City of Westminster

Meeting or Decision Maker:	Cabinet
Date:	15th February 2021
Classification:	General Release
Title:	Housing Revenue Account Business Plan 2021/22 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 £589.51m and gross expenditure of £589.91m. The HRA Capital Position provides for a total capital investment of £952.30m over the next 5 years and a total of £2.09bn 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:	Debbie Jackson, 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 2020 the Council owns 20,703 social dwellings of which 11,754 were tenanted (57%) and 8,949 were leased (43%). The stock numbers are expected to grow to 20,941 units by the end of 2021/22 with further increases to stock numbers 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 £110.68m in income in 2021/22 which will be across a range of income streams with the majority of this coming in from Dwelling Rent at £76.60m (rent charges to WCC tenants).

1.4 The HRA is expected to spend approximately £111.53m 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 £70.63m. Further details of the expenditure and income streams are set out 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 housing companies to ensure the aspiration of the housing plan is delivered. The planned capital spend for 21/22 is £209.52m with a total of £2.092bn planned to be spent over the 30-year business plan. This is an increase of £338m since the February 2020 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 an anticipated slowing down in the sales market, we expect 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 £2.092bn of capital expenditure, a total of £1.015bn will be spent on the Regeneration Programme.

1.8 In addition to the Regeneration Programme, the Council is looking to spend £1.076bn on the 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.

1.8.1 Despite the uncertainties and pressure on resources, the Council remains committed to improving or renewing, as appropriate, its older housing stock and increasing housing supply. The Council has set a target to deliver at least 1,850 affordable homes in Westminster by 2023 and the Council is on track to meet this target. Further analysis of this can be found in sections 5.4, 5.5 and Table 1 in this report.

1.9 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.

2. Recommendations

2.1 Approve the HRA revenue budget for 2021-22 (Table 2 and Appendix 3)

2.2 Note the HRA 5-year revenue budgets for 2021-22 to 2025-26 (Table 2 and Appendix 2)

2.3 Note the HRA 30-year revenue budgets for 2021-22 to 2050-51 (Appendix 3)

2.4 Approve the HRA 5-year Capital Programme for a total of £952.30m (Appendix 4).

2.5 Note the 30-year Capital Programme for 2021-22 to 2050-51 (Appendix 4)

2.6 Note a rent increase of 1.5% from April 2021 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 Section 76 of the Local Government and Housing Act 1989 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 1,850 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 supports vibrant communities, in line with City for All, by investing over £2.092bn 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 In order to comply with the provisions of The Rents for Social Housing policy for 2021/22 we will see a rent increase of 1.5%, which will be subject to approval via a Cabinet Member Report. Rent increases of CPI+1% for the following three years to 2024/25 have also 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*, 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 year 2023 is on track, as set out in Table 1. 999 of these affordable homes have so far been delivered with a further 571 units currently under construction. A further 436 homes are currently projected to start and complete by March 2023.

5.5 These HRA programmes will be delivered from a combination of funding sources. Firstly, 451 of the affordable homes are scheduled to be delivered through the General Fund either as new build or as acquisitions. A further 633 will be generated through schemes delivered in the HRA. The remaining 922 affordable homes are anticipated to be delivered by Registered Provider 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 2020/21. Table 1 also shows projected affordable housing units over the 5-year period 2021/22 to 2025/26.

Table 1 – New Affordable homes

Delivery Year	N. Units	Breakdown by Tenure			Spots	Breakdown by Funding Stream		
		Affordable Rent	Social	Intermediate		GF	HRA	S106/RPs
2017-2018	**152**	8	76	68	33	29	27	96
2018-2019	**151**	0	85	66	43	23	35	93
2019-2020	**495**	31	178	286	45	220	64	211
2020-2021 (complete in brackets)	**241 (201)**	4 (2)	210 (188)	27 (11)	(18)	116 (91)	106 (91)	(19)
2021-2022	**343**	0	111	232	30	15	154	174
2022-2023	**624**	224	218	182	30	48	247	329
2023 Target Total	**2,006**	**267**	**878**	**861**	**199**	**451**	**633**	**922**
2023-2024	**344**	0	223	121	30	39	290	15
2024-2025	**222**	0	151	71	0	0	212	10
2025-2026	**40**	0	40	0	0	0	40	0
Additional years to 2025/26	**606**	**0**	**450**	**176**	**30**	**39**	**542**	**25**
Grand Total 2017/18 - 2025/26	**2,612**	**2,273**	**1,292**	**1,053**	**229**	**490**	**1,175**	**947**
Total 5 years period 2021/22–2025/26	**1,573**	**224**	**743**	**606**	**90**	**102**	**943**	**528**

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

Fire Safety

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. The Planned Maintenance Programme (8.2 of the report and Table 3) includes budget provision for the Council's best current assessment of what actions will be required.

6.2 The Hackitt Report

The Independent Review of Building Regulation and Fire Safety led by Dame Judith Hackitt, 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.

6.4 New Legislation

There are two Bills passing through Parliament related to fire safety – the Fire Safety Bill and the Building Safety Bill. The bills will place duties on landlords to manage their buildings, including a new inspection regime and the appointment of building managers. There will also be a regulator to oversee changes and make landlords accountable. Issues regarding leaseholder charges for historic repairs and overall costs remain unclear.

The migration to Universal Credit (UC)

6.5 Full rollout for all customers in Westminster was 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, the Government announced a pilot of 10,000 households transferring onto UC and that it was taking a 'test and learn' approach[1]. It is currently expected that all households claiming legacy benefits and tax credits for working-age households will be moved to UC by September 2024.

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

6.6 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 or equipped
- 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 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.

6.7 Southwark Council, with the Smith Institute, have carried out 3 pieces of research into the impact of UC on council rents. Their first report 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 report found that as time progresses however a pattern of underpayment of rent re-emerges. A third report in 2019 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.

6.8 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.

6.9 Westminster City Council currently has 1,893 secure/flexible tenants in receipt of UC. Of the 1,893 recipients, 753 are in credit on their rent account as at 17 January 2021, 1,140 are in arrears with 780 recipients in arrears of *less than* 4 weeks rent and 360 recipients with arrears of *more than* 4 weeks rent. While the total number of 1,140 accounts in arrears represents approximately 60% of claimants in arrears, which is higher than those on Housing Benefit (full and partial), if you remove the 780 with arrears of less than 4 weeks to allow for varying payment dates, this brings down the figure to 19% of UC claimants in arrears which is similar to HB figures. Although HB claimants are far more numerous, the percentages are comparable.

6.10 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.

6.11 Our work with Citizen Advice Westminster has moved online over the past ten months and surgeries which were held at our area service centres have been replaced with online meetings and telephone appointments where residents can speak to a Westminster Citizen Advice 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 specialist mental health and welfare rights caseworkers.

6.12 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.

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

6.14 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.

6.15 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.

6.16 Since the start of the year, we have been actively speaking to all our tenants and not just those in receipt of UC to discuss their rent account in light of the pandemic. We have a comprehensive list of tenants or their households who may have been impacted by COVID-19. The expectation of the courts is that all landlords will work with their tenants to ensure tenancies are sustained and reasonable payment plans are accommodated where possible.

6.17 The end of year arrears balance has increased quite significantly and the recovery of last year's healthy position will take many months. A UC increase in payment of £20.00 a week was introduced during the pandemic. The increase which is set to expire in April 2021 is under review at the current time. Should the extra payment be removed, this may potentially impact further on the level of the arrears and have an impact on the HRA. The income team is taking all measures possible to help our tenants at this time.

6.18 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.

Policy on Social Rents

6.19 Government published its Policy on Social Rents in February 2019[2] 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

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

where it is part of a delivery 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 is no longer going ahead with its local policy in this area.

6.20 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 comply with national rent policy of CPI + 1%.

6.21 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.

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

Mixed tenure developments

6.23 In July 2019 MHCLG published its vision[3] in relation to communities which includes aims to prevent 'poor door's' in new developments – where social housing tenants have separate entrances. These themes are also emphasised in the Social Housing White Paper (see below). Across the Council's development programme, the council is proactively working towards creating a mixed community with common and shared services and facilities across the housing estate. Further details of this is provided in Section 8.

Right to regenerate consultation

6.24 Government is consulting until March 2021 on a proposal to enable public sector land or assets to be sold to members of the public if it is unused[4]. If enacted, the measure is unlikely to have significant impact given the council has an active infill programme to convert unused and underutilised assets into housing.

