

HRA Business Plan 2025/26

Budget Scrutiny Task Group

January 2025

HRA Headlines

The key points to note within the revised HRA Business Plan are as follows:

- **Rent Uplift** – the maximum allowable rent uplift is proposed for 2025/26, in line with the Rent Standard of CPI + 1%. This equates to 2.7%.
- **Policy Initiatives** – the revised business plan includes an additional £2.0m of budget growth to support statutory health & safety requirements (under the Building Safety Act) and an additional £1.0m to extend the rent support fund for a further year.
- **Repairs & Maintenance** – the revised business plan includes an increase in Repairs and Maintenance spend of £7.3m which brings the budget in line with spending levels over the last two years, This is due to increasing engagement with our residents which has led to an increased number of repairs.
- **Capital Investment** – additional capital investment of £219m has been made, which includes budget provision to continue to maintain and improve the condition of existing council stock and deliver approximately 1,200 new Council Homes.
- **PDHU** – a capital allocation for the PDHU has been included in the business plan, which covers the replacement of the existing secondary and tertiary pipe network within HRA owned blocks and dwellings, which are considered to fall on the HRA as part of the stock condition responsibility for the landlord.
- **Borrowing Increase** – all of the above results in additional borrowing of £110m for the HRA. Servicing this debt requires the HRA to commit to the maximum rent increases for the medium-term.

HRA Revenue Budget Movements

HRA revenue movements between 2024/25 to 2025/26 have been divided into two categories: (1) recurring items that need to be built into the annual budget baseline; (2) one-off items that will be funded from reserves in the short-term.

| | | Recurring £m | One-Off £m | Total Movement £m |
|---|---|-----------------|---------------|-------------------------|
| Pressures | Adjustment to Repairs & Maintenance in line with spend levels of last two years | 7.300 | | 7.300 |
| | Other Inflation | 3.500 | | 3.500 |
| Investments/ Policy Initiatives | Rent Support Fund | | 1.000 | 1.000 |
| | Health and Safety Works | | 2.000 | 2.000 |
| Savings/ Income | Rent Income (CPI +1% plus new builds) | (5.300) | | (5,300) |
| | Commercial Income | (1.300) | | (1.300) |
| | Adjustment to Service Charge Income in line with actual income levels | (3.000) | | (3.000) |
| | Efficiency Reviews (inc TVI) -1.5% of spend | (2.000) | | (2.000) |
| TOTAL MOVEMENT BETWEEN 2024/25 & 2025/26 | | (0.800) | 3.000 | 2.200 |

HRA Revenue Summary for next 5 years

| | 2025.26 | 2026.27 | 2027.28 | 2028.29 | 2029.30 |
|--|------------------|------------------|------------------|------------------|------------------|
| | £m | £m | £m | £m | £m |
| Dwelling Rents | (98.663) | (102.915) | (106.604) | (109.919) | (115.567) |
| Non-Dwelling Rents | (0.904) | (0.923) | (0.941) | (0.960) | (0.979) |
| Commercial Rents | (8.433) | (8.517) | (8.687) | (8.861) | (9.038) |
| Tenant Service Charges | (5.376) | (5.481) | (5.588) | (5.693) | (5.800) |
| Leaseholder Service Charges | (21.555) | (22.025) | (22.505) | (22.996) | (23.497) |
| Heating and Hot Water (inc PDHU) | (6.936) | (7.074) | (7.216) | (7.360) | (7.507) |
| HRA Investment & Other Income | (3.237) | (3.601) | (3.952) | (4.309) | (4.439) |
| TOTAL INCOME | (145.104) | (150.536) | (155.494) | (160.097) | (166.827) |
| Staff | 25.401 | 25.717 | 25.840 | 26.467 | 27.109 |
| Repairs and Maintenance | 35.318 | 36.010 | 36.715 | 37.403 | 38.103 |
| Supervision & Management | 9.842 | 9.553 | 9.456 | 9.667 | 9.870 |
| Estate Services | 13.234 | 12.999 | 12.759 | 13.014 | 13.274 |
| Heating and Hot Water (inc PDHU) | 6.936 | 7.074 | 7.216 | 7.360 | 7.507 |
| Rent, Rates and Commercial Charges | 0.697 | 0.711 | 0.725 | 0.740 | 0.755 |
| Regeneration | 2.645 | 2.698 | 2.752 | 2.807 | 2.863 |
| TMO Allowances | 1.728 | 1.763 | 1.798 | 1.834 | 1.871 |
| Support Costs | 12.947 | 13.206 | 13.470 | 13.740 | 14.015 |
| Depreciation | 22.951 | 23.617 | 24.342 | 24.800 | 25.366 |
| Capital Financing Costs | 8.769 | 9.737 | 12.111 | 16.348 | 20.909 |
| TOTAL EXPENDITURE | 140.468 | 143.085 | 147.184 | 154.178 | 161.640 |
| HRA OPERATING (SURPLUS)/DEFICIT | (4.636) | (7.451) | (8.309) | (5.919) | (5.187) |
| Revenue Contributions to Fund Capital | 6.473 | 4.213 | 4.274 | 2.639 | 3.747 |
| Contribution/(Drawdown) | (1.838) | 3.237 | 4.035 | 3.280 | 1.440 |
| Interest Cover Ratio | 1.54 | 1.78 | 1.70 | 1.38 | 1.26 |

