



City of Westminster

Meeting or Decision Maker:	Cabinet
Date:	17th February 2022
Classification:	General Release
Title:	2022/23 Housing Revenue Account 30-Year Business Plan and Housing Investment Plan
Wards Affected:	All
City for All:	This report addresses the income and expenditure on the Council's 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 the 30-year Business Plan for the Housing Revenue Account (HRA) covering the spending plans for both capital and revenue over that period. The 5-year outlook for the HRA revenue budget projects gross income of £614.91m and gross expenditure of £595.01m (with a further £19.90m contribution to fund capital). The business plan includes total capital investment of £858.11m over the next 5 years and a total of £2.215bn over the full 30 years. The overall plan set is both viable and sustainable based on current assumptions.
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 updated 30-year Housing Revenue Account (HRA) Business Plan. It provides an overview of the financial planning that supports the management and operation of the portfolio of 20,814 homes and other commercial assets owned by the Council's HRA. This covers both revenue and capital spending plans and therefore incorporates the extensive Housing Investment Plan which is worth more than £2bn over the next 30 years.
- 1.2 This ambitious level of investment is designed to deliver a range of lasting benefits for the City, its residents and wider community members. Housing investment makes a particularly significant contribution to the realisation of the City for All vision for Westminster. For example, the business plan supports the delivery of up to 1,100 affordable homes as well as the regeneration of Church Street and Ebury Bridge to ensure that Westminster continues to create vibrant and inclusive communities. It also includes £229m of investment to improve the energy efficiency of the Council's housing stock and the Pimlico District Heating Unit (PDHU) in support of the Council's ambition to achieve net zero carbon emissions by 2030. These commitments demonstrate that the HRA is underpinned by the Council's key strategic priorities. The purpose of the business plan is to ensure that these important strategic outputs are delivered in a financially sustainable manner.
- 1.3 The HRA Business Plan provides strategic financial planning over a period of 30 years and the report shows that the HRA continues to be financially viable over the long-term. The most important element of this assessment of viability concerns the ability of the HRA to fund the proposed capital programme, particularly in relation to the additional borrowing required. The 2022/23 business plan sets out a requirement to borrow £428m, an increase of £145m on the previous iteration of the business plan. This is considered achievable and therefore provides assurance that the HRA can support the level of ambition included in the Housing Investment Plan. The plan ensures that this borrowing is sustainable by applying prudent financial principles to manage potential risks.
- 1.4 Finally, the report seeks specific approval for the proposed HRA budgets for the next financial year (2022/23). The HRA is expected to generate approximately £114.98m across a range of income streams in 2022/23. The majority of this comes from dwelling rents (£79.40m) which covers the social rents charged to tenants. The 2022/23 expenditure budget is £112.78m, which leaves an operating surplus of £2.20m. The majority of this (£1.93m) is earmarked as a revenue contribution to fund capital to manage debt levels. The remaining £275k has been combined with £300k from the existing HRA reserve balance to create a £575k Hardship Fund for 2022/23. This is designed to provide financial support to tenants hit by the squeeze on living costs projected over the next 12 months due to high inflation (particularly in relation to household energy bills).
- 1.5 In 2022/23 there is planned HRA capital expenditure of £197.51m, with a total of £2.215bn budgeted over the life of the 30-year business plan. This represents an

increase of £123m versus the previous iteration of the HRA business plan (approved in February 2021). The HRA capital programme is funded through a range of funding sources, with £1.111bn (roughly half) coming from sources outside of the HRA and the remainder being sourced within the HRA itself through a combination of revenue contributions to capital and HRA borrowing.

2. Recommendations

- 2.1 Approve the HRA revenue budget for 2022/23.
- 2.2 Approve the HRA 5-year revenue budgets for 2022-23 to 2026-27 and HRA 30-year revenue budgets for 2022-23 to 2051-52.
- 2.3 Approve the HRA 5-year Capital Programme totalling £858.11m.
- 2.4 Approve the 30-year Capital Programme for 2022-23 to 2051-52 totalling £2.215bn.
- 2.5 Approve the creation of a £575k Hardship Fund in 2022/23 that is earmarked to support tenants experiencing financial difficulty due to increases in household bills.
- 2.6 Note a rent increase of 4.1% from April 2022 as applicable under the Welfare Reform and Work Act 2016.
- 2.7 Note the HRA reserves and balances for the 5-year Business Plan.

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, using valid assumptions, that avoids a deficit.
- 3.2 Furthermore, there is a statutory requirement for the Council to prepare a 30-Year Business Plan for the HRA on an annual basis. The purpose of this exercise is to keep the long-term financial viability of the HRA under regular review.
- 3.3 Finally, this report outlines how the Housing Investment Plan supports the delivery of the Council's City for All vision, including its commitment to deliver new affordable homes whilst ensuring the maintenance of the existing housing portfolio.

4. Key Implications

- 4.1 The report seeks approval for the 2022/23 HRA revenue budget. The proposed budget represents a balanced position and will maintain a HRA reserve balance of £17.0m. The budget is dependent on a rent uplift of 4.1% being applied in 2022/23

in line with the provisions of The Rents for Social Housing policy, which sets a maximum increase of CPI + 1% (based on September CPI). This proposal is subject to approval via a separate Cabinet Member Report.

- 4.2 It also seeks approval for the 5-Year HRA Capital Programme which includes total expenditure of £858.11m. This includes £315.14m of investment in existing stock (supporting key priorities around fire safety and climate change) and £516.97m of development investment to deliver up to 800 affordable homes (over this timeframe). This is supported by a range of funding sources but ultimately requires the HRA to borrow £152.04m, which will result in £14.17m of additional interest costs to be covered by the revenue budget over the next 5 years.
- 4.3 The report outlines the financial plan for the HRA based on assumed rent changes, service budget requirements and other variables as set out in the report. It also highlights the decisions made in relation to HRA reserve levels and other contingencies designed to improve the resilience of the HRA. Acceptance of the proposed financial strategy and approach to risk management that is adopted by the business plan will help the Council to deliver its strategic housing objectives in a manner that is sustainable and keeps the HRA on a secure financial footing.

5. City for All

5.1 The funding earmarked in the HRA Business Plan will make a significant contribution to the delivery of the Council's City for All vision. A summary of the key outputs and their alignment to the City for All strategic themes is shown below:

5.2 Cleaner and Greener

- A £229m programme to reduce the carbon footprint of both Council-owned stock and the PDHU to help the Council achieve its zero emissions ambition
- Improving the energy efficiency of HRA stock to help tenants and leaseholders to reduce energy bills and reduce the debilitating impact of fuel poverty

5.3 Vibrant Communities

- Delivery of up to 1,100 high-quality, new affordable homes to create an inclusive and vibrant place for residents of every income level and age
- Regeneration of the Church Street and Ebury Bridge estates to deliver high quality open spaces and community amenities
- Working with partners to tackle anti-social behaviour and its causes

5.4 Smart City

- Digital investment to enhance the experience of tenants when they engage with the Housing service

- Embracing smart technology to undertake building surveys and improve the efficiency of property management

5.5 Thriving Economy

- Cultivating vibrant communities by improving social infrastructure and delivering new local retail, leisure and enterprise space
- Maximising local opportunities through considerable supply chain and social value commitments and the circular economy that flows from such a comprehensive investment programme

6. **Background**

- 6.1 The HRA covers all income and expenditure relating to the portfolio of housing stock owned by the Council. It is required by the Local Government and Housing Act 1989 to be ring-fenced from the Council's General Fund. The legislation specifies that only expenditure relating to the Council's landlord role can be charged to the HRA and, by extension, funded by the rents charged to tenants. The Council has a legal duty to ensure that the account remains solvent and to prepare a long-term business plan annually that keeps this under regular review.
- 6.2 Preparing the HRA 30-year Business Plan involves an assessment of the long-term financial implications of key strategic objectives (noted above) alongside on-going landlord operations. The impact of capital investment plans, available capital funding, service resource requirements, legislative changes and other global financial assumptions are modelled to create a detailed financial picture. The output from this activity is summarised in **Sections 8-10** of this report (with detailed schedules included in Appendices 2-4).
- 6.3 The over-arching assumptions that support the business plan are included at Appendix 1. Any adverse movement on these assumptions has the potential to put financial pressure on the HRA and reduce its ability to support capital investment. A key aspect of the business planning process therefore involves making strategic decisions about appropriate levels of cover to ensure that the HRA remains resilient in the face of an ever-changing economic outlook and, more importantly, won't need to compromise on any of its strategic priorities to remain viable. This approach is outlined in **Section 12**.
- 6.4 A key component of the business plan is the Council's Housing Investment Plan, which centres on three key deliverables:
- Investment to maintain and improve existing council-owned homes;
 - Delivery of new affordable homes; and
 - Implementation of a comprehensive housing regeneration programme.

