed to improving or renewing, as appropriate it's older housing stock and increasing housing supply. The Leader has made a commitment to deliver at least 1,850 affordable homes in Westminster by 2023 and the Council is on track to exceed this target. Current projections are that 2,144 new affordable homes will be delivered by 2023/24. Further analysis of this can be found in sections 5.4, 5.5 and Table 1 in this report.

1.10 The Council's HRA supply plans are dependent on significant levels of both capital receipts and receipts into the AHF continuing. The impact of changes to either of these, as seen this year, will mean the Council needing to look at other mitigations such as scaling back activity or using an alternative to the HRA. The Council wholly owned housing company will also enable some of these impacts to be mitigated.

1.11 Since April 2019 the Council has now fully transferred over all housing services previously managed by City West Homes. Over the next 12 months the Housing Department, along with support services to Housing, will be looking at re-organising the services and resources to ensure the Housing Department is best placed to support the Council's Tenants and Leaseholder whilst ensuring value for money is achieved. This will further generate operational efficiencies and lead to savings that will provide additional funding to support the front-line services.

2. Recommendations

2.1 Approve the HRA revenue budget for 2020-21 (Table 2 and Appendix 3)

2.2 Note the HRA 5-year revenue budgets for 2020-21 to 2024-25 (Table 2 and Appendix 2)

2.3 Note the HRA 30-year revenue budgets for 2020-21 to 2049-50 (Appendix 3)

2.4 Approve the HRA 5-year Capital Programme for a total of £895.99m (Table 3).

2.5 Note the 30-year Capital Programme for 2020-21 to 2049-50 (Appendix 4)

2.6 Note a rent increase of 2.7% from April 2020 as applicable under the Welfare Reform and Work Act 2016.

2.7 Note the HRA reserves and balances for the 5-year Business Plan (Table 6).

3. Reasons for decision

3.1 The Local Government and Housing Act 1989 Section 76 requires Local Authorities with a Housing Revenue Account (HRA) to set a budget for the account, which is based on best assumptions, that avoids a deficit and keeps the HRA under review.

3.2 The budget has developed from a review of the baseline budget, current expenditure on Housing services and capital investment to maintain, improve and expand the Housing Stock.

3.3 The report outlines how the HRA is facilitating the City Council's commitment to provide 1850 affordable homes through various HRA resources, including the use of the AHF, Capital Receipts, GLA Grant Funding and HRA Borrowing as well as ensuring that the Council maintains safe homes and neighbourhoods by investing over £1.754bn in existing Council homes over the next 30 years.

4. Key Implications

4.1 The report highlights the Financial Plan for the HRA and provides an indication of the future level of HRA reserves, based on assumed rent changes, efficiencies and other variables as set out in the report.

4.2 The Government rent reduction policy to reduce Social housing rents by 1%, which has been in existence since 2016/2017, now comes to an end in March 2020. The government has proposed to allow rent increases of CPI+1% from April

2020 for five years, which has been incorporated into the revenue forecasts in Table 2 and Appendix 2 & 3.

5. Background

5.1 The HRA covers revenue expenditure and income relating to the Council's own housing stock. It is an account that is ring fenced from the Council's General Fund as required by the Local Government and Housing Act 1989, which specifies the items that can be charged and credited to it. The account must include all costs and income relating to the Council's landlord role (except in respect of leased accommodation, for households owed a homeless duty, and in respect of accommodation provided other than under Housing Act powers). The Council has a legal duty to budget to ensure the account remains solvent and to review the account throughout the year.

5.2 The Council's *Housing Investment Strategy*, approved by Cabinet in 2012, centres on delivering three key programmes:

- Investment to maintain and improve existing council-owned homes;
- Delivery of new affordable homes; and
- Implementation of the initial phases of the housing regeneration programme.

Each year, the Council reviews, updates and approves its 30-year business plan in line with best practice. This report summarises the latest 30-year HRA Business Plan and sets out for Council the updated and re-profiled capital expenditure proposals. The update also outlines how the Council plans to finance the capital programme including use of surplus capital receipts, Affordable Housing Fund, grants and HRA borrowing.

5.3 Historically, the majority of new affordable homes delivered in the City has been by private developers as part of their s106 planning obligations, or through direct delivery by Registered Providers. The Council has also supplemented the delivery of affordable homes through open market purchases of individual homes.

5.4 The HRA is providing an increasing role in the delivery of new affordable homes especially through regeneration and the delivery of infill sites The City for All target of 1,850 new affordable homes by 2023 is on track, with 2,144 units forecast to be delivered, as set out in Table 1. 646 of these affordable homes have so been delivered with a further 1,498 units currently under construction, with the remaining homes due to start and complete by March 2023.

5.5 These HRA programmes will be delivered from a combination of capital financing options. In addition, 454 affordable homes will be delivered through the General Fund either as new build or as acquisitions. The remaining 949 affordable homes

are anticipated to be delivered by RP partners mainly from ‘Section 106’ opportunities in the City and through spot purchases of existing housing then converted to affordable housing use. Table 1 below provides further details of delivery against the City for All target, including affordable homes delivered between 2017/18 and 2022/23 and the anticipated position at the end of 2019/20. Table 1 also shows projected affordable housing units over the 5-year period 2020/21 to 2024/25.

Table 1 – New Affordable homes

		Tenure			Funding Stream		
Year	Total	Social	Intermediate	Spots	HRA	General Fund	S106 /RP
2017-18 Complete	152	69	83	33	27	29	96
2018-19 Complete	151	73	78	43	35	23	93
2019-20 (complete in brackets)	568(343)	430 (268)	138 (75)	43	156 (53)	221 (215)	191 (75)
2020-21	291	232	59	34	116	113	62
2021-22	436	205	231	30	200	48	188
2022-23	546	416	130	30	207	20	319
Total City for All Target	**2144**	**995**	**581**	**213**	**741**	**454**	**949**
2023-24	835	653	182	30	501	219	115
2024-25	165	146	19	0	91	74	0
Total 5 year period 2020/21 to 2024/25	**2273**	**1652**	**621**	**124**	**1115**	**474**	**684**
Total All	**3144**	**2224**	**920**	**243**	**1333**	**747**	**1064**

6. Government policy announcements and recent legislative changes National and regional policy

6.1 There are a number of fundamental Government Policy decisions and potential legislative changes in process which will have a significant impact upon how fire safety management will be formulated within the social housing sector over the next year.

6.2 The Hackett Report

The Independent Review of Building Regulation and Fire Safety led by Dame Judith Hackett, found that there are issues in the way some high-rise residential buildings are built, managed and looked after. Her review also found that sometimes residents are not confident that their buildings are safe and have been unable to get their concerns taken seriously. The Government has drafted a set of policy proposals to improve the fire and structural safety of high-rise residential buildings to ensure high-rise residential buildings are safe to live in and residents are able to have their voices heard.

6.3 The Grenfell Report – Part 1

The Grenfell Tower Inquiry: Phase 1 Report made several recommendations on the basis of its findings. The Head of Health, Fire and Safety Management (Housing) has made recommendations to primarily instigate all the recommendations of the Phase 1 Report. Furthermore, to approve those additional recommendations suggested by the author, taken from the body of the Report which the author believes would have a significant and positive impact on fire safety management within the social housing sector.

The migration to Universal Credit (UC)

6.4 Full rollout for all customers in Westminster is expected to start in late 2020. It is not clear if there will be any further changes to UC or to this timetable, as in January 2019, Government announced a pilot of 10,000 households transferring onto UC and that it was taking a 'test and learn' approach[1].

6.5 Overall UC can make it easier for people to move into work. However, some of its features have the potential to negatively impact the HRA, given that it is a major change for tenants and c70% receive housing benefit (although not all will receive UC). This is because:

- Applications are made on-line – which might impact on vulnerable households not digitally skilled
- Payments are made direct to the tenant and are made monthly in arrears, to imitate a salary (although advance payments can now be made). This is a major cultural change for council tenants that have always had housing benefit

[1] www.gov.uk/government/news/amber-rudd-sets-out-fresh-approach-to-universal-credit

paid directly to the council. Alternative Payment Arrangements “APA’s” can be made in some circumstances and the council has ‘trusted partner’ status so it can make APA requests for vulnerable customers.

6.6 Southwark Council, with the Smith Institute, have carried out 3 pieces of research into the impact of UC on council rents. Their first report2 found that although a move to UC results in rent arrears initially, at around week 20 of UC, arrears start to be repaid. The second report3 found that as time progresses however a pattern of underpayment of rent re-emerges. A third report in 20194 looked at a group of tenants moving onto UC following government reforms to it in 2018, which included greater provision for APAs and abolition of the 7-day waiting time and the 2 week housing benefit run on.

6.7 The report found a noticeable decrease in arrears of this latter group transitioning to UC and that the reason was mainly attributable to the quicker agreement of APAs. It also found that arrears were still higher than compared with those in receipt of housing benefit.

6.8 The income team work closely with vulnerable residents whether it be assisting with housing benefit claims and universal credit applications, giving welfare benefit advice and signposting to outside support agencies such as the Cardinal Hume Centre and Shelter. Charitable grants are sought to help with rent arrears and on occasions other debts.

6.9 We have regular surgeries at our area service centres where residents can see a Citizen Advice Bureau (CAB) debt adviser and receive debt advice and advice to maximise their income. We also have access to other drop-in hubs which residents can attend to receive housing advice. In addition, we work with the specialist CAB, mental health and welfare rights caseworkers.

6.10 The income teams have a close relationship with the Foodbanks and are able to give food vouchers to exchange at the foodbank to residents in need.

6.11 The key aim of the income teams when working with vulnerable clients is to ensure that they receive support to sustain their tenancies and any additional assistance they need is afforded to them. Referrals can be made to tenancy support services so that residents can be assessed for ongoing support around tenancy sustainment. In addition, we have access to the Homelessness,

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[2] www.smith-institute.org.uk/wp-content/uploads/2017/10/Safe-as-Houses.pdf
[3] www.southwark.gov.uk/news/2018/nov/safe-as-houses-2-new-in-depth-report-reveals-deepening-concerns-for-universal-credit-recipients
[4] www.smith-institute.org.uk/book/safe-as-houses-3-have-government-reforms-to-universal-credit-reduced-the-rent-arrears-of-southwarks-tenants/

Employment and Learning Project, (HELP) which provides advice on housing and employment.