HRA Reserves Summary for next 5 years

The planned use of HRA reserves over the next 5 years is as follows:

| Commitment | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 |
|--|----------------|----------------|----------------|----------------|----------------|
| Planned Reserve (Drawdowns)/Top Ups | (1.838) | 3.237 | 4.035 | 3.280 | 1.440 |
| Total Balance of HRA Reserves | 20.183 | 23.420 | 27,455 | 30.735 | 32.175 |
| Percentage of Turnover | 14% | 16% | 18% | 19% | 19% |

HRA Business Plan – Key Risks

- **Interest Rates** – the HRA Business Plan continues to assume that new borrowing in the short term will be internal and remain at 2.6%. This is in line with the current forward borrowing facility and assumes that interest rates will have reduced by the time new external debt is required, with an average consolidated rate of interest of 4.0%.
- **Rents** – Following the recent Autumn Statement the rent assumption within the plan continues to be inline with CPI+1%. The government has issued a consultation on the future of the Rent Standard, which seeks to obtain views on fixing the CPI +1% policy for over 5 years.
- **Repairs** – The updated budget is inline with spend on responsive repairs over the last two year and we anticipate that demand will continue at the current level which is significantly more than budgeted for previously. The repairs contracts are due for renewal within the Medium Term and any increase in costs are currently assumed to be in line with inflation. This will continue to be reviewed over the coming year.
- **External Capital Funding** – the revised business plan is projecting an increased borrowing requirement, but this position is still reliant on assumptions about external funding being reliable (e.g. private sales for developments, grant availability for retrofit).

Revised HRA Planned Maintenance Programme

| Scheme Name | 2025/26 £000 | 2026/27 £000 | 2027/28 £000 | 2028/29 £000 | 2029/30 £000 | TOTAL £000 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| Health & Safety (incl. Fire Safety) | 6,657 | 1,745 | 1,385 | 1,059 | 988 | 11,833 |
| Electricals Services | 1,265 | 819 | 819 | 819 | 819 | 4,541 |
| Major Works | 38,000 | 45,000 | 35,000 | 30,000 | 30,000 | 178,000 |
| Adaptations | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 9,000 |
| Voids | 4,641 | 4,641 | 4,641 | 4,641 | 4,641 | 23,205 |
| Minor Works and Condensation | 1,589 | 1,463 | 1,268 | 1,268 | 1,268 | 6,854 |
| Asset Management | 305 | 305 | 305 | 305 | 305 | 1,525 |
| Lifts | 2,148 | 2,613 | 1,835 | 1,835 | 1,835 | 10,266 |
| Domestic Heating | 1,030 | 900 | 900 | 900 | 900 | 4,630 |
| PDHU | 1,305 | 23,897 | 23,405 | 23,000 | 23,000 | 94,606 |
| Climate Works | 10,000 | 10,000 | 10,000 | 15,000 | 15,000 | 60,000 |
| Mechanical Services | 4,346 | 1,200 | 1,200 | 1,200 | 1,200 | 9,146 |
| Heat Network Metering | 3,367 | 3,367 | 506 | 0 | 0 | 7,239 |
| Inflation Adjustment | 1,471 | 3,899 | 4,536 | 5,589 | 6,189 | 21,684 |
| New Build PM | 154 | 157 | 160 | 581 | 592 | 1,644 |
| Planned Maintenance TOTAL | 78,078 | 101,806 | 87,760 | 87,997 | 88,537 | 444,178 |