Social Housing White Paper

6.25 Published in November 2020, the White Paper sets out a range of standards every social housing resident should expect:

- To be safe in your home
- To know how your landlord is performing
- To have your complaints dealt with promptly and fairly
- To be treated with respect
- To have your voice heard by your landlord

[3] www.gov.uk/government/publications/by-deeds-and-their-results-strengthening-our-communities-and-nation
[4] www.gov.uk/government/news/right-to-regenerate-to-turn-derelict-buildings-into-homes-and-community-assets

- To have a good quality home and neighbourhood to live in
- To be supported to take your first step to ownership

6.26 While much detail and a timetable for implementation has not yet been published, the White Paper potentially impacts on the HRA, and the key areas are:

- The requirement for social landlords to have an accountable person responsible for health and safety
- New resident satisfaction measures with a requirement for social landlords to publish their performance against these measures annually and the Regulator will consider ways to compare organisations
- A new regime of inspections which can be resource intensive
- A review on a new Decent Homes Standard focusing on energy efficiency and green space
- Potential changes to the way leaseholders are consulted on major works and service charges

6.27 Officers are working to prepare for the implementation of the White Paper where possible.

Covid-19 impact

6.28 The lockdowns have significantly changed the delivery of Housing services over the year. During both lockdowns our in-home responsive repairs service was suspended to all but emergency and urgent repairs. This had a corresponding knock on to a greatly reduced number of calls to our contact centre, but then on the cessation of the first lockdown the Council experienced unprecedented numbers of calls and contacts from residents and a need to complete at pace the pent-up repairs demand. This was difficult to manage operationally.

6.29 Running alongside the actual services there has been a great deal of work put into resident support and reassurance, working with Westminster Connects and our staff to assist vulnerable residents. This along with resident engagement are examples where there been significant benefits from the lockdowns, such as the on-line formal resident engagement which has reached more people than ever before. Home working has demonstrated some improvements too, particularly in terms of our contact centre not being office based with a view to learning from this going forward.

6.30 Income collection has been significantly impacted by the pandemic. The income team have not been undertaking any standard debt recovery action. The current approach is purely support-focused and while payment reminder letters are being sent, the Council have not escalated any cases through the normal arrears escalation process. Payment reminder actions are being undertaken through telephone calls, text messages, e-mail contact and written correspondence. The income team are monitoring all accounts and are keeping a log of any references to Covid-19 which may impact our tenants' ability to pay their rent.

6.31 The serving of possessions stay was lifted in September 2020, but the escalation to Tier 2 meant that all bailiff activity was prohibited. It is not expected that any court action or bailiff activity to be undertaken until Q2 of 2021 at the earliest. When debt recovery action is reinstated in line with the Coronavirus Act 2020, the Council will look at all accounts, but initially focus on the cases in arrears prior to March 2020 where it is not aware of any Covid-19 related concerns. Recovery action will commence from the initial stage to ensure Council tenants have an opportunity to speak to the Council first about their account and their circumstances.

6.32 Rent collection performance is running at 97.59% in the current year, compared with 98.57% at the same stage in the previous financial year. The approach to rent collection remains support-focused, and gentle payment reminders are not referencing court or evictions. The courts are open, with many operating remote hearings, but there are now large backlogs in some areas. Government advice regarding rent arrears remains the same: As part of our national effort to respond to the Covid-19 outbreak it's important that landlords offer support and understanding to tenants who may start to see their income fluctuate.

6.33 While there has not been the same increase in cases of leasehold arrears as there have been with our tenanted stock, the collection rates are lower than in prior years. All help and assistance that can be provided is being offered to our leaseholders, with a refresh to the major works payment plans in early 2021 planned.

6.34 The First Tier Tribunal is open and has been operating a skeleton service throughout the year, but again the entire 2020/2021 year will be impacted in respect of pure collection processes and actions where accounts are in arrears.

7. HRA Revenue

7.1 There are some important changes to service to be delivered over the next year or so. First and foremost is the reorganisation of all Housing Services this year, which follow on from the changes to the senior management team last year. In early 2021 the Council will begin the remodelling of teams and services to deliver some key changes in service delivery. The key objective is to improve the Council's relationship with its residents. Whether this is how officers interact with residents day-to-day on estates, how complaints are managed, how involvement, consultation and engagement is managed, or how anti-social behaviour is managed. The Council aim to provide responsive and efficient services.

7.2 Formal and informal engagement and involvement with residents is a key focus for improvement this year. The Council want to have wider engagement with more residents, particularly in their local area. Expanding the front-line estate officer team will allow more contact and interaction with residents and will deliver and maintain estate action plans across all housing. This will allow all residents to be involved in the issues that affect them and their estates.

7.3 The repairs service has seen significant improvement in recent times, and the Council plan to continue this. The aim over this year and into future years is to improve the responsiveness of the repairs service to make sure that repairs are done on time and are a good quality. The Council will invest more in the repairs front line both to make sure that more pre inspections and specifying what works are required are undertaken, and also taking control of post inspections to ensure quality. There will be development of the in-house minor repairs team which will manage small communal repairs. This will not only be resource efficient but will deliver a more responsive and a locally driven service.

7.4 Improving technology, for both resident interaction and access to services, and for staff to provide better services is going to be central to delivery plans for several years. The Council are required to re-procure our housing management system in the next 24 months which will provide an opportunity to develop core IT services that meet customer and organisational expectations. Investment will also be made in other IT developments such as the roll out of the mobile working pilot which allows front line staff to work remotely on our estates.

7.5 The HRA Business Plan considers the delivery of the Housing Management service as well as the delivery of the Capital Programme. The delivery of the Capital Programme has revenue implications because the regeneration programme increases the housing stock and thus leads to increased income and expenditure through housing management, as well as having an impact on financing costs incurred to support the extra borrowing required.

7.6 Over the length of the five-year business plan from 2021-22 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 4 years of rent reduction, from 2016-17 to 2019-20, of 1% per annum has had a significant impact on the rental income generated and as a result has impacted the HRA's ability to generate surpluses. One of the key challenges for the Council going forward will be to manage this effectively and sustainably.

7.7 The Council will be able to increase rents by CPI plus 1%. Based on the same number of dwelling units as 2020/21, this will provide approximately an additional £1.1m in rental income in 2021/22. 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. The key assumptions and data used to set the 2021/22 budget and long-term plan are set out at Appendix 1. Table 2 below details the 5 Year HRA Business Plan income and expenditure account.

7.8 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 from new and replacement units can be generated again, whilst overall programme delays can cause increases in management, maintenance and voids costs if there are delays to properties becoming vacant for development purposes.

Table 2 – 5 Year HRA Business Plan

Year	1	2	3	4	5
	2021.22	2022.23	2023.24	2024.25	2025.26
	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(76.596)	(79.374)	(82.343)	(85.628)	(88.057)
Commercial Rent	(8.200)	(8.282)	(8.489)	(8.701)	(8.919)
Garages, Sheds & Car Parks Income	(0.904)	(0.913)	(0.936)	(0.959)	(0.983)
Service Charges	(16.367)	(16.631)	(17.067)	(17.510)	(17.924)
Heating and Water (Including PDHU)	(6.394)	(6.458)	(6.620)	(6.785)	(6.955)
HRA investment income & Other Income	(2.217)	(2.240)	(2.296)	(2.353)	(2.412)
TOTAL INCOME	**(110.678)**	**(113.897)**	**(117.751)**	**(121.937)**	**(125.250)**
Repairs & Maintenance	19.087	19.474	20.039	20.579	21.096
Supervision & Management	29.033	29.323	30.057	30.808	31.578
Estate Services	8.150	8.232	8.438	8.649	8.865
Heating and Water (Including PDHU)	6.394	6.458	6.620	6.785	6.955
Rent, Rates and Commercial Charges	0.512	0.517	0.530	0.543	0.556
TMO Allowances	1.505	1.520	1.558	1.597	1.637
Support Costs	12.857	12.985	13.310	13.643	13.984
Movement on Bad Debt Provision	0.505	0.523	0.536	0.549	0.563
Depreciation	23.754	24.238	25.154	25.848	26.750
Capital financing costs	9.237	9.824	11.831	12.096	12.084
Regeneration Feasibility	0.500	0.505	0.510	0.515	0.520
TOTAL EXPENDITURE	**111.533**	**113.599**	**118.582**	**121.612**	**124.588**
HRA Net (Surplus)/Deficit position	**0.855**	**(0.298)**	**0.831**	**(0.325)**	**(0.662)**
Contribution to /(from) HRA Balances	(0.855)	0.298	(0.831)	0.325	0.662
HRA Budget	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

7.9 Over the next 5 years, the HRA plan indicates that the in-year income position does not always fully cover the planned expenditure each year, 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 results in the projected capital financing costs growing.