Each year, the Council reviews, updates and approves a set of re-profiled capital expenditure proposals for all of the schemes that make up the Housing Investment Plan. These are built into the HRA Business Plan to refresh the assessment of how the Council will be able to finance the capital programme, including the use of surplus capital receipts, the Affordable Housing Fund, grants and HRA borrowing.

7. Government policy, legislative changes and wider national context

7.1 Social Housing White Paper

7.1.1 The Social Housing White Paper provides the proposed framework which ultimately informs the future development of the HRA business plan. Published in November 2020, it 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
- To have a good quality home and neighbourhood to live in
- To be supported to take your first step to ownership

7.1.2 While the full detail and timetable for implementation is yet to be published, some of the important areas of focus that are likely to be a key consideration for the HRA going forwards are as follows:

- 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 consideration of ways the Regulator can compare organisations
- A new regime of inspections
- A review of 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

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

7.2 Building & Fire Safety

7.2.1 Building and Fire Safety remains a key area of focus within the housing sector following the outcomes from the Grenfell Inquiry and the Hackitt Report (the details

of which are included below). New legislation will have a significant impact on the responsibilities of the Council as a landlord in the future. The Planned Maintenance programme (see **Section 9**) includes budget provision for improvement works based on the current assessment of what actions will be required to comply.

7.2.2 The key considerations for the Council in this area are as follows:

- **The Grenfell Report (Part 1)** – the review of the Grenfell tragedy resulted in a number of specific recommendations that would have a significant and positive impact on fire safety management within the social housing sector. These have been fully adopted by Westminster within its Fire Safety programme planning.
- **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. Furthermore, residents are not confident that their buildings are safe and have been unable to get their concerns taken seriously.
- **Fire Safety Act and Building Safety Bill** – the findings from the Hackitt Report have been incorporated into two new bills passing through Parliament. 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. Concerns about leaseholder charges for retrospective repairs are being discussed by Ministers.

7.3 **Policy on Social Rents**

7.3.1 The Government published its Policy on Social Rents in February 2019¹ following a consultation. It stipulated that local authority social rents would come under rent regulation and be subject to the Rent Standard from April 2020. The Standard includes an annual rent increase cap of CPI plus 1% lasting for five years to 2024/25. The Policy also confirms when Affordable Rent can be charged, such as 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 a local policy in this area.

7.3.2 The Council aims to meet the minimum requirements of the Social Rents Policy. It ensures that its social rents meet the criteria of not exceeding the formula rent and rent cap position and the HRA Business Plan includes rent increases for tenants that comply with national rent policy of CPI plus 1%. An analysis of Westminster rents shows that, after the proposed uplift for 2022/23, the average social rent in

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

Westminster is currently £170 per annum lower than the maximum allowable formula rent.

7.4 **Inflation**

7.4.1 As of December 2021, the UK Consumer Price Index (CPI) measure of inflation was running at 5.4%. This is the highest inflation rate for more than 10 years, going back to September 2011 which is the last time it was running higher than 5%. The level of inflation has also increased more than 2% in the two months since September 2021 when it was recorded at 3.1%. This is important given that September CPI is the rate that must be applied to the calculation of the maximum rent increase allowable on the HRA (which is CPI + 1% as noted above).

7.4.2 This macro-economic context creates significant financial challenges for the HRA. Staff costs only account for approximately 18% of total HRA revenue expenditure, which makes services particularly sensitive to the impact of inflation. Repairs & maintenance spend is already experiencing uplifts in pricing on both revenue and capital (driven by a shortage of labour and materials in the supply chain), as is construction pricing on the Development capital programme. Inflation allowances of more than £2m have been built into the 2022/23 HRA revenue budget, but if inflation remains high it represents a significant risk to the business plan.

7.4.3 The other impact of inflation is the squeeze that it puts on living costs for HRA tenants and leaseholders. Data shows that the overall contribution of costs under the heading of 'Housing and Household Services' to the rate of inflation is at its highest since early 2009. The biggest factor is the cost of utilities, particularly electricity and gas. This represents a further risk to the HRA in terms of the ability of its tenants and leaseholders to cover the cost of rent and service charges (making income recovery a significant general risk for the HRA). In response to this, the Council is proposing to set up a £575k Hardship Fund (see recommendation in 2.5 above) that will target support to households that need financial assistance to manage sharp increases in household bills (particularly in relation to energy costs).

8. **HRA Revenue**

8.1 The reorganisation of the Housing Services department is complete, and the service is now in the process of recruiting more housing officers and surveyors. This has been made possible by redistributing resources from senior management posts to the front line. The new structure will increase interactions with residents, make the repairs service more efficient, and generally improve the overall relationship with tenants and leaseholders. A new formal engagement and consultation structure with residents has been launched and the service is piloting new ways to manage complaints and deal with anti-social behaviour.

- 8.2 Expanding the front-line estate officer team will significantly reduce the number of homes each officer manages and will increase the daily interactions with tenants and leaseholders. Estate Action Plans are being completed for all homes which will be managed by the housing officers and will provide a record of improvements needed.
- 8.3 There have also been improvements to the repairs service and the next year will see further steps to improve the responsiveness of the service to make sure that repairs are done right first time. The additional surveyors will allow more pre- and post-inspection of jobs and will hold contractors to account to make sure they are doing jobs on time, to a good quality and are delivering value for money. More communal works will be delivered by the in-house team to make sure the service is responding to local residents and driving down costs wherever possible.
- 8.4 The Council continues to invest in technology under the Smart City theme of City for All to improve and support service delivery. A new Customer Relationship Management (CRM) system has gone live in the contact centre which allows, for the first time, a full view of customer interactions. This not only improves customer experiences but allows customer advisers to develop knowledge and skills to further improve service delivery. Technology will play an increasingly significant role in how we manage our homes, including smart technologies to monitor damp and using drones to survey roofs and gutters, as two examples. This will not only support residents but will also deliver a more efficient property management service.
- 8.5 The HRA Business Plan considers both the operation of the Housing Management service and the delivery of the capital programme. The delivery of the capital programme has direct revenue implications due to the impact of financing costs incurred to support the extra borrowing required. In addition, the Regeneration programme increases the level of housing stock and therefore drives growth in both income (increased rents) and expenditure (additional housing management responsibilities) within the HRA revenue budget.
- 8.6 The five-year revenue outlook for the HRA includes an expectation that rents will increase by CPI plus 1% to 2024/25 (Year 3) and by CPI only for the remaining two years. Based on the same number of dwelling units as 2021/22, this will generate approximately £3.2m in additional rental income in 2022/23 (with the rest of the increase generated by new units).
- 8.7 This is an important factor in making the HRA Business Plan viable again. The HRA absorbed a 1% reduction in rents for four years between 2016/17 and 2019/20 which severely hindered its ability to keep up with cost inflation on revenue budgets and generate sufficient capacity for capital investment. Therefore, the 2021 iteration of the HRA Business Plan required drawdowns from reserves in certain years in order to balance. The rent increases over the first five years of the revised business plan have set the HRA on a more secure financial footing, improving viability and

equipping it to manage the corresponding impact of volatile inflation across its cost base over the same period. The key assumptions and data used to set the 2022/23 budget and long-term business plan are set out at Appendix 1. Table 2 below shows the 5-year revenue outlook for the HRA.