6.12 Referrals can be made to social services where vulnerable tenants are deemed to need additional support and the teams have formed close relationship with the Council's Client Affairs team who administer the finances of those unable to manage their own financial affairs.

6.13 Working closely with vulnerable residents is particularly important at a time when many residents are transferring to universal credit and the income team are keen to work with these residents to ensure payment plans are in place and that Alternative Payment Arrangements are set up for the council to receive the rent directly in appropriate circumstances.

6.14 Since the start of the year, we have been actively speaking to all our tenants and not just those in receipt of UC to encourage them to make provision for the 53-rent week in this particular financial year. For our tenants paying by direct debit, we have advised our tenants of the changes to payments to make sure one extra week is paid for.

6.15 It is predicted that rent collection statistics will take a hit just before year end and while the team are doing all they can to mitigate the risk by providing as much assistance as we can to our tenants, the potential increase in arrears cannot immediately be taken as an indication of underperformance by the exceptionally hard-working team.

6.16 Any change will take some time both for the legislation to pass and for the DWP to implement the changes to the Universal Credit system. It is very difficult for Westminster to fully mitigate the impact of this shortfall in benefit for our tenants. We need a change in the legislation.

6.17 At this time, we have a dedicated welfare reform officer who works across the borough to provide help and assistance to our residents.

Policy on Social Rents

6.18 Government published its Policy on Social Rents in February 2019[5] following a consultation. It confirms that from April 2020 local authority social rents will come under rent regulation and be subject to the Rent Standard. The Standard includes an annual rent increase cap of CPI plus 1.0% annually. The Policy also confirms when Affordable Rent can be charged, such as where it is part of a delivery

[5] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781746/Policy_Statement.pdf

agreement with the GLA or when the local authority has received agreement from the Secretary of State or Mayor of London. The Statement also sets out that Government does not expect local authorities to adhere to its policy on charging higher rents to higher earners and the council's is no longer going ahead with its local policy in this area.

6.19 The Council will currently work towards meeting the minimum requirements of the Social Rents Policy but will do so without adversely impacting the residents. The Council ensures that its social rents meet the criteria of not exceeding the formula rent and rent cap position and that the Council will ensure that the rent increases for tenants does not exceed the minimum requirements of CPI + 1%.

6.20 The Council has a commitment to support its community through ensuring housing needs are sufficiently provided in the Borough and that households have a housing option that best meets their earnings. As a result, the council will ensure good quality Social and Intermediate housing is provided to those who are locked out of the private housing market.

6.21 The council's Tenancy Policy no longer supports higher rents being charged to higher earning social tenants.

Mixed tenure developments

6.22 In July 2019 MHGLG published its vision[6] in relation to communities which includes aims to prevent 'poor door's' in new developments – where social housing tenants have separate entrances. Across the Council's development programme, the council is proactively working towards creating a mixed community with a common and shared services and facilities across the housing estate. Further details of this is provided in Section 8.

[6] www.gov.uk/government/publications/by-deeds-and-their-results-strengthening-our-communities-and-nation

7. HRA Revenue

7.1 The HRA Business Plan consider the delivery of the Housing Management service as well as the delivery of the Capital Programme. The delivery of the Capital Programme has a Revenue implication because the new build programme increases the housing stock and thus leads to increased income and expenditure through housing management.

7.2 Over the length of the five-year business plan from 2020-21 the projected stock is expected to increase, resulting in increased rental income and increased housing management costs. This will require ongoing monitoring and management of resources to ensure the HRA continues to provide funds for future investment. The impact of 4 years of rent reduction, from 2016-17 to 2019-20, by 1% per annum has had a significant impact on the rental income generated and as a result impacting on the ability to generate sufficient surpluses. One of the key challenges for the Council going forward will be to manage this transition effectively. This means continuing to invest in our housing stock and striving to provide high quality services tailored to our residents' needs.

7.3 The 2019/20 HRA budget provided for savings of £2.05m, however with the transfer of City West Homes into the Council and along with ongoing transitional requirements, the 2020/21 Budget does not include savings, and these will be closely monitored once the Housing Management service embeds into an efficient and customer focused team.

7.4 The HRA will now benefit from the lifting of the 1% rent reduction requirement and from 2020/21 and for further 5 years the Council will be able to increase rents by CPI plus 1%. Based on the same number of dwelling units as 2019/20, this will provide approximately an additional £2.00m in rental income in 2020/21. Nonetheless, the business plan also anticipates that the cost of supervision and management and repairs and maintenance is likely to increase largely due to inflationary factors. Various assumptions and data used to set the 20/21 budget have been provided within Appendix 1. Table 2 details the 5 Year HRA Business Plan.

7.5 There are several financial risks associated with regeneration schemes for the HRA, intensified by the growth of the programme. For example, construction delays lead to extended borrowing costs and defers the period when rent can be generated again, whilst also overall programme delays causes increases in management, maintenance and voids costs if there are delays to properties becoming vacant for development purposes.

Table 2 – 2020/21 and 4 Year HRA Business Plan

Year	1	2	3	4	5
	2020.21	2021.22	2022.23	2023.24	2024.25
TOTAL STOCK Projection	21,030	21,025	21,076	21,163	21,379
	£'m	**£'m**	**£'m**	**£'m**	**£'m**
Gross Dwelling Rents	*(£77.80)*	*(£80.10)*	*(£82.83)*	*(£85.88)*	*(£89.85)*
Voids - 2% of Dwelling Rents	*£1.56*	*£1.60*	*£1.66*	*£1.72*	*£1.80*
Dwelling Rents	(£76.24)	(£78.50)	(£81.18)	(£84.16)	(£88.05)
Commercial Rent	(£8.20)	(£8.36)	(£8.53)	(£8.70)	(£8.88)
Garages, Sheds & Car Parks Income	(£1.31)	(£1.34)	(£1.37)	(£1.39)	(£1.42)
Service Charges	(£14.18)	(£14.46)	(£14.75)	(£15.05)	(£15.35)
Heating and Water (Including PDHU)	(£5.00)	(£5.10)	(£5.20)	(£5.30)	(£5.41)
HRA investment income & Other Income	(£2.13)	(£2.13)	(£2.13)	(£2.13)	(£2.13)
TOTAL INCOME	**(£107.06)**	**(£109.89)**	**(£113.15)**	**(£116.73)**	**(£121.23)**
Supervision and Management	£27.29	£27.83	£28.39	£27.96	£27.51
Repairs and Maintenance	£26.14	£26.66	£27.25	£27.91	£28.73
Heating and Water (Including PDHU)	£4.98	£5.13	£5.28	£5.44	£5.60
Rent, Rates and Commercial Charges	£3.04	£3.10	£3.16	£3.23	£3.29
TMO Allowances	£1.49	£1.52	£1.55	£1.58	£1.61
Support Costs	£12.87	£13.13	£13.39	£13.66	£13.93
Depreciation	£24.61	£23.58	£24.19	£24.68	£25.17
Capital financing costs	£10.23	£11.14	£14.86	£14.98	£14.70
Regeneration Feasibility	£0.500	£0.500	£0.500	£0.500	£0.500
Debt management	£0.206	£0.210	£0.214	£0.218	£0.223
TOTAL EXPENDITURE	**£111.35**	**£112.79**	**£118.80**	**£120.14**	**£121.28**
HRA Net (Surplus)/Deficit position	**£4.288**	**£2.905**	**£5.643**	**£3.410**	**£0.050**
Contribution to /(from) HRA Reserves	(£4.288)	(£2.905)	(£5.643)	(£3.410)	(£0.050)
HRA Budget	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**

7.6 Over the 5-year period the current plan indicates an annual drawdown of reserves to support the delivery of the HRA services. The HRA plan indicates that in year income position does not fully cover the planned expenditure and as a result a drawdown of the reserve is required to balance the budget. The HRA service anticipates increased demand for Repairs and Maintenance over the next 5 years and also due to an increasing capital programme the HRA will need to borrow, which will result in additional provision for capital financing costs.

7.7 The net balance of the HRA reserves is further detailed within Section 10 of this report, which shows that based on current income and expenditure projections reserve balances will reduce to £5.81m.

7.8 The reduction of reserve balances lowers the financial strength of the HRA as less funds would be available to support unforeseen risks that would lead to financial pressures. In order to support the delivery of a stronger HRA the Housing Service will need to plan and deliver savings that reduces the reliance on the use of reserves. The objective will be to maintain reserves at a level of between 10% and 15% of the gross rent collected. To achieve this level of reserve strength the HRA will need to deliver savings of £10m over the next 3 years.

7.9 Nonetheless, as the 30-year plan indicates within Appendix 3, after Year 10 the reserve balance does begin to increase as the capital programme requires less borrowing and new build properties become operational, resulting in additional rental income.

8. HRA Capital and Stock Investment Plan

8.1 The HRA capital programme will see £895.9m of capital expenditure committed over the next five years (2020/21 – 2024/25) on the development of new build housing, regeneration and investment of existing housing stock and acquisition of affordable homes across Westminster. The HRA will finance this programme using various funding options available and will ensure the most appropriate financing option is used to support scheme viability and generate value for money for the Revenue account.

Table 3 provides details of the HRA Capital Programme along with the financing options proposed. Further details of the various schemes are detailed within Appendix 4.