7.10 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 a low of £9.76m by 2023/24.

7.11 The reduction of reserve balances lowers the financial strength of the HRA as less funds would be available to support unforeseen risks that result in 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 long-term objective will be to maintain reserves at a level of between 10% and 15% of the gross rent collected.

8. HRA Capital and Stock Investment Plan

8.1 The HRA capital programme will see £952.30m of capital expenditure committed over the next five years (2021/22 – 2025/26) 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. The following sections set out the major categories of spend within the capital programme and details on some of the projects and programmes of spend within these categories. A full schedule of the whole capital programme can be found at Appendix 4. Section 9 sets out in more detail the financing of the capital programme. Further details of the various schemes are explained below.

8.2 Planned Maintenance Programme

The 2021/22 HRA Business Plan includes capital investment of £59.278m towards major works investments. The business plan projects a total of £1.076m to be invested for major works over the 30 years.

The creation of this programme and budgetary requirement has significant detail and supporting data behind it in the form of a rolling 3-year stock condition survey. This is further informed by overlaying analyses of the number and location of repairs being generated, insurance claims, legislative changes e.g. fire recommendations from Grenfell enquiry, complaints etc. This information is fed into our asset management database, which assists in determining the capital programme for our housing stock.

It should be noted that elements of these planned maintenance programmes include works to leaseholder properties, and the costs reflected below represent the gross costs. Leaseholders will be consulted and billed in accordance with their lease for their contributions towards qualifying works.

Table 3 – HRA Planned Maintenance

Year	1	2	3	4	5	06-30	
	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27-2050.51	Total Scheme Costs
	£'000	£'000	£'000	£'000	£'000	£'000	
Planned Maintenance							
Voids, Aids and Adaptions	4,900	4,900	4,410	4,410	4,410	101,230	124,260
Electrical and Mechanical Services	2,624	2,648	2,406	2,429	2,474	58,380	70,961
Major Works	29,742	23,643	27,201	24,053	24,731	394,106	523,476
Fire Precautions	9,190	4,080	1,403	1,823	1,414	26,830	44,740
Asset Management, Condensation and Minor Works	2,150	2,150	1,935	1,845	1,845	29,900	39,825
Domestic Heating, Hot Water and Lifts	3,400	3,400	3,300	3,300	3,300	59,980	76,680
PDHU and Climate Action Works	7,272	11,630	26,000	25,370	26,050	100,000	196,322
Planned Maintenance Total	**59,278**	**52,451**	**66,655**	**63,230**	**64,224**	**770,426**	**1,076,264**

8.3 Voids and Aids & Adaptations

This is a demand led budget, with historical data confirming that circa £3.5m will be expended on voids with £1.4m on adapting our properties to meet the needs of our residents (mainly elderly and infirm) and includes; installation of grab rails, converting bathrooms into wet rooms, baths into showers and vice versa, installing stair lifts etc.

8.4 Electrical & Mechanical Services

This budget covers the renewal of estate lighting, door entry systems, communal boilers, lateral mains, lightning conductors etc.

8.5 Major Works

The major works programme is derived from our asset management database, i.e. each building component, roofs, windows, communal decorations etc. is given a lifespan. This is further informed by the rolling 3-year survey of our stock which is carried out and together with information obtained from the volume and types of repairs being requested provides helpful information in shaping the work which our major works programme should address.

One of the criteria used to determine the allocation of this budget is the contribution the project will provide in assisting the council to meet its green and energy reduction targets in the coming years.

8.6 Fire Precautions

Fire Risk Assessments (FRA) are regularly completed on our stock of over 6 storeys. The frequency is determined by the level of risk associated with the building, taking into account height of the building, means of escape, combustibility of materials etc. As such, FRAs are undertaken every 12, 24 or 36 months by a competent person, and the actions emanating from these are placed into a programme of works, for example renewing fire doors, installation of sprinkler systems etc.

This budget will assist in ensuring the Council addresses the recommendations following the Grenfell enquiry and the best current assessment of what will be required within the pending Fire Safety Bill.

8.7 Asset Management, Condensation and Minor Works

Damp and condensation are known issues in our stock and are a specific focus of our improvement works. The installation of internal wall insulation, secondary or double glazing, cavity wall insulation will all assist in tackling these issues and will also contribute towards the Council’s green agenda and reducing carbon emissions.

8.8 Domestic Heating, Hot Water, and Lifts

This budget delivers our domestic boiler replacement programme. Westminster has 6,566 domestic boilers, which are replaced on a rolling 15-year cycle with low energy boilers Grade A+. This area also covers the management of our 363 lifts in high rise blocks, with a planned programme of renewal and refurbishment.

8.9 PDHU and Climate Action Plan

The Council declared a Climate Emergency in 2019 and has set itself a challenging target to become a carbon neutral council by 2030 and have a carbon neutral city by 2040. Achieving this requires heavy investment in our housing assets and communal heating systems above our existing maintenance programmes. Initial work has commenced in modelling the various scenarios of our stock including passive, building fabric measures such as insulation in tenanted stock.

In addition, a number of feasibilities will be commissioned on the, relatively new, low-carbon heating alternatives required to replace the gas heating infrastructure in our housing assets.

We will proactively review all initiatives for our housing stock, working closely with our partners, embrace cutting-edge technology, as well as maximising carbon reduction where possible with the Pimlico District Heating Undertaking (PDHU), which is the council's largest emitter of carbon.

It is currently assumed that Climate Action Plan works will be funded through grants, primarily from Government.

Regeneration Programme

8.10 **Table 4 – Regeneration Programme**

	2021.22 £'000	2022.23 £'000	2023.24 £'000	2024.25 £'000	2025.26 £'000	2026.27-2050.51 £'000	Total Scheme Costs
Regeneration							
Carlton Dene	997	17,589	20,092	-	-	-	38,678
Church Street P2	2,498	5,673	14,238	11,239	1,074	174,578	209,300
Church Street P2 Acquisitions	8,000	26,916	-	-	-	83,439	118,355
Lisson Arches	13,651	10,784	-	-	-	-	24,435
Luton Street	800	8,400	-	-	-	-	9,200
Parsons North	13,826	-	-	-	-	-	13,826
Cosway Street	14,341	14,925	409	-	-	-	29,675
Ashbridge	8,302	2,203	168	-	-	-	10,673
Ashmill Street	309	330	15	-	-	-	654
Ebury Bridge	37,899	53,106	49,000	1,679	12,668	19,266	173,618
Ebury Bridge Acquisitions	5,700	24,418	8,633	-	-	-	38,750
Warwick Community Hall	1,350	-	-	1,350	-	-	2,700
Queens Park Court	1,631	7,357	1,850	-	-	-	10,838
Churchill Gardens	536	9,259	8,476	3,529	-	-	21,800
Bayswater	-	2,024	2,668	5,574	9,555	5,917	25,738
West End Gate	8,564	780	-	-	-	-	9,344
Contingency	7,347	11,432	17,621	11,388	4,340	29,911	82,038
Paddington Green	-	4,874	-	4,874	-	-	9,748
Woodchester	100	700	6,133	6,133	6,134	-	19,200
Lisson Grove Programme	-	-	-	-	-	5,951	5,951
Brunel Estate	503	1,296	7,757	11,842	-	-	21,398
Regeneration Total	**126,353**	**202,065**	**137,059**	**57,608**	**33,771**	**319,062**	**875,919**
Other Schemes							
Small Sites	13,888	24,630	17,910	3,028	150	150	59,756
Self Financing	10,000	5,000	5,000	5,000	5,000	50,000	80,000
Other Schemes Total	**23,888**	**29,630**	**22,910**	**8,028**	**5,150**	**50,150**	**139,756**

8.11 This plan has been developed at a time of increasing construction costs and predictions of a challenging residential market and while the Council cannot control or influence these challenges, 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.

8.12 To ensure this plan is robust, the programme remains under constant review, and each scheme is subject to detailed analysis when it comes forward for full approval to ensure the Council is generating efficiencies and delivering on value for money to the residents.

8.13 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.