- 8.8 The five-year HRA revenue outlook also includes an expectation that the HRA will see a net increase in stock numbers of c.400 homes (taking into account units that are due to be demolished within live regeneration schemes). This boosts income from rents but also generates increased management costs. The impact of this will need to be monitored closely as each new development moves into operation to ensure that new units meet the operational assumptions included in the business case for each scheme and can be managed within the overall envelope of the HRA in accordance with the assumptions in the business plan.
- 8.9 This relationship with the capital programme creates corresponding financial risks for the HRA revenue budget. For example, cost growth on capital schemes (which is a very real risk given the level of inflation being seen in the construction sector) could drive the need for additional borrowing which increases interest costs within the revenue budget. In addition, delays to the completion of residential schemes would mean that the HRA wouldn't generate additional rental income in line with the expectations of the business plan.
- 8.10 To help mitigate these challenges, a flexible revenue contribution to capital has been built into the revenue budget (which is shown in Table 2). Its primary purpose is to reduce HRA debt levels over the life of the business plan, but there is flexibility for it to be used as a revenue contingency if the revenue budget comes under pressure or additional borrowing is needed. It essentially creates a level of interest cover within the revenue budget (at a ratio of no less than 1.20 in any given year) which is an important metric for ensuring that HRA borrowing plans are sustainable and the HRA is resilient to unforeseen risks.

Table 2 – 5 Year HRA Business Plan

Year	1 2022.23	2 2023.24	3 2024.25	4 2025.26	5 2026.27
	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(79.401)	(83.187)	(87.209)	(87.708)	(89.944)
Commercial Rent	(7.700)	(8.164)	(8.251)	(8.416)	(8.584)
Garages, Sheds & Car Parks Income	(0.908)	(0.930)	(0.949)	(0.968)	(0.987)
Service Charges	(18.245)	(18.796)	(19.548)	(19.524)	(19.896)
Heating and Water (Including PDHU)	(6.557)	(6.720)	(6.855)	(6.992)	(7.132)
HRA Investment & Other Income	(2.171)	(2.225)	(2.270)	(2.315)	(2.362)
TOTAL INCOME	(114.981)	(120.023)	(125.082)	(125.923)	(128.905)
Staff	20.952	21.476	21.905	22.343	22.790
Repairs & Maintenance	21.221	21.885	22.415	22.739	23.337

Supervision & Management	7.685	7.878	8.035	8.196	8.360
Estate Services	9.297	9.529	10.199	10.403	10.831
Heating and Water (Including PDHU)	6.557	6.720	6.855	6.992	7.132
Rent, Rates and Commercial Charges	0.598	0.613	0.625	0.638	0.651
TMO Allowances	1.552	1.591	1.622	1.655	1.688
Support Costs	11.121	11.399	11.627	11.859	12.096
Movement on Bad Debt Provision	0.500	0.513	0.523	0.533	0.544
Depreciation	22.254	22.837	23.085	23.328	23.627
Capital financing costs	10.694	11.985	11.785	12.657	13.248
Regeneration Feasibility	0.350	0.359	0.366	0.373	0.381
TOTAL EXPENDITURE	112.781	116.783	119.043	121.716	124.685
HRA Net (Surplus)/Deficit position	(2.200)	(3.240)	(6.039)	(4.207)	(4.220)
Contribution to RCCO	1.926	3.240	6.039	4.207	4.220
Contribution to Hardship Fund	0.274	0.000	0.000	0.000	0.000
HRA Budget	0.000	0.000	0.000	0.000	0.000
Interest Cover Ratio	1.21	1.27	1.51	1.33	1.32

- 8.11 The table demonstrates that the HRA revenue budget will be balanced over the medium-term. This represents an improvement on the previous iteration of the business plan in which drawdowns from the HRA reserve were required in two of the first five years to cover projected revenue deficits.
- 8.12 Whilst increased income is a big factor in this improved outlook, the Housing Service has also delivered £2.35m of savings within the revenue budget. This ensures that efficient use of resources contributes equally in supporting the HRA to manage revenue cost pressures driven by high inflation, increased capital financing costs and shortfalls in commercial income.
- 8.13 Furthermore, the balance on the HRA reserve (which is covered in more detail in **Section 11** of this report) will intentionally be held at £17m for the duration of the first 5 years of the plan. This represents 19-21% of dwelling rent turnover. This will increase the financial strength of the HRA in the face of a relatively volatile macro-economic environment, with high levels of cost inflation, labour and materials shortages, and interest rate increases all expected to have a detrimental impact on HRA finances.
- 8.14 The long-term objective for the HRA reserve is for it to be maintained at a minimum of 10% of turnover from Year 6 onwards. This means it would never drop below £11m over the life of the business plan. However, this would involve potentially releasing funds from the reserve in 2027/28 to fund capital. This would help to reduce HRA debt (and therefore create a funding efficiency) but may not be the preferred approach and is something that can be reviewed annually, in accordance with an assessment of HRA risks, each time the HRA business plan is refreshed.

- 8.15 For 2022/23, the Council is proposing to set up a Hardship Fund. The purpose of this will be to provide targeted support to tenants suffering from the effect of large increases to household bills because of high levels of inflation, particularly in relation to energy bills. The fund will initially be held at £575k (which requires a £274k contribution from the HRA revenue budget). The size of the fund has been modelled based on an estimate of average household inflation along with an assessment of the numbers of households that are likely to hit financial difficulty due to cost increases.

9. HRA Capital and Stock Investment Plan

- 9.1 The HRA capital programme will see £858.11m of capital expenditure committed over the next five years (2022/23 – 2026/27) on the development of new build affordable housing, estate regeneration, investment in existing housing stock and acquisition of affordable homes across Westminster. The HRA will finance this programme using a variety of funding sources and will always ensure that the most appropriate financing option is used to support scheme viability and generate value for money for the revenue budget (which means reducing borrowing wherever possible). The following sections set out the major categories of spend within the capital programme and details some of the projects and schemes within these categories. A full schedule of the whole capital programme can be found at Appendix 4. **Section 10** sets out in more detail the financing of the capital programme.

9.2 Planned Maintenance Programme (£1.208bn)

The 2022/23 HRA Business Plan includes capital investment in existing stock totalling £57.826m. The business plan projects a total of £1.208bn to be invested in maintaining and improving existing HRA stock over the next 30 years.

This programme, and the associated budgetary requirement, is built using substantial supporting data taken from 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., building and fire safety), and complaints. This information is fed into the asset management database to assess priorities and determine the annual capital programme requirement.

It should be noted that elements of the 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 contributions they are required to make towards qualifying works.