Table 3 – HRA Capital Programme

Year	1 2020/21 £'m	2 2021/22 £'m	3 2022/23 £'m	4 2023/24 £'m	5 2024/25 £'m	06-30 2025/26-2054/55 £'m	TOTAL £'m
Major Works							
Electrical works & laterals	6.049	2.414	2.670	2.470	4.150	254.607	272.360
External Repairs and Decorations	21.570	24.849	26.057	23.835	21.260	180.637	298.208
Adaptation	1.700	1.700	1.700	1.700	1.700	-	8.500
Fire Precautions	3.500	3.500	3.500	3.500	3.500	87.500	105.000
Lift	9.969	2.850	2.494	4.950	3.050	32.000	55.313
Voids	2.780	3.400	3.400	3.400	3.400	38.700	55.080
Kitchen & Bathroom	0.800	1.000	1.000	0.800	0.800	23.200	27.600
	46.368	**39.713**	**40.821**	**40.655**	**37.860**	**616.644**	**822.061**
Regeneration							
Carlton Dene	1.225	10.806	21.612	10.806	-	-	44.449
Church Street Site A, B & C	2.000	2.000	5.316	19.169	29.157	86.075	143.717
Church Street A,B & C Acquisitions	17.317	17.569	5.365	15.575	18.098	70.441	144.364
Lisson Arches	7.427	14.902	7.017	-	-	-	29.346
Luton Street	4.924	14.750	-	-	-	-	19.674
Parsons North	12.000	12.390	-	-	-	-	24.390
Cosway	12.000	12.000	8.949	-	-	-	32.949
Ashbridge	8.421	3.718	-	-	-	-	12.139
Edgware Road	0.300	-	-	-	-	-	0.300
Ashmill Street	1.089	0.050	-	-	-	-	1.139
Ebury Phase 1	15.506	51.689	57.736	6.801	3.144	35.568	170.444
Ebury Acquisitions	17.000	15.000	9.370	-	-	-	41.370
Tollgate Gardens	0.021	-	-	-	-	-	0.021
Warwick Community Hall	1.200	-	1.200	-	-	-	2.400
Queens Park Court	1.085	4.314	4.590	-	-	-	9.989
Pimlico	1.000	6.286	9.754	-	-	-	17.040
Bayswater	1.487	1.900	1.400	4.475	11.321	5.673	26.257
West End Gate	9.221	1.505	-	-	-	-	10.726

Contingency (10%)	9.550	15.059	12.869	5.385	7.112	14.402	64.377
Brunel	2.700	3.000	4.300	12.300	27.200	16.100	65.600
	125.473	**186.938**	**149.478**	**74.511**	**96.033**	**228.258**	**860.691**
Other Schemes							
Infills	10.138	15.737	1.346	0.300	0.300	0.600	28.422
Self-Financing	5.000	5.000	5.000	5.000	5.000	10.000	35.000
GF Buybacks/Intermediate Sales	-	-	-	5.318	-	2.200	7.518
	15.138	**20.737**	**6.346**	**10.618**	**5.300**	**12.800**	**70.940**
TOTAL HRA CAPITAL PROGRAMME	**186.979**	**247.388**	**196.646**	**125.785**	**139.193**	**857.702**	**1,753.692**

8.2 This plan has been developed at a time of increasing construction costs and a challenging residential market and while the council cannot resolve these problems, this plan is designed to minimise their impact on both our affordable housing target of 1,850 homes by 2022/23 and the impact on our own development and regeneration programme.

To ensure this plan is robust, a review of all our development schemes will be carried out to ensure the Council is generating efficiencies and delivering on value for money to the residents.

8.3 Each scheme will have a detailed business case developed and a separate Cabinet Member decision will be taken. The detailed business cases for each scheme will consist of stress tests to indicate the financial and delivery risks.

8.4 Below further details of some of the schemes within the HRA are provided.

8.5 **Warwick Housing and Community Hall (300 Harrow Road)**

The site is currently occupied by single storey community hall and nursery. It is proposed to redevelop the site to provide 112 residential units (50% affordable), canal front café, affordable workspace to help develop local businesses and much improved landscaping alongside re-provision of the community hall and nursery.

Whilst further work is being to look at the delivery options, it could the case that this scheme will be one of the first developments to be delivered directly through the council's wholly owned company- Westminster Housing Investments Limited.

8.6 **Lisson Arches**

Lisson Arches is sited adjacent to disused railway arches within the Church Street ward. This development will provide 60 sheltered accommodation units. The scheme is based on a two-stage tender process and the preferred contractor United Living, have been selected.

The on-going enabling works are being undertaken by FM Conway. Main construction works are scheduled to commence 2nd quarter of 2020.

45 of the social housing units provide replacement stock for the 45 units earmarked for demolition in Penn House, a nearby sheltered accommodation block. The remainder will provide additional decant space for the wider Church Street Programme.

8.7 **Parsons North**

The development comprises 60 new residential units - 19 affordable units and 41 units for open market sale. The project will also see benefit from enhanced landscaping and biodiversity upgrade works in the immediate vicinity

Parsons North is being delivered under a self-delivery strategy, with the main contractor, Osbourne, who commenced on site during the 1st quarter of 2019.

8.8 **The Masefield – Beachcroft.**

The Masefield provides 31 Lateral apartments housed over 4 floors, with Beachcroft House care-home situated adjacent.

Revenue generated from the sale of The Masefield will help fund the adjacent care-home, Beachcroft. This state-of-the-art care home will provide 84 beds for Westminster residents, focused on the care of those suffering with Dementia.

This project is Westminster's first self-delivered scheme for sale to the open market. At the time of writing, 10 units have been reserved for private sale with 4 units due to exchange during the last quarter of 2019.

8.9 **Church Street Phase 2**

Church Street is the most deprived area of Westminster and is the focus of much needed regeneration, as highlighted within the Church Street Masterplan.

Re-development of Church Street Site A will meet three of the Council's City for All objectives by using a transparent process to provide more homes of all types and creating opportunity for residents and businesses.

The design offers a model of economic, environmental and social sustainability centred around residents.

Church Street is Westminster largest regeneration project with over 1200 homes. The redevelopment will also provide significant improvements to the Church Street Market and public realm.

8.10 **Ebury Bridge**

A wholescale estate regeneration scheme with full demolition and re-provision.

Ebury will deliver a 750 tenure blind, mixed tenure housing scheme with high quality public realm and community and social infrastructure.

The Council have designed the scheme in collaboration with local residents and are well underway with the delivery of the Phase 1 re-housing and decant strategy.

WCC has committed to self-delivering Phase 1 which comprises of over 200 new homes. This phase will largely enable the Council to meet the re-housing requirements for future phases of development.

8.11 Infill Programme

The Infill programme identifies development opportunities within the existing estate that can be brought forward for new housing. These include conversion of disused space such as basements, drying rooms and storage sheds and new build opportunities on underutilised garage sites, car parks and vacant land adjacent to estates.

The programme has already delivered 10 new homes with a further 144 forecasted to deliver by 2023.

8.12 **Major Works Capital Programme**

The 2020/21 HRA Business Plan includes capital investment of £46.368m towards major works investments. The business plan projects a total of £822.061m to be invested for major works over the 30 years. The detail of this is shown in Table 4 below;

Table 4 - Expenditure on existing housing stock over 30 years to 2049/50

Year	1 2020/21 £'m	2 2021/22 £'m	3 2022/23 £'m	4 2023/24 £'m	5 2024/25 £'m	06-30 2025/26-2054/55 £'m	TOTAL
Major Works							
Electrical works & laterals	6.049	2.414	2.670	2.470	4.150	254.607	272.360
External Repairs and Decorations	21.570	24.849	26.057	23.835	21.260	180.637	298.208
Adaptation	1.700	1.700	1.700	1.700	1.700	-	8.500
Fire Precautions	3.500	3.500	3.500	3.500	3.500	87.500	105.000
Lift	9.969	2.850	2.494	4.950	3.050	32.000	55.313
Voids	2.780	3.400	3.400	3.400	3.400	38.700	55.080
Kitchen & Bathroom	0.800	1.000	1.000	0.800	0.800	23.200	27.600
	46.368	**39.713**	**40.821**	**40.655**	**37.860**	**616.644**	**822.061**

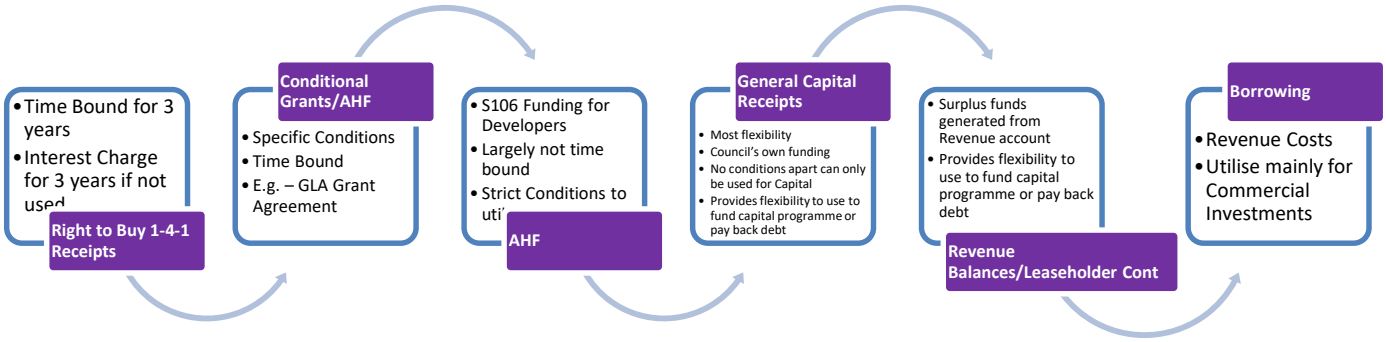
8.13 With the direct control now available to the Council through brining in house City West Homes, the Council's Asset Management team will conduct a detailed stock condition and assessment survey to determine the necessary and important work that needs to be conducted across all housing stock. The profile of expenditure will then be further allocated to poor preforming assets and to ensure all homes are continued to be brought to decent standards.

9. Capital Programme Funding

9.1 The HRA business plan will use multiple financing sources to deliver the capital programme and will ensure that the most optimal funding option is utilised to ensure schemes are viable and value for money is achieved. The HRA has also been boosted from the removal of the Borrowing Debt Cap which provides an additional resource to finance the investment.

9.2 The intention of removing the HRA borrowing cap was to unlock the potential of HRA's in producing more social housing. Whilst there is no formal borrowing cap in place, the HRA business plan will need to carefully consider further implications as a result of additional borrowing. The main implication will be the ability of the HRA to continue financing the interest costs, which are paid back from the rental income generated, and also set aside funding for paying back the debt. Whilst, there is no requirement for the HRA to set a Minimum Revenue Provision (MRP), as it is required for the General Fund, the larger debt pool will result in continued interest payments. Paying back of debt will allow for lower interest costs and so therefore more of the rental income can be invested in housing services and the assets.