8.14 Further details of some of the schemes within the HRA are provided below.

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

The site was previously occupied by single storey community hall and nursery, which are now in the early stages of demolition A Temporary nursery has been constructed nearby and the operator, Leyf, have transferred their operations. The site will deliver 112 residential units (50% affordable by habitable rooms), canal front café, affordable workspace to help develop local businesses and much improved landscaping alongside re-provision of the community hall and new permanent nursery.

This scheme will be one of the first developments that may be delivered directly through the council's wholly owned company.

8.16 **Lisson Arches**

Lisson Arches is sited adjacent to disused railway arches within the Church Street ward. This development will provide 60 sheltered accommodation units as well as enterprise space.

The extensive enabling works package completed in August 2020, and united Living are now on site progressing the construction of the new building, which will complete in May 2022.

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.

8.17 **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.

The Masefield – Beachcroft.

The Masefield completed in August 2020 and provides 31 Lateral apartments housed over 4 floors, with Beachcroft House care-home situated adjacent.

Revenue generated from the sale of The Masefield has helped to 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, 26 units have sold, the revenue received to date is £21.4m.

8.18 **Church Street**

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

Site A is the first to come forward and its redevelopment will contribute to the delivery of the Council's City for All objectives by using a transparent process to provide a range of homes 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's largest regeneration project with over 1200 homes across the scheme. The redevelopment will also provide significant improvements to the Church Street Market and public realm.

Design Development continues ahead of pre-planning consultation in early 2021 and planning submission in May 2021. The process to procure a delivery partner has begun, with the procurement strategy being prepared. Start on site date is programmed for Q4 2022.

8.19 **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 226 new homes. This phase will largely enable the Council to meet the re-housing requirements for future phases of development.

The meanwhile use “Ebury Edge” was completed in October 2020 as well as the demolition of Phase 1 which completed in November. The outcome of the hybrid planning application (detailed planning for phase 1 and outline for Phase 2) is anticipated in early 2021.

8.20 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 will deliver a further 103 new homes by 2023.

8.21 Self Financing

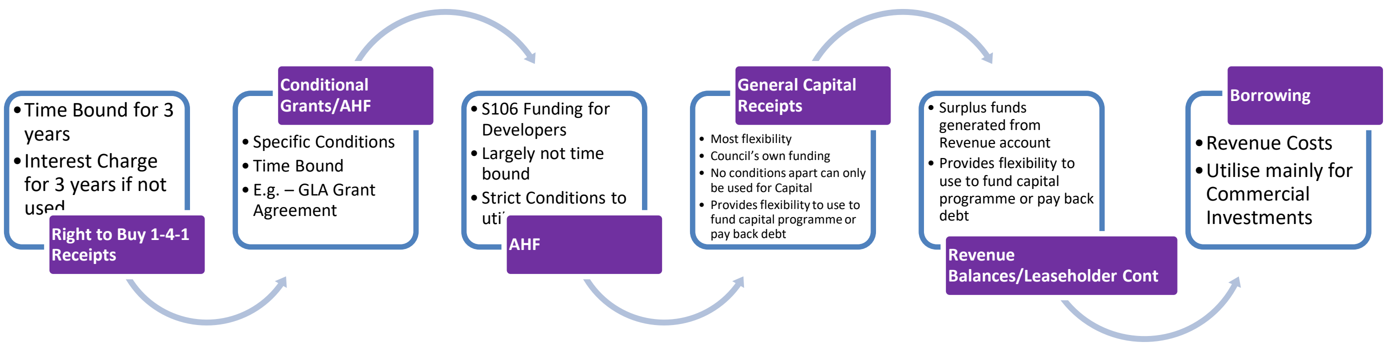
Self financing projects involve the disposal of HRA stock which does not meet the on-going needs of the council when assessed against the agreed disposal criteria. Proceeds of these disposals are then ring-fenced for investment in new homes that better meet the needs of residents.

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 in 2018 which provides additional capacity to finance investment.

9.2 The intention of removing the HRA borrowing cap was to unlock the potential of HRAs 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 is required for the General Fund, the larger debt pool will result in continued interest payments. Paying back of debt will reduce interest costs and so therefore more of the rental income can be invested back into housing services and the estate.

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, the 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 that financing of the schemes is optimised to deliver the wider programme whilst also assessing the financial viability of each scheme.

9.5 The HRA financing options available are explained below.

Right to Buy Receipts

9.6 Secure tenants within the HRA have the "Right to Buy" their home. The purchase price is discounted but provides the Council with a capital receipt. This receipt can then be used to fund delivery of replacement homes under the "one-for-one" agreement. Current rules set out that these receipts must be spent on replacement housing within three years.

Conditional Grants

9.7 Some grants that are provided to Westminster have conditions attached to them that stipulate how they must be used. In order for those grants to be applied as funding, we must ensure we deliver the required outputs. Grants from the GLA would generally fit in this category.

Affordable Housing Fund

9.8 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.

9.9 The balance held in the AHF as at 1st April 2020 totalled £241.6m. 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 the delivery of on-site affordable housing.

9.10 Within the HRA business plan, £301.5m 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. The current profile of receipts into the Affordable Housing Fund has been modelled at an average of £25m per annum, which based on previous years' experience is a prudent assumption. This will be kept under review in light of the impact of Covid-19 on the construction market.

Capital Receipts

9.11 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 may impact on the HRA's ability to finance capital spend and remain within its borrowing limit and so a reprofiling of projects may be necessary.

9.12 Use of the Capital receipts, including Right to Buy sales, is projected to be £382.77m over the 30 years.

Reserves and Leaseholder Contributions

9.13 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.

9.14 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 than the Major Repairs Allowance then 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.

9.15 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.

9.16 The HRA is projecting to utilise £0.946m of Leaseholder Contribution and Major Repairs Allowance to finance the Capital Programme and this will all go towards the Major Works Expenditure.

Borrowing

9.17 Any capital expenditure not covered through any of the above funding routes will require borrowing in order to finance it. 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 as these bring in additional income through rents and so the extra rent would support the re-financing of the debt.

9.18 The HRA is expected to borrow £256.19m over the course of the 30-year plan which equates to 12% of the total Capital Programme over the same timeframe.

Capital Programme – Financial Overview

9.19 Table 5 below summarises the overall expenditure and financing position for HRA Capital programme.

Table 5 – Capital Programme Financing Plan

Year	1	2	3	4	5	06-30	
	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27-2050.51	Total Scheme Costs
	£'000	£'000	£'000	£'000	£'000	£'000	
Planned Maintenance	**59,278**	**52,451**	**66,655**	**63,230**	**64,224**	**770,426**	**1,076,264**
Regeneration	**126,353**	**202,065**	**137,059**	**57,608**	**33,771**	**319,062**	**875,919**
Other Schemes	**23,888**	**29,630**	**22,910**	**8,028**	**5,150**	**50,150**	**139,756**
Total HRA Capital Programme	**209,519**	**284,146**	**226,625**	**128,866**	**103,145**	**1,139,638**	**2,091,939**
Funding							
Major Repairs Allowance	23,754	23,754	23,754	23,754	23,754	593,850	712,620
Government Grant/Loan	5,416	8,154	4,648	1,666	448	-	20,332
Climate Action Funding	-	10,000	25,000	25,000	25,000	100,000	185,000
Affordable Housing Fund	110,202	105,569	11,950	9,520	20,000	44,226	301,467
Capital Receipts	50,749	64,906	58,842	84,543	42,028	81,700	382,769
Leaseholder Contributions	9,886	13,002	11,455	11,414	10,715	177,090	233,562
New Borrowing	9,511	58,762	90,976	(27,031)	(18,801)	142,772	256,189
Total Funding	**209,519**	**284,146**	**226,625**	**128,866**	**103,145**	**1,139,638**	**2,091,939**

9.20 The opening debt balance within the HRA as at 1st April 2020 is £274.943m. The HRA business plan is not expecting additional borrowing for 2020/21 and therefore the current projection is that the HRA will close 2020/21 at the same debt levels. However, taking into account future borrowing requirements, as indicated in Table 5, the total debt peaks at £598.188m in 2035/36. This will result in a financing cost of £9.24m in 2021/22, with new borrowing assumed at a 2.6% cost of finance.

9.21 The financing costs will be funded from the Revenue account and the business plan 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 gradually increase up to the debt peak in 2035/36 and then remain roughly constant at average levels of £17.2m per year as the HRA will be able to borrow at a fixed rate.

9.22 The charts below provide an indication of the difference in the impact on debt and reserves between paying back the outstanding debt using surplus reserves (Chart 1) and not using surplus reserves to pay back the debt (Chart 2). The assessment is benchmarked against the previous debt cap that the HRA was required to stay within, demonstrating the additional capacity that the removal of the debt cap has created.