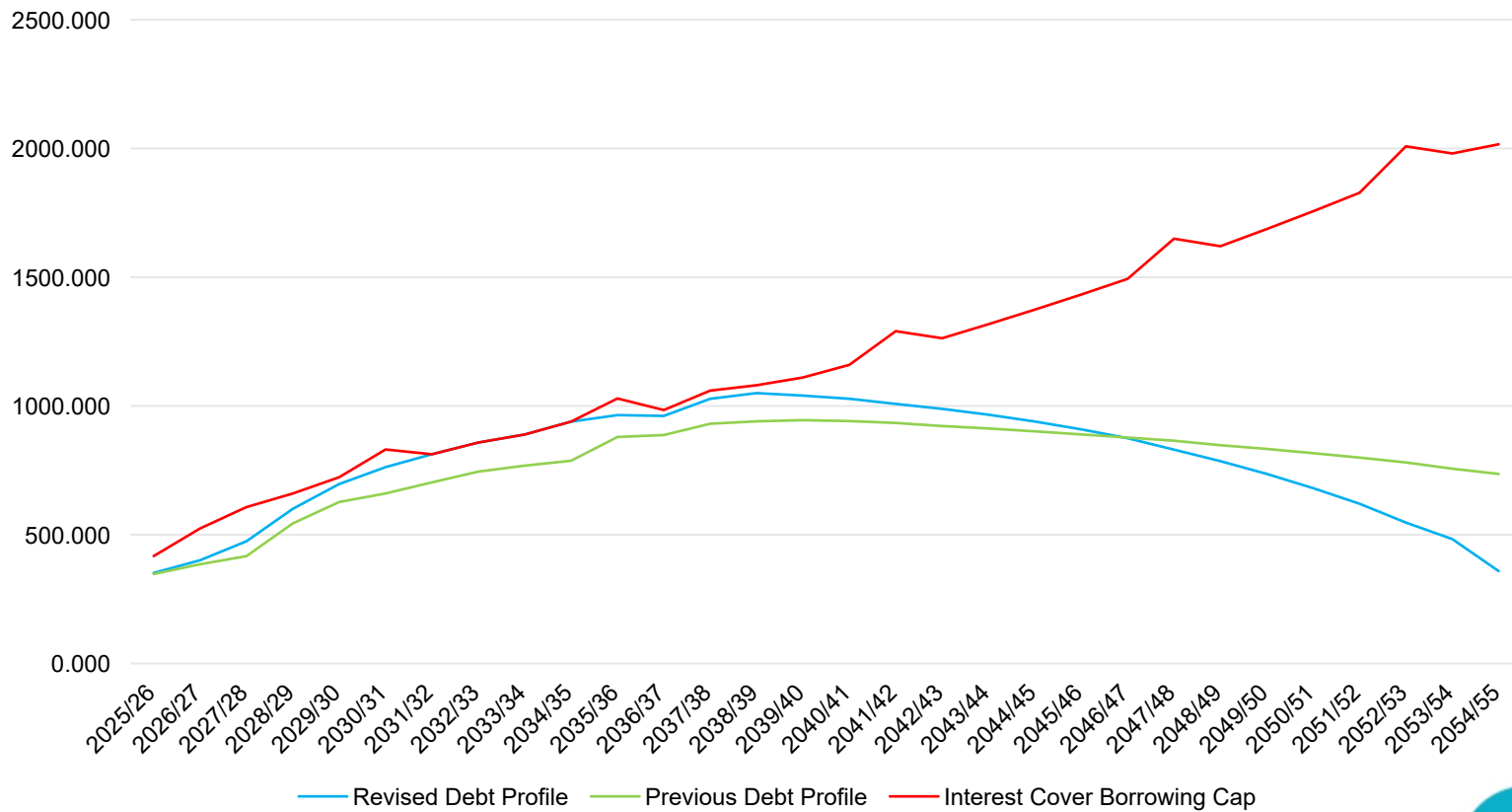
Revised HRA Development Programme

| Scheme Name | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | TOTAL |
|---|----------------|---------------|---------------|----------------|----------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cosway | 799 | 0 | 0 | 0 | 0 | 799 |
| Carlton Dene | 23,230 | 4,480 | 228 | 0 | 0 | 27,938 |
| Queens Park Court | 5,094 | 0 | 0 | 0 | 0 | 5,094 |
| Lisson Arches | 0 | 174 | 0 | 0 | 0 | 174 |
| Ebury - Phase 1 | 4,387 | 200 | 200 | 200 | 200 | 5,187 |
| Ebury - Phase 2 | 32,045 | 23,538 | 21,071 | 72,561 | 0 | 149,215 |
| Ebury - Phase 3 | 236 | 473 | 473 | 12,077 | 8,180 | 21,439 |
| Pimlico (Churchill Gdns) | 13,247 | 2,313 | 1,377 | 67 | 0 | 17,004 |
| Infills | 7,219 | 150 | 150 | 0 | 0 | 7,519 |
| Church St Acquisitions | 1,530 | 0 | 0 | 0 | 58,515 | 60,045 |
| Church St - Site A | 11,320 | 17,319 | 32,449 | 27,546 | 17,544 | 106,177 |
| Church St – Site B | 2,129 | 2,129 | 2,129 | 11,832 | 11,832 | 30,051 |
| Church St – Site C | - | - | - | - | 949 | 949 |
| HRA Non-Dwellings Expenditure | 1,000 | 1,000 | 500 | 500 | 500 | 3,500 |
| Westmead | 0 | 4,841 | 0 | 0 | 0 | 4,841 |
| Cundy St Quarter | 0 | 0 | 0 | 0 | 8,000 | 8,000 |
| WEG Block H | 3,696 | 0 | 0 | 0 | 0 | 3,696 |
| 291 Harrow Road | 0 | 0 | 0 | 5,677 | 0 | 5,677 |
| Contingency | 3,178 | 1,699 | 1,757 | 3,914 | 3,172 | 13,719 |