Table 3 – HRA Planned Maintenance

	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28- Total Scheme	
	£'000	£'000	£'000	£'000	£'000	2051.52	Costs
	£'000	£'000	£'000	£'000	£'000	£'000	
Planned Maintenance							
Voids, Aids and Adaptions	5,700	5,700	5,700	5,700	5,700	129,700	158,200
Electrical and Mechanical Services	2,836	2,757	2,728	2,773	2,627	58,380	72,101
Major Works	30,304	41,384	34,527	34,906	33,296	400,622	575,039
Fire Precautions	9,932	3,448	2,424	2,132	1,360	26,820	46,116
Asset Management, Condensation and Minor Works	2,811	2,705	2,595	2,595	2,400	36,000	49,106
Domestic Heating, Hot Water and Lifts	3,743	3,643	3,643	3,643	3,513	59,815	78,000
PDHU and Climate Action Works	2,500	9,441	13,166	11,605	11,205	181,405	229,322
Planned Maintenance Total	57,826	69,078	64,783	63,354	60,101	892,742	1,207,884

9.2.1 Voids and Aids & Adaptations

In 2021/22 the average cost of refurbishing a void property increased. In addition, the service intends to use a property becoming void as an opportunity to undertake energy efficient works as part of its climate change agenda. As a consequence of both factors, the annual budget has been increased by £800k for the first 14 years of the business plan. This remains a demand led budget, but approximately £4.3m is projected to be spent on voids each year with the remaining £1.4m earmarked for adapting properties to meet the needs of residents (mainly those that are elderly or infirm). Common adaptation works include installation of grab rails, converting bathrooms into wet rooms, baths into showers and vice versa, installing stair lifts, etc.

9.2.2 Electrical & Mechanical Services

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

9.2.3 Major Works

The major works programme is derived from the asset management database which records the useful economic life of each building component across the HRA stock portfolio, including roofs, windows, communal decorations, etc. This is further informed by a rolling 3-year survey of HRA stock and information obtained from the volume and types of repairs being requested. The consolidated output from these collective data points helps the service to identify and prioritise work which the major works programme needs to address.

9.2.4 Fire Precautions

Fire Risk Assessments (FRA) are regularly completed for all buildings that are more than 6 storeys. The frequency is determined by the level of risk associated with each building, which considers the height of the building, the 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, which includes things such as the renewal of fire doors, installation of sprinkler systems, etc. Ultimately, this budget will help to ensure that the Council is able to address the requirements of the Fire Safety Act which incorporates some of the recommendations from the Grenfell enquiry.

9.2.5 Asset Management, Condensation and Minor Works

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

9.2.6 Domestic Heating, Hot Water, and Lifts

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

9.2.7 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 its housing assets and communal heating systems over and above what is built into existing maintenance programmes. Initial work has commenced on modelling the various scenarios for HRA stock (which includes the impact of building fabric measures such as insulation). In addition, a number of feasibilities will be commissioned on the relatively new low-carbon heating alternatives that could replace the existing gas heating infrastructure. The service aims to proactively review all options for HRA stock, working closely with partners to embrace cutting-edge technology.

The budget for Climate Works has increased by £33m to £218m. It is also now assumed that only 50% will be funded from external grants. This drives an increase in the HRA borrowing requirement but represents a more realistic assumption.

In addition, it intends to maximise carbon reduction where possible with the Pimlico District Heating Undertaking (PDHU), which is the council's largest emitter of carbon. However, it should be noted that the current capital programme only allows for £11m of investment in the PDHU based on known routine works. Any wider investment ambition for the PDHU is not currently factored into the plan, but this remains a definite objective.

9.3 **Regeneration Programme (£856.14m)**

Table 4 – Regeneration Programme

Year	1	2	3	4	5	06-30	
	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28-	TOTAL
	£'000	£'000	£'000	£'000	£'000	2051.52	
						£'000	
Regeneration							
Carlton Dene	893	21,166	18,487	-	-	-	40,546
Church Street Site A	1,269	1,452	8,257	203	203	51,290	62,674
Church Street Acquisitions	2,000	8,400	14,432	-	-	83,444	108,276
Church Street Site B	-	-	-	-	1,208	100,743	101,951
Church Street Site C	-	-	-	-	-	42,758	42,758
Lisson Arches	11,521	994	-	-	-	-	12,515
Luton Street	8,400	-	-	-	-	-	8,400
Parsons North	614	494	13	-	-	-	1,121
Cosway Street	13,840	683	-	-	-	-	14,523
Ashbridge	1,920	180	-	-	-	-	2,100
Cundy Street	1,000	-	-	7,000	-	-	8,000
Ashmill Street	272	16	-	-	-	-	288
Ebury Bridge Phase 1	40,228	40,791	30,036	5,980	-	-	117,035
Ebury Bridge Acquisitions	10,418	13,754	8,592	-	-	-	32,764
Ebury Bridge Phase 2	4,692	8,066	4,285	12,759	304	17,553	47,659
Tollgate Gardens	545	-	-	-	-	-	545
Westmead HRA buybacks	-	1,505	-	-	-	-	1,505
Queens Park Court	3,580	6,160	-	-	-	-	9,740
Churchill Gardens	3,597	9,282	6,595	2,590	-	-	22,064
Bayswater	-	824	1,468	5,574	9,554	5,917	23,337
Bayswater Acquisitions	-	1,200	1,200	-	-	-	2,400
West End Gate	1,303	-	-	-	-	-	1,303
300 Harrow Road	4,124	3,978	-	-	-	-	8,102
Contingency	12,153	14,078	13,149	5,698	1,920	30,834	77,831
Paddington Green	1,537	3,690	3,997	1,846	-	-	11,070
Woodchester	100	700	6,133	6,134	6,134	-	19,201
Lisson Grove Programme	-	-	-	-	-	6,635	6,635
Brunel Estate	295	2,115	15,969	13,816	1,643	-	33,838
Small Sites/Infills	9,381	15,328	12,022	1,081	150	-	37,962
Regeneration Total	133,682	154,856	144,635	62,681	21,116	339,174	856,143

9.3.1 The HRA Business Plan has been developed at a time of growing construction costs and expectations of an increasingly challenging residential market in central London. While the Council cannot control or influence these challenges, the plan is structured to minimise their impact on the Council's development and regeneration programme and safeguard the planned delivery of affordable homes.

9.3.2 The programme remains under constant review, and each scheme is subject to a detailed viability assessment to ensure the Council is delivering value for money at all times. Each scheme has its own individual business case which is subject to a separate Cabinet Member decision. The business cases for each scheme contain stress tests to indicate the financial and delivery risks.

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

9.3.4 **Carlton Dene**

This scheme involves the redevelopment of an existing 42 bed care home in Maida Vale into a modern extra care housing development which will deliver 65 self-

contained extra care flats for older people. Extra care homes are designed to meet the needs of people of retirement age, making sure people are safe and supported whilst also maintaining independence.

In addition, the scheme also incorporates the redevelopment of Peebles House into 22 affordable apartments. This includes a range of unit sizes, including one-, two- and three-bedroom homes.

An early works package is being explored by the delivery team to progress the demolition of the existing buildings and secure the site until construction of the new homes begins. The Specialist Housing Strategy for Older People (SHSOP) steering group has considered delivery strategy and recommended procurement of an external partner. A detailed programme is being worked up in preparation for the formal governance/decision making process.



9.3.5 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. The masterplan seeks to deliver real change for the community by creating great places, opportunities for a healthy and prosperous lifestyle, new homes and more jobs.

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 1,200 homes across the scheme. The redevelopment will also provide significant improvements to the Church Street Market and public realm.

The Planning application for Church Street Sites A, B and C was submitted on 22nd November and validated by the Local Planning Authority in early December. The statutory planning consultation was live for 42 days and concluded on the 19th of January.

The CPO in Principle Cabinet Report was issued to Cabinet in December for a decision to proceed with a CPO. The Procurement Strategy is being finalised and will go to Cabinet in due course to recommend the procurement of a partner to assist in delivery.



9.3.6 Lisson Arches

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



9.3.7 Ebury Bridge

Ebury Bridge is a wholesale estate regeneration scheme with full demolition and re-provision. The scheme will deliver 781 new mixed tenure homes, with high quality public realm along with community and social infrastructure. Outline planning consent for the entire scheme and detailed planning consent for Phase 1 was achieved in 2021 and the main works contractor, Bougues UK (BYUK), commenced delivery of Phase 1 in November 2021 and are due to complete in May 2024.