Chart 1 – Debt Repayment using surplus reserves

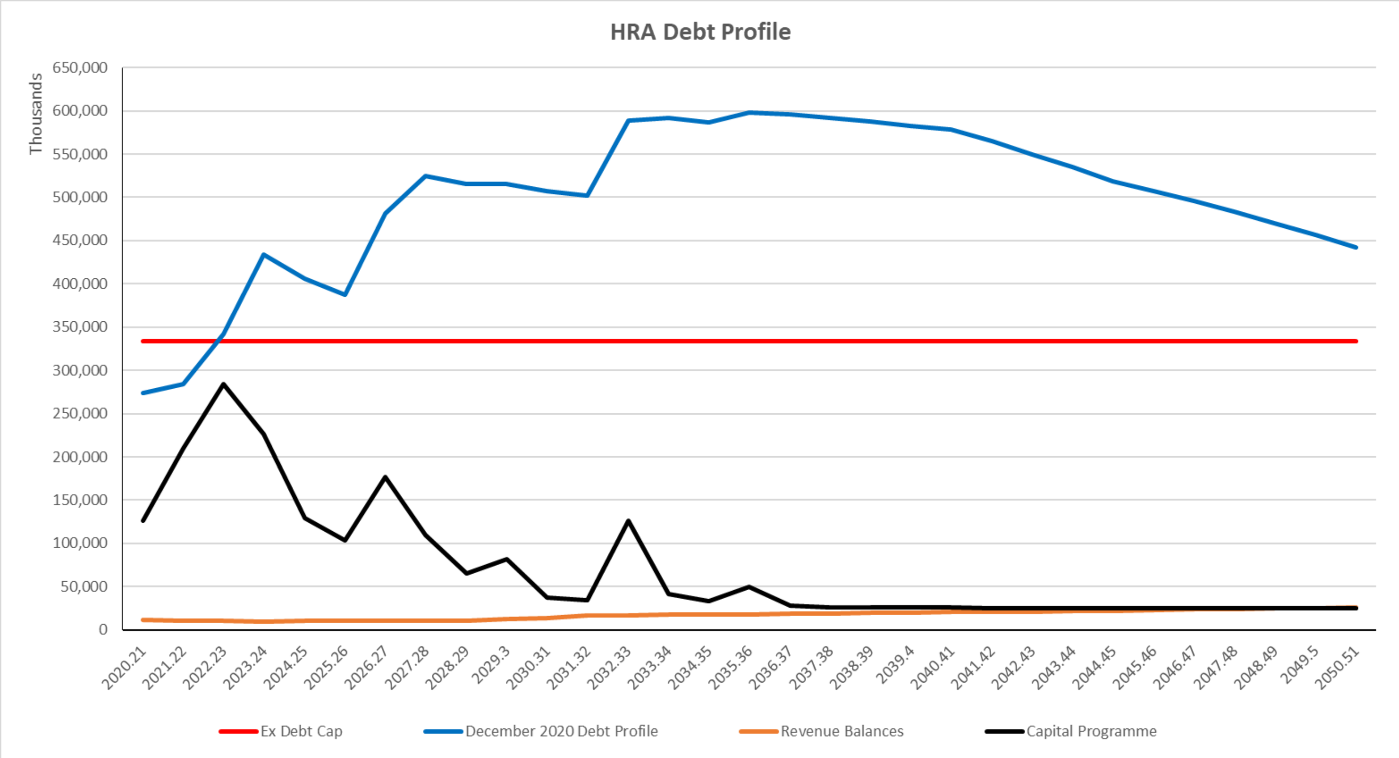
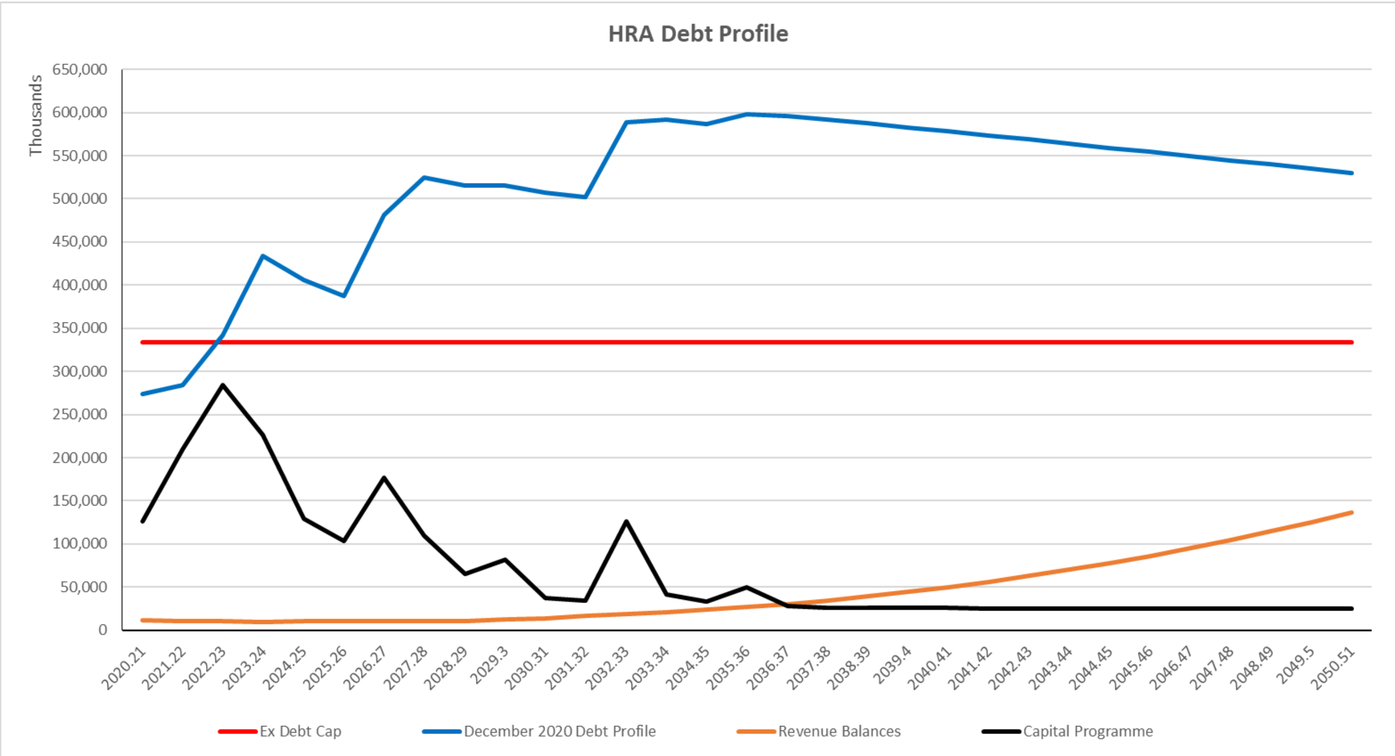


Chart 2 – No Debt Repayment



Capital programme (black line) - Total planned capital investment in the HRA totals £2.092bn over 30 years. This includes major works on existing stock of £1.076bn, regeneration £0.876bn and Other Schemes £0.140bn.

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 had 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 that the Council has taken advantage of the removal of the debt cap.

Current Projected Debt (blue line) - Borrowing rises from the current £274.943m (projected at 1st April 2021) and peaks in 2035/36, 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 reduce more slowly. This does however have a converse impact on the revenue reserve balance, which is further detailed below.

Revenue reserve balance (brown line) - The HRA business plan seeks to maintain a minimum reserve balance of £10m if the modelling allows. However, as the current 30-year business plan suggests (see Appendix 3 and Table 6), the reserve balance will fall marginally below this threshold in 2023/24 but will rise again soon after. Surplus reserves will be used to support further investment and/or reduce borrowing when feasible. Chart 1 therefore indicates a flatter reserve position as most surpluses will be used to pay back the debt; by contrast, 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.

Housing subsidiary companies (previously known as the 'WOC')

9.23 This HRA Business Plan portrays an inherent limit in its ability to deliver new regeneration schemes due to the limited rent levels that can be charged on HRA tenancies and the running and finance costs that need to be covered. Additionally, increased borrowing will result in an opportunity cost from using rent to cover the increased interest costs against using it for repairs and maintenance. The Council has therefore looked at the use of other delivery vehicles for delivering certain regeneration schemes, 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 key regeneration sites identified in support of the Council's drive to provide more homes of all types and tenures.