9.3 Whilst the HRA seeks flexibility in its use of the funding sources available, the HRA will follow a general rule of thumb when financing the capital programme. The approach will involve utilising funding that has time conditions as well as usage conditions first followed by more flexible resources. This will involve utilising the borrowing option as the last resort due to the financial implications it has, as indicated in 9.2. As a process, chart below provides a standard methodology.



9.4 Whilst it is advisable to follow the above method of financing the Finance team will seek to ensure financing of the schemes is optimised to deliver the wider programme whilst ensure each scheme is financially viable.

9.5 The HRA financing options available are detailed below.

Affordable Housing Fund

9.6 Payments received from developers on planning schemes in lieu of affordable housing obligations are held in the Council's AHF. These funds are then used by the Council to invest in the delivery of affordable housing elsewhere in the City, either through Council-led developments, such as estate regeneration, or alternately in schemes delivered by housing associations.

9.7 The balance held in the AHF as at 1st April 2019 totalled £280.9m. All of this balance is formally committed or informally planned to be used by schemes in the pipeline to deliver more affordable housing. Future payments into the AHF will be dependent upon new planning applications being submitted and approved and where payments in lieu of on-site affordable housing are agreed instead of on site affordable housing.

9.8 Within the HRA business plan, £365.6m of AHF is projected to be used to finance the capital programme over the 30-year period. The AHF can be used to fund both HRA and General Fund (GF) schemes so the requirement on the fund will need to consider value for money for the Council and a need to be balanced between the two accounts. The pipeline of receipts must also be closely monitored to ensure funds are available for future plans.

Capital Receipts

9.9 The HRA can receive capital receipts for transfers of land or property which are then used to finance the capital programme. These receipts represent a significant proportion of the projected capital financing. As such any variance in their value or timing will impact on the HRA's ability to finance capital spend and remain within its borrowing limit.

9.10 Use of the Capital receipts, including Right to Buy sales, is projected to be £340.23m over the 30 years.

Reserves and Leaseholder Contributions

9.11 As part of the Revenue budget planning, the Council is required to set aside revenue funding, known as the Major Repairs Allowance, which needs to be used towards the upkeep of the housing stock and this allocation goes towards funding the Major Works programme.

9.12 The amount set aside is based on a calculation of the prior depreciation and the funds are set aside within the Major Repairs Reserve which get drawn down at the end of the year. If the Major Repairs works come in less then the Major Repairs Allowance the Council can carry forward the balance to use for future delivery. Any shortfalls however, will require the HRA to find an alternative funding source to finance the expenditure.

9.13 As the Major Works are delivered across the Housing portfolio, some residents will be Leaseholders and will be required to contribute towards the funding of the capital works. These leaseholder contributions also go towards financing the Major Works Programme and are held separately and ringfenced towards capital works.

9.14 The HRA is projecting to utilise £902.504m of Leaseholder Contribution and Major Repairs Allowance to financing the Capital Programme and this will all go towards the Major Works Expenditure.

Borrowing

9.15 The HRA is expected to borrow to help finance various new build and regeneration schemes, which contribute towards increasing the number of social housing in the Borough. The HRA business plan proactively will only look to borrow to deliver new build and regeneration schemes only as these bring in additional income through rents and so the extra rent would support the re-financing of the debt.

9.16 The HRA is expected to borrow £207.831m over the course of the 30-year plan which will equate to 11% of the total Capital Programme over the same timeframe.

Capital Programme – Financial Overview

9.17 The table below (Table 5) summaries the overall expenditure and financing position for HRA Capital programme.

Table 5 – Capital Programme Financing Plan

	1 2020/21 £'m	2 2021/22 £'m	3 2022/23 £'m	4 2023/24 £'m	5 2024/25 £'m	06-30 2025/26-2049/50 £'m	Total Scheme Costs £'m
Major Works	**46.368**	**39.713**	**40.821**	**40.655**	**37.860**	**616.644**	**822.061**
Regeneration	**125.473**	**186.938**	**149.478**	**74.511**	**96.033**	**228.258**	**860.691**
Other Schemes	**15.138**	**20.737**	**6.346**	**10.618**	**5.300**	**12.800**	**70.940**
Total HRA Capital Programme	**186.979**	**247.388**	**196.646**	**125.785**	**139.193**	**857.702**	**1,753.692**
Funding							
Major Repairs Allowance	24.608	23.579	24.194	24.678	25.171	526.938	649.168
Government Grant/Loan	3.536	6.095	3.094	3.430	-	1.995	18.150
Affordable Housing Fund	84.488	84.770	50.759	34.340	20.750	90.537	365.643
Capital Receipts - RTB LA	-	0.937	1.042	-	2.399	21.850	26.228
Capital Receipts	51.956	97.670	47.519	46.208	60.315	10.341	314.010
Leaseholder Contributions	7.900	9.928	10.205	10.164	9.465	125.000	172.662
HRA Reserves	-	-	-	-	-0.000	-	-0.000
New Borrowing	14.490	24.410	59.833	6.965	21.093	81.040	207.831
Total Financing	**186.979**	**247.389**	**196.646**	**125.785**	**139.192**	**857.701**	**1,753.692**

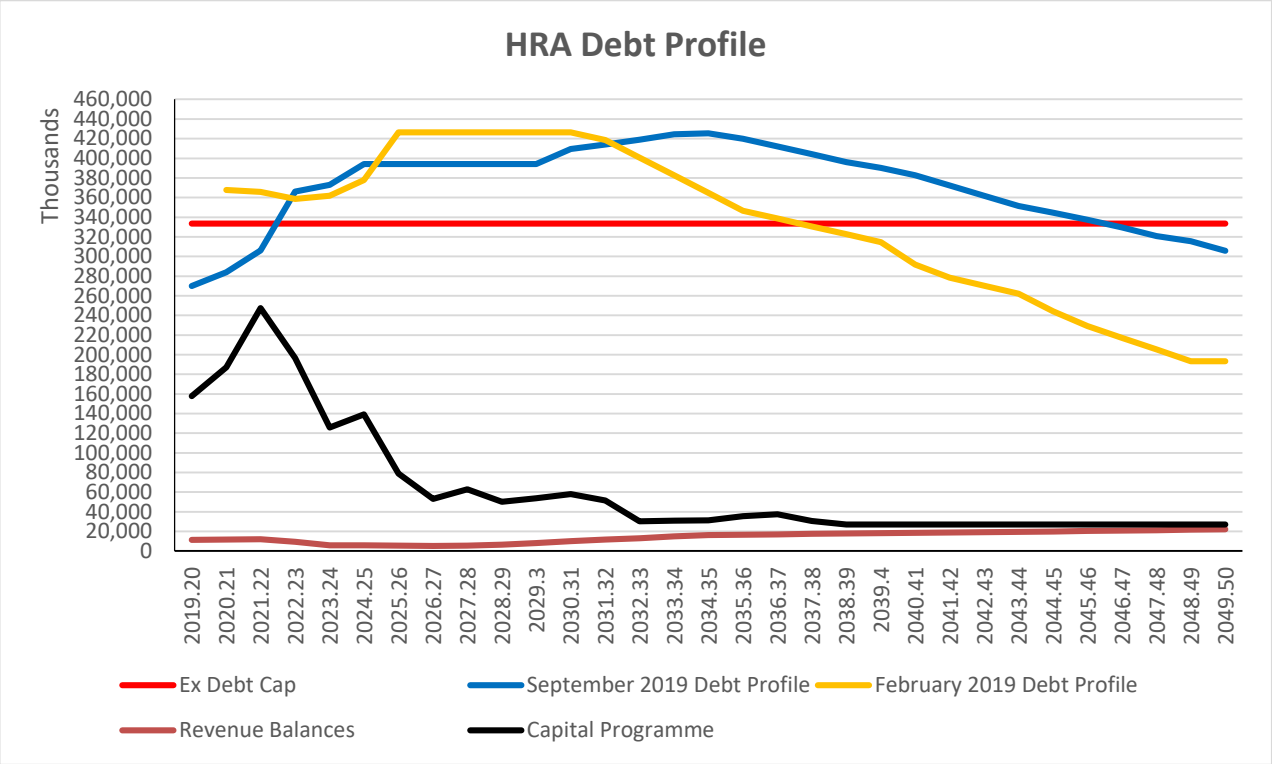
9.18 The opening debt balance within the HRA as of 1st April 2019 is £274.943m and the HRA business plan is not expecting to borrow for 2019/20 and therefore the current projection is that the HRA will close at the same debt levels. However, taking into the account future borrowing requirements, as indicate in Table 5, the total debt peaks at £394.052m in 2025/26. This will result in a financing costs of over £15.43m, which has been assumed at 5% cost of borrowing.

9.19 The financing costs will be funded from the Revenue account and currently assumes that surplus reserves will be used towards paying back debt. Should the decision be made that no debt is paid using surplus reserves then the financing costs will continue to remain at approximately £15.43m as the HRA will be able to borrow at a fixed interest rate.