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.

Phase 2 of the programme will also be a WCC led delivery model and, subject to approval later this year, will be delivered in stages.



9.3.8 Churchill Gardens

This scheme involves the redevelopment of Darwin House on the Churchill Gardens estate to provide 34 modern community supported homes (including a warden's flat) and 18 homes for intermediate rent. The community homes will be designed according to high sustainability and HAPPI (Housing our Ageing Population Panel for Innovation) principles to ensure that they meet the needs of residents.

Stage 4 design is already complete, and all pre-commencement planning conditions have been submitted for discharge. The client team are finalising the Enabling Works Contract with Wates with a view to contract being in place by the end of February 2022 so that site set-up can commence.



9.3.9 Infill Programme

The Infill Programme identifies development opportunities within the existing estate that can be brought forward for, predominantly, new affordable 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. Most schemes within this programme have achieved planning and are either in the pre-construction services agreement phase or are in construction. This programme is set to deliver just over 100 affordable units.



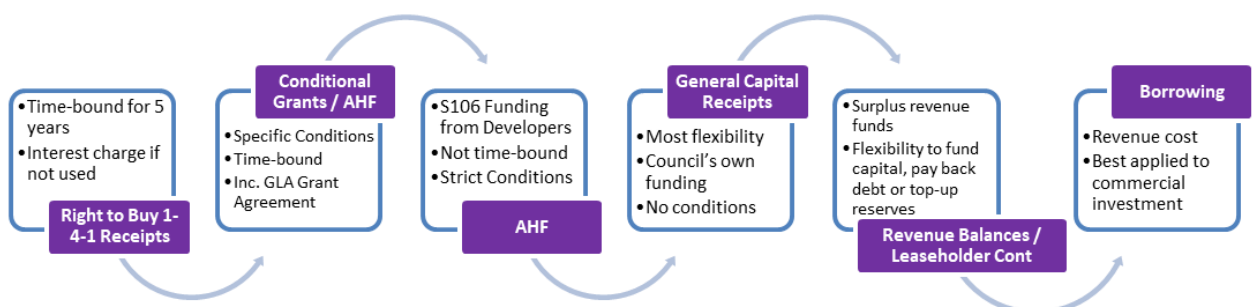
9.4 Self-Financing (£0.151bn)

Year	1	2	3	4	5	06-30	Total Scheme
	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28-	Costs
	£'000	£'000	£'000	£'000	£'000	2051.52	
	£'000	£'000	£'000	£'000	£'000	£'000	
Other Schemes	6,000	5,000	5,000	5,000	5,000	125,000	151,000
Self Financing	6,000	5,000	5,000	5,000	5,000	125,000	151,000
Other Schemes Total	6,000	5,000	5,000	5,000	5,000	125,000	151,000

The Self-Financing scheme involves the disposal of HRA stock which does not meet the on-going needs of the council when assessed against the agreed disposal criteria (which consider the quality, financial and business needs of the HRA). The proceeds from these disposals are then utilised for the acquisition of replacement affordable homes that better meet the needs of residents.

10. Capital Programme Funding

- 10.1 The HRA business plan utilises multiple financing sources in order to deliver the capital programme and aims to adopt the optimal funding approach in any given year. This ensures that both individual schemes are viable and value for money is achieved for the HRA as a whole.
- 10.2 The HRA business plan requires a robust strategic approach to capital financing that considers a range of prudential factors. The key consideration, ultimately, is the ability of the HRA revenue budget to cover the cost of servicing additional borrowing (i.e., interest costs). Capital financing costs constitute approximately 13.5% of revenue generated from rents and therefore represent a significant element of the revenue budget. Whilst there is no requirement for the HRA to set a Minimum Revenue Provision (MRP), as is the case for the General Fund, it is important that the HRA provides an appropriate level of interest cover to ensure that the level of borrowing it commits to is sustainable. The revised business plan aims to ensure that the interest cover ratio never drops below 1.20, which effectively means that the revenue budget is always able to absorb the impact of a 20% swing in borrowing costs (which might be caused by cost increases on the capital programme or increases in interest rates over the 30 years of the plan).
- 10.3 Whilst the HRA seeks to maximise the flexibility it has available to it in terms of making decisions on how best to apply available capital funding in any given year, the HRA business plan adopts a set of general principles on the most efficient approach to funding the capital programme. This involves utilising funding that has time and usage conditions first, with a set of prioritisation criteria then applied to other types of funding. Ultimately, borrowing is always the last option to finance investment given the financial implications this has (as noted above). The chart below demonstrates the methodology applied in the business plan.



10.4 The various HRA financing options detailed in this chart are explained in further detail below.

10.5 Right to Buy Receipts

Secure tenants within the HRA have the “Right to Buy” their home. The purchase price is discounted but generates a capital receipt for the HRA. This receipt must

be used to fund the delivery of a replacement affordable home under the terms of the “one-for-one” agreement held with MHCLG. The rules previously required receipts to be applied within three years (with unspent receipts returned to the Treasury) but this timeframe was recently extended by a further 2 years. In addition, the Government added minimum expectations for funding new build delivery (versus market purchase) and also expanded the use of right-to-buy receipts to cover the delivery of shared ownership.

10.6 Conditional Grants

Some grants that are awarded to the Council have conditions attached to them that stipulate how (and sometimes when) they must be used to ensure that the required outputs are delivered. For the HRA, this generally applies to grants awarded by the GLA (which is the most common source of grant funding for development schemes).

10.7 Affordable Housing Fund

Payments received from developers on planning schemes in lieu of affordable housing obligations are held in the Council’s Affordable Housing Fund (AHF). These funds are then available to be used by the Council to invest in the delivery of affordable housing across the City, either through Council-led developments (including estate regeneration) or in partnership with housing associations.

The balance held in the AHF as of 1 April 2021 totalled £178.97m. This balance is entirely committed, or at least nominally earmarked for known pipeline schemes, to deliver more affordable housing. Future payments into the AHF are dependent upon new planning applications being submitted and approved and, importantly, where developers opt to make payments in lieu of delivering affordable housing themselves.

Within the HRA business plan, £244.84m of AHF funding is included to finance the capital programme over the 30-year period (entirely within the Development programme). This means that the pipeline of future receipts will need to be closely monitored to ensure that funds are available to meet future spending plans. This will be kept under review in light of the impact of Covid-19 and other factors on the appetite for development in Westminster.

10.8 Capital Receipts

The HRA generates capital receipts for transfers of land or disposal of property which can be recycled to finance the capital programme. Development schemes also seek to use receipts from the sale of private units to subsidise the delivery of affordable housing. These receipts represent a significant proportion of projected capital financing for the HRA. However, there are risks attached to any assumptions about capital receipts. Any variance in their value or timing may impact on the HRA’s ability to finance capital spend and could ultimately lead to a need for increased levels of borrowing. Use of capital receipts represents £404.52m worth of capital financing over the next 30 years.

10.9 Major Repairs Allowance and Leaseholder Contributions

The HRA is required to set aside a statutory minimum level of revenue funding for capital, known as the Major Repairs Allowance (MRA). This must be committed to the upkeep of the existing housing stock and is therefore allocated to fund the Planned Maintenance programme.

The amount required to be allocated to MRA is based on the depreciation calculation for HRA stock. It effectively ensures that a minimum level of investment is made in the existing stock to keep assets fit-for-purpose. If the value of Planned Maintenance activity is lower than the MRA requirement then the Council is permitted to carry forward the balance in the Major Repairs Reserve to fund future works. However, the planned level of investment in existing stock at Westminster is consistently higher than the MRA and the HRA business plan therefore has to be able to finance the difference.