9.24 The schemes planned to be delivered within the housing companies do not have a direct impact on the HRA Business Plan and are covered within the Westminster Builds business plan, but clearly provide additional capacity in the Council's ambition to deliver new housing.

9.25 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 2020/21 financial year was £17.37m. 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 presents 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 its usage and balance to ensure a strong and stable business plan.

Table 6 – Reserves Projection

Reserves	1	2	3	4	5
	2021.22	2022.23	2023.24	2024.25	2025.26
	£'m	£'m	£'m	£'m	£'m
Opening Balance	**11.146**	**10.291**	**10.589**	**9.758**	**10.082**
Contribution to /(from) HRA Balances	(0.855)	0.298	(0.831)	0.325	0.662
Closing Balance	**10.291**	**10.589**	**9.758**	**10.082**	**10.744**

10.3 The HRA Business Plan seeks to hold a minimum reserve balance of £10m. This reserve will be held in mitigation against unforeseen adverse impacts. Based on current net rents of approximately £76m this equates to a 13% reserve target. This allocation will be reviewed on an annual basis and any surpluses in addition to the £10m target will either be used for paying back debt, held over towards future needs or used towards other objectives. Chart 2 above provides an indication of the impact on the HRA debt and reserve balance if surpluses were retained in reserves rather than used towards paying back the debt.

11. Financial Implications – General Principles and Approach

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 most recent year-end (31 March 2020) so as to begin with an accurate opening position for the plan. It is then constructed to include the impact of known forecast changes, Government policies, capital plans, funding arrangements and risk factors. Most of the detailed financial implications are incorporated throughout this report, in particular within **Sections 7 to 10**, with key schedules also laid out in the appendices.

11.2 The funding of this plan is particularly 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, along with the intermediate units on certain schemes being considered for delivery by Westminster Builds.

11.3 The variables used in the assumptions set out in **Appendix 1** 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 are 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. **Appendices 2 and 4** set 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 and hence less funds able to be allocated to other services such as repairs and maintenance or setting aside funds for providing a good customer service. In such a 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 **<u>not</u>** 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. However, it is clear that there is a substantial increase in the level of capital expenditure over the coming three years and once a major development has begun it is difficult to back out of the associated future commitments as well.

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

a. Robust business case processes with detailed cost analysis, sensitivity testing and market sales pricing assessment carried out at regular intervals. It is important that the assumptions and projections are complete and robust so that a scheme can be approved in confidence, with the knowledge that the HRA business plan is able to sustain the profiling of the scheme in question.

b. 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.

c. Periodic updates to the HRA business plan through the year. 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 or latest scheme business cases 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, the Council would seek to avoid getting too close to capacity in the coming year.

d. 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 to any given scheme. Unutilised contingency monies will contribute towards relieving pressure on funding and reserves.

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

f. Re-profile, extend or delay regeneration capital expenditure, for example:

    i. Reprofile the regeneration spend so that schemes run sequentially rather than 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 scheduled 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.

g. Reduce major works expenditure to free up other funds to finance new build developments. This amounts to £305.84m over the next 5 years, £1.076bn over 30 years. However, this would have subsequent risks as the Council signed up to term contracts which gave an indication of a certain minimum level of spend with the suppliers. If these minimum levels are 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 years as more work would be required to bring our property back to a decent standard.

h. 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 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 as set out below. The Council has a duty to disclose information as set out The Housing Revenue Account (Accounting Practices) Directions 2016.

13.2 The provision of housing accommodation is set out in Part II of the Housing Act 1985. Statutory requirements regarding keeping of a Housing Revenue Account (HRA) are contained in the Local Government and Housing Act 1989 ("Act"). 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. The Act places a duty on local housing authorities to: (i) to produce and make available for public inspection, an annual budget for their HRA, which avoids a deficit; (ii) to review and if necessary, revise that budget from time to time and (iii) to take all reasonably practical steps to avoid an end of year deficit.

13.3 On 10 November 2020 MHCLG published guidance on the operation of the Housing Revenue Account ring-fence. This guidance updates and replaces Circular 8/95 published by the former Department of the Environment (DoE). It gives advice to local housing authorities in England on certain aspects of the HRA.

This guidance restates ministers' established policy for the HRA and introduces no new issues of principle. However, it does highlight the need to be fair to both tenants and council taxpayers and that there should be a fair and transparent apportionment of costs between the HRA and General Fund.

13.4 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.

13.5 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.

13.6 On 29th October 2018, the government confirmed that the HRA borrowing cap was abolished with immediate effect. As a result, local authorities with an HRA are no longer constrained by government controls over borrowing for housebuilding and are able to borrow against their expected rental income, in line with the Prudential Code. All borrowing within the HRA must be in line with the CIPFA Prudential Code.

13.7 The basis for setting rent is Section 24 of the Housing Act 1985 which provides that a local authority must make such reasonable charges as they determine for the tenancy occupation of their houses. This report deals with other legislative provisions which are expected to influence the Housing Investment Strategy such as the social rent reduction introduced by the Welfare Reform and Work Act 2016 and changes to the social benefits.

13.8 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.

13.9 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.

13.10 It should be noted that as part of the HRA regeneration programme, if the Council wishes to dispose of land or property, or provide financial assistance in connection with housing (which includes disposal to any Council owned company) and consent of the Secretary of State maybe required unless such disposals fall within the General Disposal Consents of Section 32 of the Housing Act 1985.

14. Consultation

14.1 Development of the Business Plan and Housing Investment Plan has involved officers from within the Housing, Regeneration and Finance departments and with input from the relevant Cabinet 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. Consequently, consultations are undertaken at the appropriate stage on a given scheme basis rather than as a part of the Business Plan process.

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 that are being funded by the HRA.

15. Equalities Implications

15.1 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.

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

15.3 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.

15.4 It should be noted in respect of the Council's public sector equalities duties where the setting of the capital, revenue and HRA budget result in new policies or policy change the relevant service department will carry out an equality impact assessment to secure delivery of that duty including such consultation as may be required.

15.5 In addition, each of the estate regeneration schemes is 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. Further Equalities Impact Assessment and/or consultation may be necessary if significant changes are envisaged to Housing Management Schemes.

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. Sections 8.5, 8.7, 8.8 and 8.9 set out a number of ways the Planned Maintenance programme will deliver in this area. The Church Street regeneration scheme also incorporates a new Combined Heat and Power district heating scheme.

7. Equalities Implications

Each of the estate regeneration schemes is 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 14 on consultation.

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

Adam Coates (acoates@westminster.gov.uk)

Appendix 1 – Key assumptions

	Assumptions	Notes
Dwelling Rent	CPI + 1% Increase in rents from 2021-22 to 2024-25 and CPI + 0.5% increases from 2025-26	CPI for 2021/22 is 0.5%, assumed at 1% for 2022/23 and assumed at 2% from 2023/24
Void rates	2%	
Service Charges	£5.14 per week with inflationary uplift on cost and income	
Commercial Rents	no increase in 2021/22, reverting to inflationary increases from 2022/23	
Garage Rents	CPI increase	Prudent assumption based on demolitions and infills.
Major Works Leaseholder Contributions	Linked to Capital Programme	
Repairs and Maintenance Costs	RPI increases	
Heating and hot water charges	RPI increases	
Interest rate on borrowings	2.6% on External Borrowing 1% on Internal Borrowing	New rates based on Treasury Management Team advice
Depreciation	Straight Line Basis over life of Assets	