| Development & Regeneration TOTAL | 109,108 | 58,316 | 60,334 | 134,374 | 108,890 | 471,023 |

Revised HRA Capital Programme - Funding

| Scheme Name | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | TOTAL |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Planned Maintenance | 78,078 | 101,806 | 87,760 | 87,997 | 88,537 | 444,178 |
| Development | 109,108 | 58,316 | 60,334 | 134,374 | 108,890 | 471,022 |
| TOTAL SPEND | 187,188 | 160,122 | 148,094 | 222,371 | 197,429 | 915,204 |
| Government Grant | 11,894 | 5,623 | 0 | 11,832 | 14,719 | 44,068 |
| Affordable Housing Fund (AHF) | 35,938 | 23,247 | 12,621 | 5,000 | 21,103 | 97,909 |
| Capital Receipts | 44,034 | 18,164 | 1,710 | 1,740 | 1,773 | 67,421 |
| Community Infrastructure Levy (CIL) | 1,305 | 897 | 405 | 18,541 | 0 | 21,148 |
| Right-to-Buy Receipts | 7,713 | 398 | 469 | 541 | 3,614 | 12,735 |
| Climate Grants | 5,000 | 5,000 | 5,000 | 7,500 | 7,500 | 30,000 |
| L/H Contributions | 29,234 | 29,487 | 25,572 | 23,934 | 24,119 | 132,346 |
| Major Repairs Allowance (MRA) | 39,403 | 23,617 | 24,342 | 24,800 | 25,366 | 137,528 |
| Revenue Contribution to Capital | 6,505 | 4,474 | 4,312 | 2,434 | 2,977 | 20,702 |
| New Borrowing | 6,162 | 49,215 | 73,663 | 126,049 | 96,258 | 351,347 |
| TOTAL FUNDING | 187,188 | 160,122 | 148,094 | 222,371 | 197,429 | 915,204 |