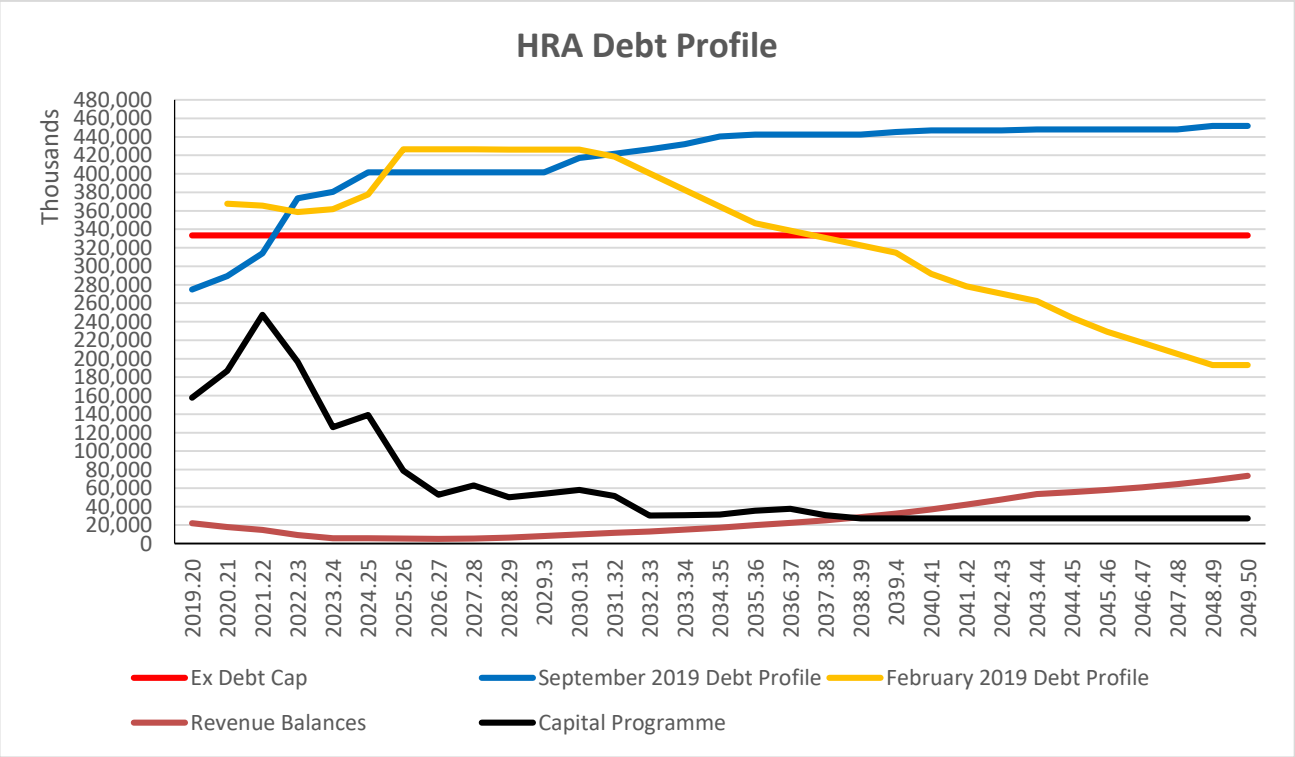
9.20 Charts below provide an indication of the impact on debt between paying back the outstanding debt using reserve (Chart 1) and not paying back the debt (Chart 2).

The assessment is benchmarked against the previous debt cap that the HRA was required to stay within.

Chart 1 – Debt Repayment using surplus reserves



<u>Chart 2 – No Debt Repayment</u>



Capital programme (black line) - Total planned capital investment in the HRA totals £1.754bn over 30 years. This includes major works on existing stock of £0.822bn, regeneration £0.861bn and Other Schemes £0.071bn.

Debt cap (red line) - each local authority HRA previously had a debt cap, imposed by government as part of the 2012 self-financing settlement. Westminster's HRA has a debt cap of £334m and this has been provided as an indication of how the current borrowing profile reflects against the previous benchmark and also indicates the Council has taken advantage of the removal of borrowing cap.

Current Projected Debt (blue line) - Borrowing rises from the current £278m (as at 1st April 2019) and peaks in 2034/35, which reflects the borrowing need of the current HRA capital plan. The plan assumes that maturing debt will be re-financed as long term loans expire. Chart 1 indicates that when resources allow, the principal sums are repaid which causes the debt balance to reduce over time. However, if the Council chose not to repay the debt, as Chart 2 indicates, the debt balance will largely stay constant once debt matures in 2034/35. This does however have a converse impact on the revenue reserve balance, which is further detailed below.

Revenue balance (brown line) - A HRA will seek to maintain a minimum reserves balance of £11m if the business plan allows. However, as the current 30-year business plan suggest (Appendix 3) the reserve balance will fall below this threshold from 2022/23 but will rise again after 2031/32. This is because the reserve will be used to support further investment within the revenue account. Chart 1 therefore, indicates a flatter reserve position as most surpluses will be used to pay back the debt however, Chart 2 shows that if the surplus reserves are not used to pay back the debt the reserve balance will increase over the 30-year business plan. Reserve balances will be reviewed on an annual basis to ensure the HRA has enough financial strength to meet unforeseen risks. The risks and other options for mitigation are set out in section 12 to this report.

<u>Housing subsidiary companies (previously known as the 'WOC')</u>

9.21 This HRA Business Plan shows that there is an inherent limit to its delivery due to the rent that can be charged for HRA properties and the costs that need to be covered. Additional, borrowing will result additional financing costs which in turn results in an opportunity costs from using rent for covering the interest costs against using it for repairs and maintenance. The Council has therefore looked at the use of other delivery vehicles, particularly for tenures other than social rent. On 4th December 2017, Cabinet approved the establishment of two housing subsidiary companies (one for letting properties and one for development activity) to help deliver the regeneration, and new build and acquisition opportunities being identified by the Council's drive to provide more homes of all types and tenures.

9.22 The schemes planned to be delivered within the Housing Companies are financed from lending from the General Fund and therefore do not have a direct impact on the HRA Business Plan. As a result, schemes and their costs delivered by the Housing Company will not be included within the HRA business plan, but the company does provide additional capacity to deliver the housing aspirations.

9.23 Where the HRA is acquiring any units from the development carried out by the Housing Companies, these budgets are reflected within the programme and accounted for within this business plan.

10. HRA Reserve Position

10.1 The Reserve opening balance at the start of the 2019/20 financial year was £17.23m. This reserve balance contributes towards funding any in year risks and is set aside to support any one-off projects and investment that leads to efficiencies and/or delivery of a better service to residents of the Council.

10.2 Table 6 below considers the year on year projected use of the HRA reserve over the next 5 years along with contributions towards the reserve balance if the HRA makes a surplus. The reserve position will be reviewed on an annual basis in line with the overall HRA business plan and strategic consideration will be applied to it usage and balance to ensure a strong and stable HRA Business Plan.

Table 6 – Reserves Projection

Reserves	2020.21	2021.22	2022.23	2023.24	2024.25
	£'m	£'m	£'m	£'m	£'m
Opening Balance	**£22.110**	**£17.820**	**£14.915**	**£9.272**	**£5.86**
Contribution to /(from) HRA Reserves	(£4.288)	(£2.905)	(£5.643)	(£3.410)	(£0.050)
Closing Balance	**£17.820**	**£14.915**	**£9.272**	**£5.862**	**£5.812**

10.3 The HRA Business Plan will commit to holding a General HRA reserve balance of 15% of the Net Rents, and this reserve will be used for in year contingency purposes. Based on current net rents of approximately £76m a 15% reserve target would be around £11.5m. This allocation will be reviewed on an annual basis and any surpluses in addition to the 15% target will either be used for paying back debt or used towards other objectives. Chart 2 provides an indication of the impact on the HRA debt if the additional reserve was used towards paying back the debt.

10.4 Table 6 provides a 5 Year position of the reserve position and whilst it shows a decreasing balance, the longer-term reserve position, as provided in Appendix 3b, indicates that reserves will begin to increase over the 30-year period.

11. Financial Implications

11.1 The HRA Business Plan is assessed across a 30-year period so as to understand the long-term financial implications of changes in the capital programme, legislative change and other strategic decisions. It has been updated to reflect the latest balance sheet position as reported and audited at the year-end just gone (31 March 2019), so as to begin with an accurate opening position for the plan, and the current year (2019/20) budget as approved. It is then constructed so as to include the impact of known forecast changes, Government policies, capital plans, funding arrangements and risk factors. Most financial implications are incorporated throughout this report.

11.2 The funding of this programme is largely dependent upon the timing and value of asset disposals (i.e. capital receipts) that underpin the regeneration programme. These schemes are designed to increase the number of homes available for Westminster residents, in a mix of affordable and private sale units, with the private sale units generating a significant proportion of the overall capital receipts in the plan.

11.3 The variables used in the assumptions can only be best estimates and any variation from these could have a significant impact over the full 30-year plan period. These assumptions and the associated impact/risk of change will require close monitoring and potentially the adoption of one or more of the range of management mitigations set out in section 12 if they have a material adverse impact upon the plan.

11.4 In undertaking the HRA business planning process, all regeneration programmes have been subjected to continued robust scrutiny and challenge and an appropriate level of contingency on capex schemes has been provided for within the scheme budgets as well as a central contingency in the overall capital programme. **Appendix 2 and 4** sets out the summary view of spend over both the coming 5 years and the totality of the 30-year period.

11.5 The business plan will be reviewed on an on-going basis, feeding in changes from the annually agreed baseline to understand the impact of changes in the assumptions and capital expenditure on the affordability of the plan. This will enable management to identify any necessary mitigation required at an early stage.

12. Risk Management

12.1 As has been portrayed in the graphs and information earlier in this report, the latest plan seeks to maximise the investment in regeneration programmes in order to deliver new homes for the city. The consequence of this is that the capital expenditure profile drives up the level of borrowing required in order to achieve this objective. This sustained increased debt level, reduces the ability of the HRA to absorb and manage the financial impact of unforeseen and unplanned risks that may materialise during the course of the plan.

12.2 This means that if any overspends to budget occur which place an increased burden on the HRA, or if capital receipts are delayed or reduced, this would further increase the borrowing requirement. The increased borrowing requirement will in turn result in higher interest costs for the revenue account which will mean less funds being allocated to other services such as repairs and maintenance and setting aside funds for providing a good customer service. In such as situation, the HRA would need to identify and implement a number of actions which mitigate and reduce the pressure on borrowing.