Appendix 2 – 5 Year Revenue Budget

Year	1 2021.22	2 2022.23	3 2023.24	4 2024.25	5 2025.26
	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(76.596)	(79.374)	(82.343)	(85.628)	(88.057)
Commercial Rent	(8.200)	(8.282)	(8.489)	(8.701)	(8.919)
Garages, Sheds & Car Parks Income	(0.904)	(0.913)	(0.936)	(0.959)	(0.983)
Service Charges	(16.367)	(16.631)	(17.067)	(17.510)	(17.924)
Heating and Water (Including PDHU)	(6.394)	(6.458)	(6.620)	(6.785)	(6.955)
HRA investment income & Other Income	(2.217)	(2.240)	(2.296)	(2.353)	(2.412)
TOTAL INCOME	**(110.678)**	**(113.897)**	**(117.751)**	**(121.937)**	**(125.250)**
Repairs & Maintenance	19.087	19.474	20.039	20.579	21.096
Supervision & Management	29.033	29.323	30.057	30.808	31.578
Estate Services	8.150	8.232	8.438	8.649	8.865
Heating and Water (Including PDHU)	6.394	6.458	6.620	6.785	6.955
Rent, Rates and Commercial Charges	0.512	0.517	0.530	0.543	0.556
TMO Allowances	1.505	1.520	1.558	1.597	1.637
Support Costs	12.857	12.985	13.310	13.643	13.984
Movement on Bad Debt Provision	0.505	0.523	0.536	0.549	0.563
Depreciation	23.754	24.238	25.154	25.848	26.750
Capital financing costs	9.237	9.824	11.831	12.096	12.084
Regeneration Feasibility	0.500	0.505	0.510	0.515	0.520
TOTAL EXPENDITURE	**111.533**	**113.599**	**118.582**	**121.612**	**124.588**
HRA Net(Surplus)/Deficit position	**0.855**	**(0.298)**	**0.831**	**(0.325)**	**(0.662)**
Contribution to /(from) HRA Balances	(0.855)	0.298	(0.831)	0.325	0.662
HRA Budget	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

Appendix 3a – 30 Year Business Plan

Year	1	2	3	4	5	6	7	8	9	10
	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(76.596)	(79.374)	(82.343)	(85.628)	(88.057)	(90.075)	(93.727)	(97.497)	(100.307)	(103.022)
Commercial Rent	(8.200)	(8.282)	(8.489)	(8.701)	(8.919)	(9.142)	(9.370)	(9.605)	(9.845)	(10.091)
Garages, Sheds & Car Parks Income	(0.904)	(0.913)	(0.936)	(0.959)	(0.983)	(1.008)	(1.033)	(1.059)	(1.085)	(1.113)
Service Charges	(16.367)	(16.631)	(17.067)	(17.510)	(17.924)	(18.339)	(18.840)	(19.354)	(19.900)	(20.458)
Heating and Water (Including PDHU)	(6.394)	(6.458)	(6.620)	(6.785)	(6.955)	(7.129)	(7.307)	(7.490)	(7.677)	(7.869)
HRA investment income & Other Income	(2.217)	(2.240)	(2.296)	(2.353)	(2.412)	(2.472)	(2.534)	(2.597)	(2.662)	(2.729)
TOTAL INCOME	**(110.678)**	**(113.897)**	**(117.751)**	**(121.937)**	**(125.250)**	**(128.165)**	**(132.811)**	**(137.601)**	**(141.476)**	**(145.281)**
Repairs & Maintenance	19.087	19.474	20.039	20.579	21.096	21.551	22.300	23.070	23.671	24.264
Supervision & Management	29.033	29.323	30.057	30.808	31.578	32.368	33.177	34.006	34.856	35.728
Estate Services	8.150	8.232	8.438	8.649	8.865	9.087	9.314	9.547	9.785	10.030
Heating and Water (Including PDHU)	6.394	6.458	6.620	6.785	6.955	7.129	7.307	7.490	7.677	7.869
Rent, Rates and Commercial Charges	0.512	0.517	0.530	0.543	0.556	0.570	0.585	0.599	0.614	0.630
TMO Allowances	1.505	1.520	1.558	1.597	1.637	1.678	1.720	1.763	1.807	1.852
Support Costs	12.857	12.985	13.310	13.643	13.984	14.333	14.692	15.059	15.435	15.821
Movement on BDP	0.505	0.523	0.536	0.549	0.563	0.577	0.591	0.606	0.621	0.637
Depreciation	23.754	24.238	25.154	25.848	26.750	27.244	27.981	29.258	30.046	30.881
Capital financing costs	9.237	9.824	11.831	12.096	12.084	13.409	14.594	15.199	15.229	15.275
Regeneration Feasibility	0.500	0.505	0.510	0.515	0.520	0.531	0.541	0.552	0.563	0.574
TOTAL EXPENDITURE	**111.533**	**113.599**	**118.582**	**121.612**	**124.588**	**128.476**	**132.801**	**137.150**	**140.306**	**143.561**
HRA Net(Surplus)/Deficit position	**0.855**	**(0.298)**	**0.831**	**(0.325)**	**(0.662)**	**0.312**	**(0.010)**	**(0.451)**	**(1.170)**	**(1.720)**
Contribution to /(from) HRA Balances	(0.855)	0.298	(0.831)	0.325	0.662	(0.312)	0.010	0.451	1.170	1.720
HRA Budget	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

Year	11	12	13	14	15	16	17	18	19	20
	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
Dwelling Rents	(106.155)	(109.375)	(112.068)	(114.825)	(117.607)	(120.411)	(123.280)	(126.216)	(129.219)	(132.289)
Commercial Rent	(10.343)	(10.602)	(10.867)	(11.138)	(11.417)	(11.702)	(11.995)	(12.295)	(12.602)	(12.917)
Garages, Sheds & Car Parks Income	(1.140)	(1.169)	(1.198)	(1.228)	(1.259)	(1.290)	(1.322)	(1.356)	(1.389)	(1.424)
Service Charges	(21.043)	(21.644)	(22.247)	(22.867)	(23.476)	(24.074)	(24.687)	(25.316)	(25.961)	(26.623)
Heating and Water (Including PDHU)	(8.066)	(8.267)	(8.474)	(8.686)	(8.903)	(9.125)	(9.354)	(9.587)	(9.827)	(10.073)
HRA investment income & Other Income	(2.797)	(2.867)	(2.939)	(3.012)	(3.087)	(3.164)	(3.244)	(3.325)	(3.408)	(3.493)
TOTAL INCOME	**(149.544)**	**(153.924)**	**(157.792)**	**(161.756)**	**(165.748)**	**(169.767)**	**(173.882)**	**(178.094)**	**(182.407)**	**(186.819)**
Repairs & Maintenance	24.941	25.637	26.256	26.891	27.530	28.175	28.834	29.509	30.199	30.906
Supervision & Management	36.621	37.537	38.475	39.437	40.423	41.433	42.469	43.531	44.619	45.735
Estate Services	10.281	10.538	10.801	11.071	11.348	11.632	11.922	12.220	12.526	12.839
Heating and Water (Including PDHU)	8.066	8.267	8.474	8.686	8.903	9.125	9.354	9.587	9.827	10.073
Rent, Rates and Commercial Charges	0.645	0.661	0.678	0.695	0.712	0.730	0.748	0.767	0.786	0.806
TMO Allowances	1.899	1.946	1.995	2.045	2.096	2.148	2.202	2.257	2.313	2.371
Support Costs	16.217	16.622	17.038	17.464	17.900	18.348	18.806	19.277	19.758	20.252
Movement on BDP	0.653	0.669	0.686	0.703	0.721	0.739	0.757	0.776	0.795	0.815
Depreciation	31.633	32.683	33.478	34.293	35.128	35.962	36.815	37.690	38.584	39.500
Capital financing costs	15.321	16.170	17.051	17.050	16.986	16.896	16.799	16.659	16.503	16.332
Regeneration Feasibility	0.586	0.598	0.610	0.622	0.634	0.647	0.660	0.673	0.687	0.700
TOTAL EXPENDITURE	**146.862**	**151.327**	**155.541**	**158.955**	**162.380**	**165.834**	**169.367**	**172.946**	**176.598**	**180.330**
HRA Net(Surplus)/Deficit position	**(2.682)**	**(2.597)**	**(2.251)**	**(2.800)**	**(3.368)**	**(3.933)**	**(4.515)**	**(5.148)**	**(5.808)**	**(6.489)**
Contribution to /(from) HRA Balances	2.682	2.597	2.251	2.800	3.368	3.933	4.515	5.148	5.808	6.489
HRA Budget	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