Major Works are delivered across the Housing portfolio meaning that many of the residents that benefit from this investment will be leaseholders. They are required to contribute towards the funding of capital works. Contributions from leaseholders therefore help to finance the Planned Maintenance Programme. These funds are held separately and ringfenced towards the specific works to which they relate.

10.10 Borrowing

Any capital expenditure not covered through any of the funding routes noted above will require borrowing. All additional borrowing is undertaken with a consideration of the financial return for the HRA. This might be in terms of extending the life of existing HRA stock to safeguard future rents, or to help finance new build schemes which will effectively increase stock numbers and grow the HRA bottom line through the generation of additional rental income.

As noted above, the level of borrowing that the HRA can commit to is one of the main considerations when assessing the viability of the HRA business plan. The HRA is projected to borrow £428.25m over the course of the revised 30-year plan. This equates to 19% of the entire HRA capital programme and represents a £145m increase on the level of borrowing included in the 2021 iteration of the business plan (which is largely driven by revised assumptions on the availability of external funding for the Climate Works programme). Nonetheless, this level of borrowing can be supported by the revenue budget with an appropriate level of resilience.

10.11 Capital Programme – Financial Overview

The table below summarises the overall expenditure and financing position for the HRA Capital Programme.

Table 5 – Capital Programme Financing Plan

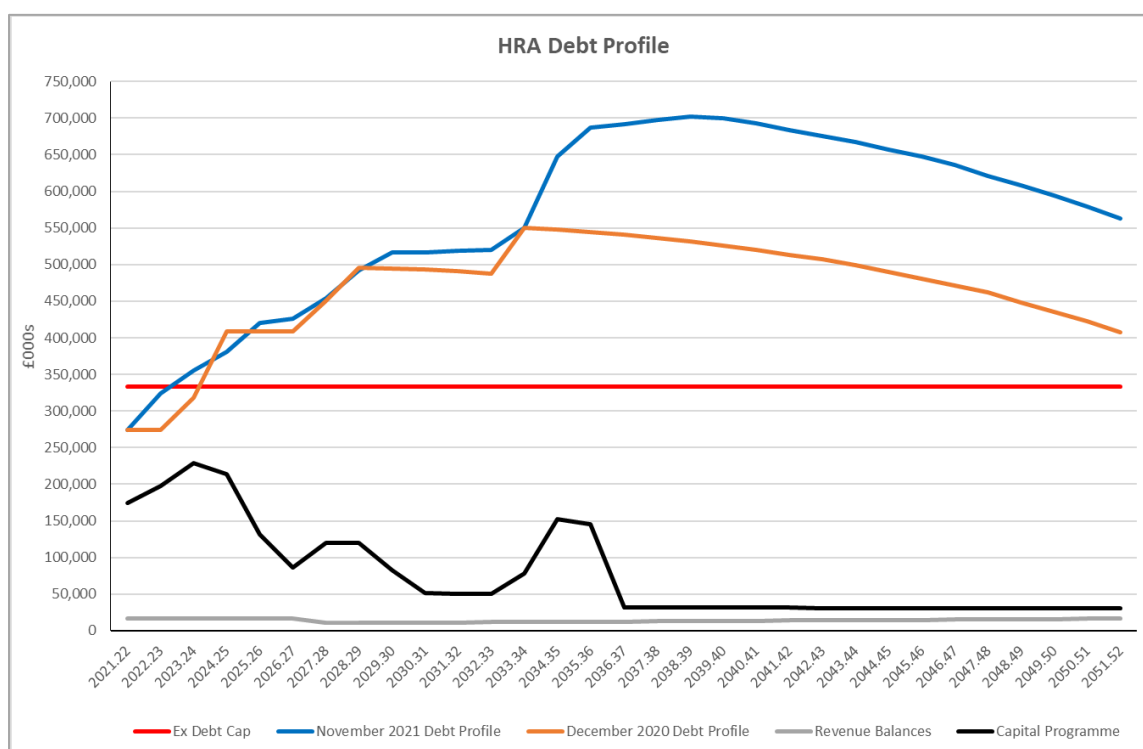
Year	1	2	3	4	5	06-30	
	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28-	Total Scheme
	£'000	£'000	£'000	£'000	£'000	2051.52	Costs
Planned Maintenance	57,826	69,078	64,783	63,354	60,101	892,742	1,207,884
Regeneration	133,682	154,856	144,635	62,681	21,116	339,174	856,143
Other Schemes	6,000	5,000	5,000	5,000	5,000	125,000	151,000
Total HRA Capital Programme	197,508	228,934	214,418	131,035	86,217	1,356,916	2,215,027
Funding							
Major Repairs Allowance	22,254	22,837	23,085	23,328	23,627	560,687	675,818
Government Grant/Loan	3,475	4,224	976	3,715	1,739	-	14,129
Climate Action Funding	1,000	2,500	5,000	5,000	5,000	90,500	109,000
Affordable Housing Fund	57,672	60,170	37,572	20,203	13,173	56,048	244,838
Capital Receipts	41,924	80,777	89,410	22,741	22,665	147,000	404,517
Leaseholder Contributions	8,984	12,387	14,263	13,531	13,564	190,248	252,975
CIL	7,750	-	7,052	-	-	36,228	51,030
Other	4,188	15,046	11,748	2,347	1,146	-	34,474
New Borrowing	50,262	30,994	25,311	40,171	5,303	276,205	428,246
Total Funding	197,508	228,934	214,418	131,035	86,217	1,356,916	2,215,027

10.12 The opening debt balance for the HRA as of 1 April 2021 was £274.12m. Based on the future borrowing requirements built into the proposed HRA capital programme, HRA debt is projected to peak at £702.36m by 2038/39. An additional £50.26m of borrowing is projected in 2022/23. This requires a growth of £1.46m within the HRA revenue budget resulting in a total capital financing cost of £10.69m in 2022/23. New borrowing is assumed to come with a 2.6% cost of finance.

10.13 The HRA is projected to generate surpluses over the second half of the business plan (from Year 18 onwards). This is largely because the development capital programme does not extend beyond the first 15 years. It is assumed that these surpluses will be available to pay down debt, and thereby help to manage the capital financing burden placed on the HRA revenue budget (which grows to £21.30m per annum once the HRA hits the peak debt level noted above). The total value of the available surpluses in the business plan is £119.49m.

10.14 There is no requirement for the HRA to pay down debt, and this approach is partly subject to the availability to re-finance within the various debt instruments used. If debt cannot be re-paid, any surpluses would go into the HRA reserve and the revenue budget would have to continue to cover interest costs at the peak level noted above. The chart below shows the revised HRA debt profile (the blue line) versus the previous iteration of the HRA business plan (the orange line) which demonstrates the higher levels of debt required in the updated business plan. This profile assumes that surpluses in the second half of the plan would be used to pay down debt, and that the HRA Reserve (the grey line) would be maintained at the proposed minimum.

Chart 1 – HRA Debt Profile



Capital Programme (black line) - Total planned capital investment in the HRA totals £2.215bn over the next 30 years. This includes major works on existing stock of £1.207bn, a Regeneration programme totalling £0.856bn and the Self-Financing Acquisition programme totalling £0.151bn.

Debt Cap (red line) – the HRA at each local authority 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 this previous benchmark to show the level of flexibility that has been made available to the Council as a consequence of the removal of the debt cap.

Current Projected Debt (blue line) - Borrowing rises from the current level of £274.12m (as at 1st April 2021) and peaks in 2038/39 at £702.36m based on the borrowing need within the revised HRA business plan. The comparison to the previous iteration of the HRA business plan is shown via the orange line.