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

12.4 The range of management options available within the HRA to mitigate any additional risks are as follows (in no particular order):

a. Project spend monitoring and management information. It is key that there are early warning indicators for management to be able to identify whether any projects are going to overspend in order to be able assess the impact on the HRA plan. Officers produce a management report on the HRA on a monthly basis which is shared with senior management and the Cabinet Member for Housing as part of this.

b. Regular updates to the HRA business plan. Reviews and updates to the business plan are undertaken, at which point any changes identified in operating or capital project performance can be remodelled to identify the impact and any further mitigation required. These are undertaken at periodic and appropriate times through the year such as after year end to account for outturn and project reprofiling, during the annual business planning stage and at other appropriate times to take account of any material changes in the capital programme should they arise. The fact that the business plan is then fully updated on an annual basis means that steps can be taken to re-profile or reprioritise elements of the

plan well in advance of any peak year. In reality, we would seek to avoid getting too close to capacity in the coming year.

c. Utilisation of contingency. The main regeneration schemes each have a certain level of contingency built into the cost of the projects as a buffer against overspend within the project budget. This will be the first port of call for any overspend within a project. Monitoring the use and need for contingency on a project will be important as an indicator of whether a project is going to go over budget. Secondly, the capital programme has a separate contingency budget which has not been specifically allocated any given scheme. This amounts to 5% of non-property acquisition expenditure in a given year.

d. Dispose of HRA assets. Similar to the above, but without reinvesting the cash generated. Achieved through identifying surplus assets or selling additional HRA properties.

e. Re-profile, extend or delay regeneration capital expenditure

   i. Reprofile the regeneration spend so that schemes run sequentially rather in parallel or delay some projects to better match the timing of funding resources.

   ii. Reprofile and extend regeneration scheme programmes to be delivered over a longer period, slowing down the rate of spend. This however is less palatable as it would be an inefficient way of working and not favourable with development partners, as well as the impact this would have on residents from the site and the surrounding area.

   iii. Some elements of the plan or certain schemes could be decided to begin or progress only when certain other conditions have been met which assure the financial safeguarding of the plan, such as the level of capital receipts received needing to be met.

   These would need to be modelled so as to demonstrate the impact of not only the deferred expenditure but also the deferred capital receipts arising at the end of the schemes when the income from private sale units comes through.

f. Reduce major works expenditure to free up other funds to finance new build developments. This amounts to £205.4m over the next 5 years, £822.06m over 30 years. However, this would have subsequent risks as the Council recently signed up to term contracts which gave an indication of a certain minimum level of spend with the suppliers. If these minimum levels were not achieved, the Council could be subject to penalties or compensation which negate or reduce the potential mitigation and impact on the Council's reputation. Furthermore, reduced spend in earlier years would also result in larger spend in later as more work would be required to bring the property to a decent standard.

g. Review the release of the recent Guidance on Rents for Social Housing document by Ministry of Housing, Communities & Local Government and seek to ensure the maximum Formula rents are applied to all social housing units. Furthermore, there is a possibility of increasing rent by a further 5% as part of the Rent Flexibility Level plans and the Council will need to ensure a detailed business case and consultation is carried out.

12.5 As noted in **Appendix 1**, the base business plan uses prudent assumptions to reduce the chance of certain risks arising. Set out below is a summary of other potential risks to the stability of the business plan. Periodic reviews of the HRA business plan will be held between senior officers and the lead member, at which programme performance will be reviewed and risks monitored.

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

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

12.8 Under the Regulatory Framework code, governance arrangements should be fit for purpose, and reflect the complexity and risk profile of the organisation. Boards and Councillors need to set clear objectives and develop a forward-looking strategy that enables their organisation to make the most of future opportunities and mitigate risks. There should be a continuous focus on effective financial management and improving value for money.

12.9 The self-financing code of practice is a voluntary framework of best practice for local authority governance of the HRA aimed at promoting effective governance, finance and business planning and aimed at providing transparency to stakeholders on how the housing business is being managed. Its key principles are:

- **Financial viability.** The housing authority has put in place arrangements to monitor the viability of the housing business and takes appropriate actions to maintain viability.

- **Communications and governance**. The housing authority keeps under review the communications and governance arrangements with regards to the new operating environment and adopts governance arrangements appropriate to supporting viability and accountability of the housing business.

- **Risk management**. The housing authority has in place an effective system for the on-going management, monitoring and reporting of risks to the HRA.
- **Asset management**. The housing authority has in place arrangements to maintain its assets to maximise their value into the future. The authority complies with the principles of good asset management as they apply to HRA assets.
- **Financial and treasury management**. The housing authority complies with formal accounting practices including CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom and CIPFA's Treasury Management in the Public Services Code of Practice. To date no specific guidance has been released to reflect the removal of the borrowing cap. Further clarification is expected as part of the prudential code.

12.10 **Appendix 5** shows the key risks, impacts and mitigations on the HRA over the 30-year period.

13. Legal Implications

13.1 The expenditure referred to in this report will be spent pursuant to the Council's powers and duties. Individual reports on each project will be approved by the Cabinet or by the relevant Cabinet Member.

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

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

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

13.5 This report deals with other legislative provisions which are expected to influence the Housing Investment Strategy such as the social rent reduction introduced by Section 23 of the Welfare Reform and Work Act 2016 and changes to the social benefits system under Sections 8 – 17 of the Welfare Reform and Work Act 2016.

13.6 The Housing and Planning Act 2016 is also likely to affect the findings of subsequent reports and also the Council's regeneration initiatives. The relevant provisions include the imposition of a liability for local housing authorities which maintain a Housing Revenue Account to make payments to the Secretary of State based on the market value of any vacant higher value void properties which the local authority owns. Additionally, under Chapter 6 and Schedule 7 the Housing and Planning Act 2016 seeks to phase out secure tenancies as life interests and replace them with fixed term secure tenancies thus potentially allowing for more flexibility in terms of stock management.

13.7 The Housing and Planning Act 2016 also contains provisions which have been implemented and may attract procedural changes in the way the Council progresses its regeneration projects. Such provisions include the amendments made to the planning regime under Part 6 and amendments to the compulsory purchase and appropriation procedures under Part 7.

13.8 The Equality Act 2010 introduced a single public sector equality duty. This duty requires the Council to have due regard in its decision-making processes to the need to:

a. Eliminate discrimination, harassment, victimisation or other prohibited conduct;

b. Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it, and;

c. Foster good relations between those who share a relevant characteristic and those that do not share it.

13.9 The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

13.10 The Council is required to act in accordance with the equality duty and have due regard to the duty when carrying out its functions, which includes making new decisions in the current context and in relation to the new strategy. An Equalities Impact Assessment and or consultation maybe necessary if significant changes are envisaged to Housing Management Schemes.

14. Consultation

14.1 Development of the Business Plan and Housing Investment Plan has involved officers from within the Housing and Regeneration Department, City Treasurers and Members. We have had regard to national and local housing policies and objectives which have informed the priorities for investment.

14.2 A key component of the housing regeneration programme is community engagement: officers and consultants have worked with local communities to develop plans for their neighbourhoods. Community engagement teams work on the ground with residents, visiting residents in their homes, staffing drop-in sessions and holding open days. Resident expectations are high, and the City Council is committed to an on-going programme of resident involvement as these schemes develop further.

14.3 The internal governance processes within Housing, development and major projects teams have been rigorously reviewed and focus now upon key project management skills and tolerance reporting. The creation of a Programme Management Office (PMO) during 2018/19 also adds to the monitoring of these significant development programmes.

Other Implications

1. Resources Implications

The resourcing implications to deliver the proposed capital programme are contained within the attached indicative HRA capital programme.

2. Business Plan Implications

Approval of the HRA Business Plan is critical to delivery of key components of the Housing Business Plan, such as the estate regeneration programme and reducing homelessness pressures.

3. Risk Management Implications

See section 12 of the report.

4. Health and Wellbeing Impact Assessment including Health and Safety Implications

Programmes delivered within this strategy are aimed at addressing health and wellbeing issues, through improvements to housing and the public realm, and through related programmes addressing employment and skills and provision of community facilities.

A key part of the early years' investment in the existing stock will be to address health and safety issues brought to light as a result of the Grenfell Tower fire.

5. Crime and Disorder Implications

Safety and security measures form a component of the programme of works to existing stock, and the estate renewal schemes, both of which are factored into the HRA Business Plan.

6. Impact on the Environment

New homes are built to Code 4 as a minimum and environmental and energy efficiency works are key considerations in the works to existing housing stock and the housing regeneration schemes. The Church Street regeneration scheme incorporates a new Combined Heat and Power district heating scheme.

7. Equalities Implications

Each of the estate regeneration schemes has been subject to an Equalities Impact Assessment to ensure any arising issues are addressed. DDA works and disabled adaptations are included as essential works within the capital programme

8. Human Rights Implications

The investment programmes outlined in this report will involve the enforced displacement of residents and their human rights under Article 1of the First Protocol and Article 8 of the European Convention on Human Rights will be taken into account at the appropriate time.

9. Communications Implications

See section 15 on consultation.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

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Fergus Coleman (fcoleman@westminster.gov.uk 0207 641 2129)

Appendix 1 – Key assumptions

	Assumptions	Notes
Dwelling Rent	CPI + 1% Increase in rents from 2020-21 to 2024-25 and CPI increases from 2025-26 for 25 years	CPI for 2020/21 is 1.7% and CPI for future years assumed at 2%
Void rates	2%	
Service Charges	£5.15 per week with 2% inflationary uplift on cost and income	
Commercial Rents	2% Uplift	
Garage Rents	CPI increase	Prudent assumption based on demolitions and infills.
Major Works Leaseholder Contributions	CPI+1% in line with Repairs and Maintenance Increases	To mirror R&M increases
Repairs and Maintenance Costs	CPI increases	
Heating and hot water charges	CPI increases	
Interest rate on borrowings	5% on External Borrowing 2.8% on Internal Borrowing	This includes internal weighted average cost of capital
Depreciation	Straight Line Basis over life of Assets	