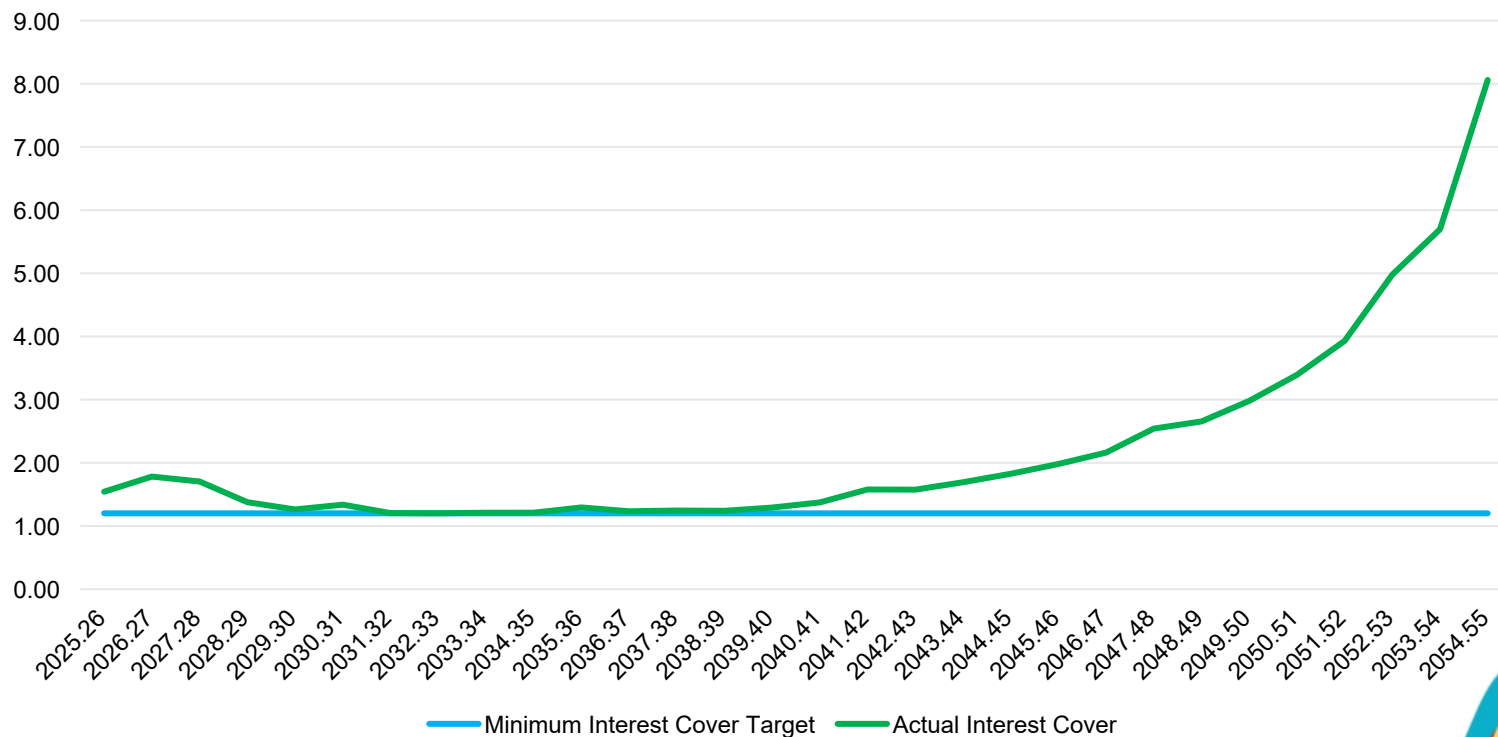
HRA Borrowing Requirement



The Business Plan currently assumes a programme of debt repayment from 2039/40.

HRA Interest Cover Ratio

Whilst the borrowing requirement in the revised plan is higher than the previous version, interest cover remains above the target 1.20, ensuring that the cost of borrowing is affordable over the business plan, as shown below:



Use of Right to Buy Receipts

| Scheme Name | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | Future Years |
|----------------------------------|----------|---------|---------|---------|---------|--------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Opening Balance | (13,654) | (5,941) | (5,543) | (5,074) | (4,533) | (919) |
| Additional Right to Buy Receipts | - | - | - | - | - | - |
| RTB Used to fund programme | 7,713 | 398 | 469 | 541 | 3,614 | - |
| Closing Balance | (5,941) | (5,543) | (5,074) | (4,533) | (919) | (919) |

The Autumn Statement announced that maximum discounts for Right to Buy purchases in Westminster will be reducing from £136,400 to £16,000, in line with pre 2012 levels. Whilst Government have published a consultation document regarding the future of Right to Buy, for Business Plan purposes, we have assumed that no additional Right to Buy receipts will be received after from 2025/26 year.

HRA Business Plan – Resilience Measures

| Risk Heading | Description |
|---|--|
| Interest Cover | An expectation is set that the HRA revenue budget maintains an Interest Cover Ratio (ICR) of 1.20. This creates a ceiling for the proportion of the operating surplus that can be used to support borrowing. It is primarily guards against interest rate volatility, but in any given year can be used as a flexible contingency to manage short-term pressures. |
| Reserve Policy | The HRA BP assumes that a minimum reserve level of £17m will be maintained over the next 5 years (to provide sufficient cover during this period of economic uncertainty). From Year 6 onwards, the minimum reserve expectation reduces slightly to become 10% of turnover. The HRA reserve can only provide one-off interventions but buys time for the BP to be restructured if necessary. |
| Capital Contingencies | From 2024/25 onwards the HRA has necessarily had to reduce the size of the contingencies it holds on the capital programme (as a consequence of needing to apply some of the existing contingency to offset inflationary pressures). The Development contingency has reduced from £28m to £25m but still represents 3.0% of planned spend (on top of the contingencies held at an individual project level). In addition, there is an inflation contingency for the Planned Maintenance programme which assumes that budgets for the next 5 years are sufficient to cover planned works. |
| Other Assumptions (e.g. rent policy) | Following the Government’s announcement to extend the rent setting policy of CPI+1% and the issuance of a consultation obtaining the views on the proposal to extend beyond 5 years, the business plan has adopted this assumption going forward. |