HRA Reserve Balance (grey line) - The HRA business plan seeks to maintain a minimum reserve balance of 10% of turnover, which works out at no less than £11m over the life of the plan. In addition, there is an intention to hold the reserve at £17m over the next 5 years, which equates to between 19-21% of turnover. These parameters are considered to represent a prudent approach in terms of managing risk and ensuring that the HRA remains on a sound financial footing, without being over cautious and driving up debt levels unnecessarily.

11. HRA Reserve Position

- 11.1 The opening balance on the HRA reserve at the start of the 2021/22 financial year was £17.30m. This reserve balance is primarily designed to help the HRA to cover in-year risks but may also be used to support one-off projects and investment opportunities that might drive efficiencies and/or delivery of a better service to residents of the Council.
- 11.2 As a means of managing financial risk, it should be noted that the HRA reserve is finite and is therefore only suitable for covering one-off shocks or helping to mitigate more permanent financial issues over a short period of time (while alternative solutions are sought). Reserve levels are therefore considered in conjunction with an assessment of the level of interest cover required within the revenue budget, which provides a more structural level of contingency which is better suited to managing the impact of significant shifts in business plan assumptions over a longer period of time.
- 11.3 The table below presents the projected approach to managing the HRA reserve over the next 5 years. This demonstrates the strategic intention to maintain the reserve at level of £17m over this period in order to provide cover against wider economic volatility being experienced nationally and specifically within the housing sector, and also over a period of higher risk with the development schemes being delivered. The reserve position will be reviewed on an annual basis in line with the overall HRA business plan.

Table 6 – Medium-Term Reserve Projection

Year	1	2	3	4	5
	2022.23	2023.24	2024.25	2025.26	2026.27
	£'m	£'m	£'m	£'m	£'m
Opening Balance	17.301	17.000	17.000	17.000	17.000
Planned contribution/(drawdown)	(0.301)	0.000	0.000	0.000	0.000
Proposed Reserve Balance	17.000	17.000	17.000	17.000	17.000
Proposed Reserve as % of Turnover	21%	20%	19%	19%	19%

12. Risk Management

- 12.1 This report underlines the strategic intention within the HRA to maximise investment in both existing stock (including energy efficiency improvements) and the delivery of new homes across the city. This objective requires the HRA to commit to an increased level of borrowing over the next 30 years. This means that the HRA Business Plan has less spare borrowing capacity overall and a requirement to cover higher annual interest costs within its revenue budget. Clearly the consequence of these two factors is a reduction in the ability of the HRA to absorb or manage the

financial impact of unforeseen and unplanned risks that may materialise over the course of the plan (some of which have been identified in Appendix 5).

12.2 The HRA Business Plan is built on a series of assumptions about the expected future impact of a number of variables (including inflation, rent increases, interest rates, etc). The first aspect of risk management within the HRA is to ensure that the assumptions built into the plan are as prudent as possible. This helps to ensure that the plan is viable in the face of a relatively conservative outlook. An overview of key assumptions is included at Appendix 1.

12.3 The second aspect of the risk management approach is to actively build financial cover into the business plan that would allow it to absorb the impact of any adverse movement on key assumptions or the emergence of any more general unforeseen risks. These measures allow the HRA to manage the impact of emerging risks without necessarily having to compromise on either service delivery or the level of capital ambition. The refreshed business plan does this in 4 key areas:

- a) **HRA Reserve** – this has been maintained at £17m over the first five years of the plan to manage medium-term financial volatility driven by inflation. It never drops below 10% of turnover from year 6 onwards and the approach will be reviewed annually. The reserve represents the ultimate backstop in managing financial risk, with its finite nature meaning that it can only help to manage one-off shocks or cover on-going pressures for a limited period of time.
- b) **Revenue Interest Cover** – the refreshed business plan ensures that the minimum ratio of interest cover in the revenue budget is 1.20. This is achieved through the inclusion of a flexible revenue contribution to capital (set at £1.9m in 2022/23). This primarily helps to reduce additional borrowing over the life of the plan, but it also provides significant manoeuvrability to manage financial risk. It can be diverted to cover revenue pressures if required, and unlike the HRA reserve can actually be used to permanently adjust the revenue budget and cover pressures that are on-going. If risks emerge on the capital programme, it can also be diverted to provide additional borrowing capacity. The £1.9m included in 2022/23 could support additional borrowing of c.£80m if it was all used to cover interest.
- c) **Capital Contingency** – a programme-wide capital contingency of 10% is included in the business plan for the Development programme (which is additional to any contingencies that are included within the viabilities for individual schemes). This is factored into the projected borrowing requirement and ensures that the plan can absorb the impact of unforeseen costs or specification changes, price inflation on schemes not yet in contract, or reduced capital receipts from unit sales. This means that the HRA can cover some of the inherent risks of a development programme without any impact on its overall

viability over 30 years. Whilst the revenue interest cover noted above can also help to mitigate capital risk, if required, it is primarily seen as a means of managing revenue risk and the capital contingency would therefore be the first port of call for any cost increase on the capital programme.

- d) **Planned Maintenance Inflation** – the Planned Maintenance programme represents a rolling programme of works to improve the condition of existing stock. It is set based on information in the asset management database which uses today's prices. The business plan therefore models a level of inflation on the capital budgets to reflect the fact that a boiler replacement will be more expensive in 15 years' time, for example. Again, this is built into the projected borrowing requirement and ensures that planned maintenance requirements have a level of insulation against the impact of inflation within the plan.

12.4 The measures covered above demonstrate that the HRA Business Plan has been prepared with careful consideration of how best to provide resilience against financial risk without compromising the ability of the HRA to deliver its strategic objectives. In the event that the financial shocks to the HRA were very extreme, there are some final risk management measures available to ensure that the HRA remains viable in a worst-case scenario. These can be summarised as follows:

- a) **Re-Profiling** – not all expenditure on the Development programme is fully committed. This provides an opportunity to re-profile by extending or delaying the delivery of certain schemes to meet revised affordability parameters. This does expose the Council to contract price inflation but remains an option.
- b) **Reduce Planned Maintenance Schedule** – whilst the HRA is required to make a minimum investment in existing stock and many contracts have a minimum annual spend requirement, the current investment plan is higher than both and could be revised to manage affordability concerns. This is likely to have a knock-on impact on stock condition and increase the volume/cost of revenue repairs.
- c) **Dispose of HRA Assets** – a more aggressive assessment of which assets are surplus to requirements could generate increased capital receipts to help fund the capital programme.
- d) **Rent Policy** – the average rent is currently lower than the maximum formula rent allowable. Although annual rent increases are capped, there are options available to the Council to allow it to converge towards the maximum.

12.5 The three stages of risk management covered above demonstrate how the HRA might manage and mitigate financial risk. A key aspect of the approach to risk management is also how risks are identified and captured in the first place. Clearly, the Council's annual budget monitoring and reporting processes are a key aspect of this. This helps to capture in-year risks within the outturn forecast, but the HRA Business Plan is also regularly reviewed in tandem with this process as new information emerges (and is not a one-off exercise undertaken annually). This allows the impact of emerging risks to be fully understood in the context of the whole

business plan, and sensitivity analysis to be undertaken to assess how the HRA might manage these risks over the medium- to long-term. Furthermore, the service holds a risk register that is regularly reviewed and updated by the Housing management team.

13. Financial Implications

The financial implications are set out in the main body of this report.

14. Legal Implications

- 14.1 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.
- 14.2 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.
- 14.3 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.
- 14.4 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.
- 14.5 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.