Appendix 2 – 5 Year Revenue Budget

Year	1 2020.21	2 2021.22	3 2022.23	4 2023.24	5 2024.25
TOTAL STOCK Projection	21,030	21,025	21,076	21,163	21,379
	£'m	**£'m**	**£'m**	**£'m**	**£'m**
Gross Dwelling Rents	(£77.799)	(£80.101)	(£82.833)	(£85.879)	(£89.848)
Voids - 2% of Dwelling Rents	£1.556	£1.602	£1.657	£1.718	£1.797
Dwelling Rents	(£76.243)	(£78.499)	(£81.176)	(£84.161)	(£88.051)
Commercial Rent	(£8.200)	(£8.364)	(£8.531)	(£8.702)	(£8.876)
Garages, Sheds & Car Parks Income	(£1.312)	(£1.339)	(£1.365)	(£1.393)	(£1.421)
Service Charges	(£14.180)	(£14.464)	(£14.753)	(£15.048)	(£15.349)
Heating and Water (Including PDHU)	(£4.997)	(£5.097)	(£5.199)	(£5.303)	(£5.409)
HRA investment income & Other Income	(£2.128)	(£2.128)	(£2.128)	(£2.128)	(£2.128)
TOTAL INCOME	**(£107.06)**	**(£109.89)**	**(£113.15)**	**(£116.73)**	**(£121.23)**
Supervision and Management	£27.286	£27.831	£28.388	£27.956	£27.515
Repairs and Maintenance	£26.139	£26.656	£27.253	£27.906	£28.733
Heating and Water (Including PDHU)	£4.979	£5.128	£5.282	£5.441	£5.604
Rent, Rates and Commercial Charges	£3.040	£3.101	£3.163	£3.226	£3.291
TMO Allowances	£1.490	£1.520	£1.550	£1.581	£1.613
Support Costs	£12.874	£13.131	£13.394	£13.662	£13.935
Depreciation	£24.608	£23.579	£24.194	£24.678	£25.171
Capital financing costs	£10.226	£11.138	£14.857	£14.976	£14.698
Regeneration Feasibility	£0.500	£0.500	£0.500	£0.500	£0.500
Debt management	£0.206	£0.210	£0.214	£0.218	£0.223
TOTAL EXPENDITURE	**£111.35**	**£112.79**	**£118.80**	**£120.14**	**£121.28**
HRA Net(Surplus)/Deficit position	**£4.288**	**£2.905**	**£5.643**	**£3.410**	**£0.050**

Contribution to /(from) HRA Reserves	(£4.288)	(£2.905)	(£5.643)	(£3.410)	(£0.050)
HRA	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**

Appendix 3 – 30 Year Business Plan

Year	1	2	3	4	5	6	7	8	9	10
	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(£76.243)	(£78.499)	(£81.176)	(£84.161)	(£88.051)	(£89.812)	(£91.608)	(£93.440)	(£95.309)	(£97.215)
Commercial Rent	(£8.200)	(£8.364)	(£8.531)	(£8.702)	(£8.876)	(£9.053)	(£9.235)	(£9.419)	(£9.608)	(£9.800)
Garages, Sheds & Car Parks Income	(£1.312)	(£1.339)	(£1.365)	(£1.393)	(£1.421)	(£1.449)	(£1.478)	(£1.507)	(£1.538)	(£1.568)
Service Charges	(£14.180)	(£14.464)	(£14.753)	(£15.048)	(£15.349)	(£15.656)	(£15.969)	(£16.289)	(£16.615)	(£16.947)
Heating and Water (Including PDHU)	(£4.997)	(£5.097)	(£5.199)	(£5.303)	(£5.409)	(£5.517)	(£5.627)	(£5.740)	(£5.855)	(£5.972)
HRA investment income & Other Income	(£2.128)	(£2.128)	(£2.128)	(£2.128)	(£2.128)	(£2.170)	(£2.214)	(£2.258)	(£2.303)	(£2.349)
TOTAL INCOME	**(£107.06)**	**(£109.89)**	**(£113.15)**	**(£116.73)**	**(£121.23)**	**(£123.66)**	**(£126.13)**	**(£128.65)**	**(£131.23)**	**(£133.85)**
Supervision and Management	£27.286	£27.831	£28.388	£27.956	£27.515	£28.065	£28.627	£29.199	£29.783	£30.379
Repairs and Maintenance	£26.139	£26.656	£27.253	£27.906	£28.733	£29.308	£29.894	£30.492	£31.102	£31.724
Heating and Water (Including PDHU)	£4.979	£5.128	£5.282	£5.441	£5.604	£5.772	£5.945	£6.124	£6.307	£6.496
Rent, Rates and Commercial Charges	£3.040	£3.101	£3.163	£3.226	£3.291	£3.356	£3.424	£3.492	£3.562	£3.633
TMO Allowances	£1.490	£1.520	£1.550	£1.581	£1.613	£1.645	£1.678	£1.712	£1.746	£1.781
Support Costs	£12.874	£13.131	£13.394	£13.662	£13.935	£14.214	£14.498	£14.788	£15.084	£15.385
Depreciation	£24.608	£23.579	£24.194	£24.678	£25.171	£25.675	£26.188	£26.712	£27.246	£27.791
Capital financing costs	£10.226	£11.138	£14.857	£14.976	£14.698	£15.281	£15.429	£15.002	£14.615	£14.386
Regeneration Feasibility	£0.500	£0.500	£0.500	£0.500	£0.500	£0.500	£0.500	£0.500	£0.500	£0.500
Debt management	£0.206	£0.210	£0.214	£0.218	£0.223	£0.227	£0.232	£0.236	£0.241	£0.246
TOTAL EXPENDITURE	**£111.35**	**£112.79**	**£118.80**	**£120.14**	**£121.28**	**£124.04**	**£126.41**	**£128.26**	**£130.19**	**£132.32**
HRA Net(Surplus)/Deficit position	**£4.288**	**£2.905**	**£5.643**	**£3.410**	**£0.050**	**£0.386**	**£0.283**	**(£0.397)**	**(£1.040)**	**(£1.529)**
Contribution to /(from) HRA Reserves	(£4.288)	(£2.905)	(£5.643)	(£3.410)	(£0.050)	(£0.386)	(£0.283)	£0.397	£1.040	£1.529
HRA	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**

Year	11	12	13	14	15	16	17	18	19	20
	2030.31	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(£99.16)	(£101.14)	(£103.17)	(£105.23)	(£107.33)	(£109.48)	(£111.67)	(£113.90)	(£116.18)	(£118.50)
Commercial Rent	(£10.00)	(£10.20)	(£10.40)	(£10.61)	(£10.82)	(£11.04)	(£11.26)	(£11.48)	(£11.71)	(£11.95)
Garages, Sheds & Car Parks Income	(£1.60)	(£1.63)	(£1.66)	(£1.70)	(£1.73)	(£1.77)	(£1.80)	(£1.84)	(£1.87)	(£1.91)
Service Charges	(£17.29)	(£17.63)	(£17.98)	(£18.34)	(£18.71)	(£19.08)	(£19.47)	(£19.86)	(£20.25)	(£20.66)
Heating and Water (Including PDHU)	(£6.09)	(£6.21)	(£6.34)	(£6.46)	(£6.59)	(£6.73)	(£6.86)	(£7.00)	(£7.14)	(£7.28)
Leaseholder Contribution	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
HRA investment income & Other Income	(£2.40)	(£2.44)	(£2.49)	(£2.54)	(£2.59)	(£2.65)	(£2.70)	(£2.75)	(£2.81)	(£2.86)
HRA Reserve Drawdown	(£5.00)	(£5.00)	(£5.00)	(£5.00)	(£5.00)	(£5.00)	(£5.00)	(£5.00)	(£5.00)	(£5.00)
TOTAL INCOME	**(£136.53)**	**(£139.26)**	**(£142.04)**	**(£144.88)**	**(£147.78)**	**(£150.74)**	**(£153.75)**	**(£156.83)**	**(£159.96)**	**(£163.16)**
Supervision and Management	£30.99	£31.61	£32.24	£32.88	£33.54	£34.21	£34.90	£35.59	£36.31	£37.03
Repairs and Maintenance	£32.36	£33.01	£33.67	£34.34	£35.03	£35.73	£36.44	£37.17	£37.91	£38.67
Heating and Water (Including PDHU)	£6.69	£6.89	£7.10	£7.31	£7.53	£7.76	£7.99	£8.23	£8.48	£8.73
Rent, Rates and Commercial Charges	£3.71	£3.78	£3.86	£3.93	£4.01	£4.09	£4.17	£4.26	£4.34	£4.43
TMO Allowances	£1.82	£1.85	£1.89	£1.93	£1.97	£2.01	£2.05	£2.09	£2.13	£2.17
Support Costs	£15.69	£16.01	£16.33	£16.65	£16.99	£17.33	£17.67	£18.03	£18.39	£18.75
Depreciation	£28.35	£28.91	£29.49	£30.08	£30.68	£31.30	£31.92	£32.56	£33.21	£33.88
Capital financing costs	£14.34	£14.81	£15.17	£15.07	£14.99	£14.99	£15.19	£15.34	£15.12	£14.83
Regeneration Feasibility	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50
Debt management	£0.251	£0.256	£0.261	£0.266	£0.272	£0.277	£0.283	£0.288	£0.294	£0.300
TOTAL EXPENDITURE	**£134.69**	**£137.62**	**£140.50**	**£142.97**	**£145.51**	**£148.18**	**£151.12**	**£154.05**	**£156.68**	**£159.29**
HRA Net(Surplus)/Deficit position	**(£1.840)**	**(£1.640)**	**(£1.545)**	**(£1.917)**	**(£2.272)**	**(£2.560)**	**(£2.638)**	**(£2.779)**	**(£3.285)**	**(£3.870)**
Contribution to /(from) HRA Reserves	£1.840	£1.640	£1.545	£1.917	£2.272	£2.560	£2.638	£2.779	£3.285	£3.870