Year	21	22	23	24	25	26	27	28	29	30
	2041.42	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.50	2050.51
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(135.429)	(138.642)	(141.927)	(145.288)	(148.725)	(152.242)	(155.839)	(159.519)	(163.283)	(167.133)
Commercial Rent	(13.240)	(13.571)	(13.910)	(14.258)	(14.615)	(14.980)	(15.354)	(15.738)	(16.132)	(16.535)
Garages, Sheds & Car Parks Income	(1.460)	(1.496)	(1.534)	(1.572)	(1.611)	(1.652)	(1.693)	(1.735)	(1.779)	(1.823)
Service Charges	(27.302)	(27.999)	(28.713)	(29.446)	(30.197)	(30.969)	(31.760)	(32.571)	(33.403)	(34.257)
Heating and Water (Including PDHU)	(10.325)	(10.583)	(10.847)	(11.119)	(11.396)	(11.681)	(11.973)	(12.273)	(12.580)	(12.894)
HRA investment income & Other Income	(3.580)	(3.670)	(3.762)	(3.856)	(3.952)	(4.051)	(4.152)	(4.256)	(4.362)	(4.471)
TOTAL INCOME	**(191.336)**	**(195.960)**	**(200.693)**	**(205.538)**	**(210.497)**	**(215.574)**	**(220.772)**	**(226.092)**	**(231.539)**	**(237.114)**
Repairs & Maintenance	31.629	32.369	33.126	33.901	34.693	35.505	36.335	37.184	38.053	38.943
Supervision & Management	46.878	48.050	49.251	50.482	51.745	53.038	54.364	55.723	57.116	58.544
Estate Services	13.160	13.489	13.826	14.172	14.526	14.889	15.262	15.643	16.034	16.435
Heating and Water (Including PDHU)	10.325	10.583	10.847	11.119	11.396	11.681	11.973	12.273	12.580	12.894
Rent, Rates and Commercial Charges	0.826	0.847	0.868	0.890	0.912	0.935	0.958	0.982	1.006	1.032
TMO Allowances	2.430	2.491	2.553	2.617	2.683	2.750	2.818	2.889	2.961	3.035
Support Costs	20.759	21.278	21.810	22.355	22.914	23.487	24.074	24.676	25.292	25.925
Movement on BDP	0.836	0.857	0.878	0.900	0.922	0.946	0.969	0.993	1.018	1.044
Depreciation	40.438	41.397	42.380	43.386	44.415	45.469	46.548	47.652	48.783	49.940
Capital financing costs	16.166	15.977	15.744	15.489	15.235	14.979	14.668	14.317	13.966	13.722
Regeneration Feasibility	0.714	0.729	0.743	0.758	0.773	0.789	0.804	0.820	0.837	0.854
TOTAL EXPENDITURE	**184.161**	**188.065**	**192.026**	**196.068**	**200.215**	**204.467**	**208.774**	**213.153**	**217.648**	**222.367**
HRA Net(Surplus)/Deficit position	**(7.175)**	**(7.895)**	**(8.667)**	**(9.470)**	**(10.282)**	**(11.108)**	**(11.998)**	**(12.939)**	**(13.891)**	**(14.747)**
Contribution to /(from) HRA Balances	7.175	7.895	8.667	9.470	10.282	11.108	11.998	12.939	13.891	14.747
HRA Budget	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

Appendix 3b – 30 Year HRA Reserve Projection

Year	1	2	3	4	5	6	7	8	9	10
	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**11.146**	**10.291**	**10.589**	**9.758**	**10.082**	**10.744**	**10.433**	**10.443**	**10.894**	**12.064**
Contribution to /(from) HRA Balances	(0.855)	0.298	(0.831)	0.325	0.662	(0.312)	0.010	0.451	1.170	1.720
Closing Balance	**10.291**	**10.589**	**9.758**	**10.082**	**10.744**	**10.433**	**10.443**	**10.894**	**12.064**	**13.785**

Year	11	12	13	14	15	16	17	18	19	20
	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	**13.785**	**16.467**	**19.064**	**21.315**	**24.115**	**27.484**	**31.416**	**35.931**	**41.080**	**46.888**
Contribution to /(from) HRA Balances	2.682	2.597	2.251	2.800	3.368	3.933	4.515	5.148	5.808	6.489
Closing Balance	**16.467**	**19.064**	**21.315**	**24.115**	**27.484**	**31.416**	**35.931**	**41.080**	**46.888**	**53.377**

Year	21	22	23	24	25	26	27	28	29	30
	2041.42	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.50	2050.51
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**53.377**	**60.552**	**68.447**	**77.114**	**86.584**	**96.866**	**107.974**	**119.971**	**132.911**	**146.802**
Contribution to /(from) HRA Balances	7.175	7.895	8.667	9.470	10.282	11.108	11.998	12.939	13.891	14.747
Closing Balance	**60.552**	**68.447**	**77.114**	**86.584**	**96.866**	**107.974**	**119.971**	**132.911**	**146.802**	**161.549**

Appendix 4 – HRA 30 Year Capital Programme

Year	1	2	3	4	5	06-30	
	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27-2050.51	Total Scheme Costs
	£'000	£'000	£'000	£'000	£'000	£'000	
Planned Maintenance							
Voids, Aids and Adaptions	4,900	4,900	4,410	4,410	4,410	101,230	124,260
Electrical and Mechanical Services	2,624	2,648	2,406	2,429	2,474	58,380	70,961
Major Works	29,742	23,643	27,201	24,053	24,731	394,106	523,476
Fire Precautions	9,190	4,080	1,403	1,823	1,414	26,830	44,740
Asset Management, Condensation and Minor Works	2,150	2,150	1,935	1,845	1,845	29,900	39,825
Domestic Heating, Hot Water and Lifts	3,400	3,400	3,300	3,300	3,300	59,980	76,680
PDHU and Climate Action Works	7,272	11,630	26,000	25,370	26,050	100,000	196,322
Planned Maintenance Total	**59,278**	**52,451**	**66,655**	**63,230**	**64,224**	**770,426**	**1,076,264**
Regeneration							
Carlton Dene	997	17,589	20,092	-	-	-	38,678
Church Street P2	2,498	5,673	14,238	11,239	1,074	174,578	209,300
Church Street P2 Acquisitions	8,000	26,916	-	-	-	83,439	118,355
Lisson Arches	13,651	10,784	-	-	-	-	24,435
Luton Street	800	8,400	-	-	-	-	9,200
Parsons North	13,826	-	-	-	-	-	13,826
Cosway Street	14,341	14,925	409	-	-	-	29,675
Ashbridge	8,302	2,203	168	-	-	-	10,673
Ashmill Street	309	330	15	-	-	-	654
Ebury Bridge	37,899	53,106	49,000	1,679	12,668	19,266	173,618
Ebury Bridge Acquisitions	5,700	24,418	8,633	-	-	-	38,750
Warwick Community Hall	1,350	-	-	1,350	-	-	2,700
Queens Park Court	1,631	7,357	1,850	-	-	-	10,838
Churchill Gardens	536	9,259	8,476	3,529	-	-	21,800
Bayswater	-	2,024	2,668	5,574	9,555	5,917	25,738
West End Gate	8,564	780	-	-	-	-	9,344
Contingency	7,347	11,432	17,621	11,388	4,340	29,911	82,038
Paddington Green	-	4,874	-	4,874	-	-	9,748
Woodchester	100	700	6,133	6,133	6,134	-	19,200
Lisson Grove Programme	-	-	-	-	-	5,951	5,951
Brunel Estate	503	1,296	7,757	11,842	-	-	21,398
Regeneration Total	**126,353**	**202,065**	**137,059**	**57,608**	**33,771**	**319,062**	**875,919**
Other Schemes							
Small Sites	13,888	24,630	17,910	3,028	150	150	59,756
Self Financing	10,000	5,000	5,000	5,000	5,000	50,000	80,000
Other Schemes Total	**23,888**	**29,630**	**22,910**	**8,028**	**5,150**	**50,150**	**139,756**
Total HRA Capital Programme	**209,519**	**284,146**	**226,625**	**128,866**	**103,145**	**1,139,638**	**2,091,939**
Funding							
Major Repairs Allowance	23,754	23,754	23,754	23,754	23,754	593,850	712,620
Government Grant/Loan	5,416	8,154	4,648	1,666	448	-	20,332
Climate Action Funding	-	10,000	25,000	25,000	25,000	100,000	185,000
Affordable Housing Fund	110,202	105,569	11,950	9,520	20,000	44,226	301,467
Capital Receipts	50,749	64,906	58,842	84,543	42,028	81,700	382,769
Leaseholder Contributions	9,886	13,002	11,455	11,414	10,715	177,090	233,562
New Borrowing	9,511	58,762	90,976	(27,031)	(18,801)	142,772	256,189
Total Funding	**209,519**	**284,146**	**226,625**	**128,866**	**103,145**	**1,139,638**	**2,091,939**

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 less than modelled - this would 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 2.6% 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 Revenue account. The cost	The increase in costs would be partially offset by increased income as this is also based on CPI inflation. The situation would not be uncontrolled as there would

Risk	Impact	Mitigation
	increases would also impact scheme viability as part of the capital investment strategy.	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 still 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, barriers to supply and additional costs applied to imports. 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 or changes in behaviours in light of Covid-19. 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.