HRA	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Year	21	22	23	24	25	26	27	28	29	30
	2040.41	2041.42	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.50
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(£120.87)	(£123.29)	(£125.76)	(£128.27)	(£130.84)	(£133.46)	(£136.12)	(£138.85)	(£141.62)	(£144.46)
Commercial Rent	(£12.18)	(£12.43)	(£12.68)	(£12.93)	(£13.19)	(£13.45)	(£13.72)	(£14.00)	(£14.28)	(£14.56)
Garages, Sheds & Car Parks Income	(£1.95)	(£1.99)	(£2.03)	(£2.07)	(£2.11)	(£2.15)	(£2.20)	(£2.24)	(£2.28)	(£2.33)
Service Charges	(£21.07)	(£21.49)	(£21.92)	(£22.36)	(£22.81)	(£23.26)	(£23.73)	(£24.20)	(£24.69)	(£25.18)
Heating and Water (Including PDHU)	(£7.43)	(£7.57)	(£7.73)	(£7.88)	(£8.04)	(£8.20)	(£8.36)	(£8.53)	(£8.70)	(£8.87)
HRA investment income & Other Income	(£2.92)	(£2.98)	(£3.04)	(£3.10)	(£3.16)	(£3.23)	(£3.29)	(£3.36)	(£3.42)	(£3.49)
TOTAL INCOME	**(£166.43)**	**(£169.76)**	**(£173.15)**	**(£176.61)**	**(£180.15)**	**(£183.75)**	**(£187.42)**	**(£191.17)**	**(£195.00)**	**(£198.90)**
Supervision and Management	£37.77	£38.53	£39.30	£40.08	£40.89	£41.70	£42.54	£43.39	£44.26	£45.14
Repairs and Maintenance	£39.44	£40.23	£41.04	£41.86	£42.70	£43.55	£44.42	£45.31	£46.22	£47.14
Heating and Water (Including PDHU)	£8.99	£9.26	£9.54	£9.83	£10.12	£10.42	£10.74	£11.06	£11.39	£11.73
Rent, Rates and Commercial Charges	£4.52	£4.61	£4.70	£4.79	£4.89	£4.99	£5.09	£5.19	£5.29	£5.40
TMO Allowances	£2.21	£2.26	£2.30	£2.35	£2.40	£2.44	£2.49	£2.54	£2.59	£2.65
Support Costs	£19.13	£19.51	£19.90	£20.30	£20.71	£21.12	£21.54	£21.97	£22.41	£22.86
Depreciation	£34.55	£35.25	£35.95	£36.67	£37.40	£38.15	£38.91	£39.69	£40.49	£41.30
Capital financing costs	£14.69	£14.09	£14.03	£13.75	£13.29	£13.19	£12.97	£12.66	£12.34	£11.91
Regeneration Feasibility	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50
Debt management	£0.306	£0.312	£0.318	£0.325	£0.331	£0.338	£0.344	£0.351	£0.358	£0.366
TOTAL EXPENDITURE	**£162.12**	**£164.55**	**£167.58**	**£170.46**	**£173.22**	**£176.41**	**£179.54**	**£182.66**	**£185.85**	**£188.99**
HRA Net (Surplus)/Deficit position	**(£4.306)**	**(£5.209)**	**(£5.570)**	**(£6.152)**	**(£6.924)**	**(£7.335)**	**(£7.879)**	**(£8.508)**	**(£9.148)**	**(£9.907)**
Contribution to /(from) HRA Reserves	£4.306	£5.209	£5.570	£6.152	£6.924	£7.335	£7.879	£8.508	£9.148	£9.907
HRA	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**

Appendix 3b – 30 Year HRA Reserve Projection

Reserves	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**£17.23**	**£22.11**	**£17.82**	**£14.91**	**£9.27**	**£5.86**	**£5.81**	**£5.43**	**£5.14**	**£5.54**	**£6.58**
Contribution to /(from) HRA Balances	£4.874	(£4.288)	(£2.905)	(£5.643)	(£3.410)	(£0.050)	(£0.386)	(£0.283)	£0.397	£1.040	£1.529
Closing Balance	**£22.11**	**£17.82**	**£14.91**	**£9.27**	**£5.86**	**£5.81**	**£5.43**	**£5.14**	**£5.54**	**£6.58**	**£8.11**

Reserves	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**£9.95**	**£11.59**	**£13.13**	**£15.05**	**£17.32**	**£19.88**	**£22.52**	**£25.30**	**£28.59**	**£32.46**
Contribution to /(from) HRA Balances	£1.640	£1.545	£1.917	£2.272	£2.560	£2.638	£2.779	£3.285	£3.870	£4.306
Closing Balance	**£11.59**	**£13.13**	**£15.05**	**£17.32**	**£19.88**	**£22.52**	**£25.30**	**£28.59**	**£32.46**	**£36.76**

Reserves	2041.42	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.50
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**£36.76**	**£41.97**	**£47.54**	**£53.69**	**£60.62**	**£67.95**	**£75.83**	**£84.34**	**£93.49**
Contribution to /(from) HRA Balances	£5.209	£5.570	£6.152	£6.924	£7.335	£7.879	£8.508	£9.148	£9.907
Closing Balance	**£41.97**	**£47.54**	**£53.69**	**£60.62**	**£67.95**	**£75.83**	**£84.34**	**£93.49**	**£103.39**

Appendix 4 – HRA 30 Year Capital Programme

Year	1	2	3	4	5	06-30	
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26-2054/55	TOTAL
	£'m	£'m	£'m	£'m	£'m	£'m	
Major Works							
Electrical works & laterals	6.049	2.414	2.670	2.470	4.150	254.607	272.360
External Repairs and Decorations	21.570	24.849	26.057	23.835	21.260	180.637	298.208
Adaptation	1.700	1.700	1.700	1.700	1.700	-	8.500
Fire Precautions	3.500	3.500	3.500	3.500	3.500	87.500	105.000
Lift	9.969	2.850	2.494	4.950	3.050	32.000	55.313
Voids	2.780	3.400	3.400	3.400	3.400	38.700	55.080
Kitchen & Bathroom	0.800	1.000	1.000	0.800	0.800	23.200	27.600
	46.368	**39.713**	**40.821**	**40.655**	**37.860**	**616.644**	**822.061**
Regeneration							
Carlton Dene	1.225	10.806	21.612	10.806	-	-	44.449
Church Street Site A, B & C	2.000	2.000	5.316	19.169	29.157	86.075	143.717
Church Street A,B & C Acquisitions	17.317	17.569	5.365	15.575	18.098	70.441	144.364
Lisson Arches	7.427	14.902	7.017	-	-	-	29.346
Luton Street	4.924	14.750	-	-	-	-	19.674
Parsons North	12.000	12.390	-	-	-	-	24.390
Cosway	12.000	12.000	8.949	-	-	-	32.949
Ashbridge	8.421	3.718	-	-	-	-	12.139
Edgware Road/AlmaCantar	0.300	-	-	-	-	-	0.300
Ashmill Street	1.089	0.050	-	-	-	-	1.139
Ebury Phase 1	15.506	51.689	57.736	6.801	3.144	35.568	170.444
Ebury Acquisitions	17.000	15.000	9.370	-	-	-	41.370
Tollgate Gardens	0.021	-	-	-	-	-	0.021
Warwick Community Hall	1.200	-	1.200	-	-	-	2.400
Queens Park Court	1.085	4.314	4.590	-	-	-	9.989
Pimlico	1.000	6.286	9.754	-	-	-	17.040
Bayswater	1.487	1.900	1.400	4.475	11.321	5.673	26.257
West End Gate	9.221	1.505	-	-	-	-	10.726
Contingency (10%)	9.550	15.059	12.869	5.385	7.112	14.402	64.377
Brunel	2.700	3.000	4.300	12.300	27.200	16.100	65.600
	125.473	**186.938**	**149.478**	**74.511**	**96.033**	**228.258**	**860.691**
Other Schemes							
Infills	10.138	15.737	1.346	0.300	0.300	0.600	28.422
Self-Financing	5.000	5.000	5.000	5.000	5.000	10.000	35.000
GF Buybacks/Intermediate Sales	-	-	-	5.318	-	2.200	7.518
	15.138	**20.737**	**6.346**	**10.618**	**5.300**	**12.800**	**70.940**
TOTAL HRA CAPITAL PROGRAMME	**186.979**	**247.388**	**196.646**	**125.785**	**139.193**	**857.702**	**1,753.692**

APPENDIX 5 – Table of Risks, Impacts and Mitigations

Risk	Impact	Mitigation
Capital Receipts	Any significant slippage in the timing or value of these receipts will pose a cash flow risk for staying within the borrowing limit. For New Build schemes which rely on the capital receipts based on current projections, could result in schemes becoming unviable if the values of properties fall, which would lead lower capital receipts from sales.	Robust monitoring of the timing and expected value of the receipts will help inform management action to mitigate this risk. Management options identified above would need to be applied. Ensuring effective market monitoring of sale values in the Borough and considering alternative income generating options, such as converting for sale properties to rental units.
Rent Policy	Once the 5-year Rent Policy period comes to an end or is changed during the 5-year period, which means the increase in rent is not as modelled and is less, this will reduce the income to the HRA.	Lobbying is key to the success of avoiding this risk from happening in the first place. Regeneration spend would need to be significantly curtailed.
Interest rates	The rates assumed are at 5% on new borrowing throughout the plan. If interest rates were to rise this would have a significant adverse impact on long term affordability of the revenue account and impact capital scheme viability.	The HRA has some fixed loans in place which would not be affected until they matured and needed to be replaced. Further fixed rate loans could be taken out to prevent uncontrolled increases. However, the scale and pace of regeneration may need to be reviewed.
Inflation	If inflation were to increase above that assumed by CPI, the costs increase and have an impact on the surplus/deficit position of the	The increase in costs would be partially offset by increased income as this is also based on CPI inflation.

Risk	Impact	Mitigation
	Revenue account. The cost increases would also impact scheme viability as part of the capital investment strategy.	The situation would not be uncontrolled as there would need to be a decision as to whether certain expenditure is still deemed affordable or value for money. Management options identified above would also need to be applied.
Welfare Reform Implementation of Universal Credit, benefit cap and other welfare reform changes.	May increase rent arrears which impacts HRA income. Initial data on rent arrears from Universal Credit tenants does indicate a rise in rent arrears. However, this is based on a relatively small sample size so needs to be monitored.	More active/proactive debt management action may be required. Robust monitoring of service activity to act as an early warning.
Brexit/Economic uncertainty Adverse impacts on costs and values because of Brexit	There is increased uncertainty about the cost of projects due to changes in the cost of materials and labour arising from changes in the value of the pound relative to other currencies. Equally there are changes in the attractiveness of London as a residential investment, positively due to falls in the value of the pound and negatively from lack of access to Europe. These are highly uncertain and may lead to increased caution on the part of contractors and developers when bidding for work or assessing the risks/rewards of current projects.	A selection of current projects are being reviewed to identify and seek to quantify the impacts based on the best evidence available to highlight areas where further measures need to be taken. The Council will need to ensure it begins to get hold of some Government materials on their assessment of leaving the EU and begin work up mitigations.