- 14.6 On 29 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.
- 14.7 The basis for setting rent stems from 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 Section 23 of the Welfare Reform and Work Act 2016 and changes to the social benefits system under Sections 8-17 of the Welfare Reform and Work Act 2016.
- 14.8 The Housing and Planning Act 2016 is also likely to affect the findings of subsequent reports and 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, Chapter 6 and Schedule 7 the Housing and Planning Act 2016 seek 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.
- 14.9 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.
- 14.10 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), consent of the Secretary of State may be required, unless such disposals fall within the General Disposal Consents of Section 32 of the Housing Act 1985.

15 Carbon Implications

- 15.1 In order for the Council to better understand the carbon impact of the wider capital strategy, a new element of the internal bidding process was introduced to capture the available carbon impact information.

- 15.2 Officers are currently working with a partner to develop a toolkit to model carbon impact on a consistent basis across all capital projects. With this toolkit in development, in the interim a qualitative impact assessment was required to accompany the CPSR forms.
- 15.3 The key assessment criterion was to determine whether a project's estimated emissions impact were expected to be positive, neutral or negative. This impact was then assessed as low (under 100 tonnes), medium (100 to 1500 tonnes) or high (over 1500 tonnes).
- 15.4 The headline data shows that of the 155 impact assessments reviewed in relation to capital schemes (including those funded by the HRA), 64 would positively impact the Council's carbon footprint, 58 were broadly neutral and 32 projects would negatively impact the position.
- 15.5 Although there are more positive schemes than negative ones, the data shows the negative schemes are likely to have a high impact whilst the positive schemes low impact. This data may impact the viability of some projects that are not underway or essential for health and safety or infrastructure purposes.
- 15.6 It is important to note this is an initial assessment, with many of the projects not yet underway and the detail will only be available once the carbon toolkit has been finalized. There may also be opportunity to improve this position in further iterations of the capital programme.
- 15.7 The HRA capital programme earmarks funding for several specific initiatives that will reduce the carbon footprint of the Council as a whole. Firstly, the £218m of allocated to retrofitting existing HRA stock will improve the energy efficiency of a large proportion of the Council's asset base. There is also £11m of investment set aside to improve the efficiency of the Pimlico District Heating Unit (PDHU). Finally, whilst the construction of new housing is intrinsically not a carbon neutral undertaking, each development scheme is considered to deliver more energy efficient and sustainable housing which will ultimately improve the carbon footprint of the built environment across the City of Westminster as a whole.

16 Staffing Implications

- 16.1 There are no specific staffing implications attached to this report. The HRA business plan ensures there is sufficient revenue budget to cover the cost of the current structure of the Housing service.

17 Consultation

- 17.1 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 (via presentation at CRG). We have had regard to national and local housing policies and objectives which have informed the priorities for investment.

- 17.2 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.
- 17.3 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 the significant development programmes that are being funded by the HRA.

18 Equalities Implications

- 18.1 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.
- 18.2 The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.
- 18.3 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.
- 18.4 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.

18.5 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.

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

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Appendix 1 – Key Assumptions

	Assumptions	Notes
Inflation	2022/23 (3.1%), 2023/24 (2.5%), 2024/25 onwards (2%)	OBR forecast for CPI applied. Bank of England target used from 2024/25
Dwelling Rents	CPI + 1% to 2024-25 CPI only from 2025-26	CPI for 2022/23 is 3.1%, assumed at 2.5% for 2023/24 and 2% from 2024/25 onwards
Voids	2%	Same as previous BP
Bad Debt	0.61% in 2022/23 and 2023/24, 1% from 2024/25 onwards	Same as previous BP
Service Charges	£5.94 per week opening charge (CPI uplift on cost and income thereafter)	Opening rate based on most recent SC estimates
Non-Dwelling Rents	Linked to CPI from 2023/24	Budgets re-based for 2022/23 based on current performance
Repairs and Maintenance Costs	Linked to CPI	CPI has been used throughout the plan as a more credible measure of inflation
Interest Rates	2.6% on External Borrowing	New external borrowing has been assumed to cover all investment
Pay Award	2%	Consistent with General Fund
RtB Sales	15 per annum	Same as previous BP

Appendix 2 – 5 Year Revenue Budget

Year	1	2	3	4	5
	2022.23	2023.24	2024.25	2025.26	2026.27
	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(79.401)	(83.187)	(87.209)	(87.708)	(89.944)
Commercial Rent	(7.700)	(8.164)	(8.251)	(8.416)	(8.584)
Garages, Sheds & Car Parks Income	(0.908)	(0.930)	(0.949)	(0.968)	(0.987)
Service Charges	(18.245)	(18.796)	(19.548)	(19.524)	(19.896)
Heating and Water (Including PDHU)	(6.557)	(6.720)	(6.855)	(6.992)	(7.132)
HRA Investment & Other Income	(2.171)	(2.225)	(2.270)	(2.315)	(2.362)
TOTAL INCOME	(114.981)	(120.023)	(125.082)	(125.923)	(128.905)
Staff	20.952	21.476	21.905	22.343	22.790
Repairs & Maintenance	21.221	21.885	22.415	22.739	23.337
Supervision & Management	7.685	7.878	8.035	8.196	8.360
Estate Services	9.297	9.529	10.199	10.403	10.831
Heating and Water (Including PDHU)	6.557	6.720	6.855	6.992	7.132
Rent, Rates and Commercial Charges	0.598	0.613	0.625	0.638	0.651
TMO Allowances	1.552	1.591	1.622	1.655	1.688
Support Costs	11.121	11.399	11.627	11.859	12.096
Movement on Bad Debt Provision	0.500	0.513	0.523	0.533	0.544
Depreciation	22.254	22.837	23.085	23.328	23.627
Capital financing costs	10.694	11.985	11.785	12.657	13.248
Regeneration Feasibility	0.350	0.359	0.366	0.373	0.381
TOTAL EXPENDITURE	112.781	116.783	119.043	121.716	124.685
HRA Net (Surplus)/Deficit position	(2.200)	(3.240)	(6.039)	(4.207)	(4.220)
Contribution to RCCO	1.926	3.240	6.039	4.207	4.220
Contribution to Hardship Fund	0.274	0.000	0.000	0.000	0.000
HRA Budget	0.000	0.000	0.000	0.000	0.000
Interest Cover Ratio	1.21	1.27	1.51	1.33	1.32

Appendix 3a – 30 Year Business Plan

Year	1	2	3	4	5	6	7	8	9	10
	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.3	2030.31	2031.32
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(79.401)	(83.187)	(87.209)	(87.708)	(89.944)	(91.928)	(93.385)	(94.806)	(98.885)	(99.733)
Commercial Rent	(7.700)	(8.164)	(8.251)	(8.416)	(8.584)	(8.756)	(8.931)	(9.110)	(9.292)	(9.478)
Garages, Sheds & Car Parks Income	(0.908)	(0.930)	(0.949)	(0.968)	(0.987)	(1.007)	(1.027)	(1.048)	(1.069)	(1.090)
Service Charges	(18.245)	(18.796)	(19.548)	(19.524)	(19.896)	(20.289)	(20.693)	(21.104)	(22.013)	(22.123)
Heating and Water (Including PDHU)	(6.557)	(6.720)	(6.855)	(6.992)	(7.132)	(7.274)	(7.420)	(7.568)	(7.720)	(7.874)
HRA investment income & Other Income	(2.171)	(2.225)	(2.270)	(2.315)	(2.362)	(2.409)	(2.457)	(2.506)	(2.556)	(2.607)
TOTAL INCOME	(114.981)	(120.023)	(125.082)	(125.923)	(128.905)	(131.663)	(133.913)	(136.142)	(141.535)	(142.905)
Staff	20.952	21.476	21.905	22.343	22.790	23.246	23.711	24.185	24.669	25.162
Repairs & Maintenance	21.221	21.885	22.415	22.739	23.337	23.831	24.295	24.658	25.123	25.705
Supervision & Management	7.685	7.878	8.035	8.196	8.360	8.527	8.697	8.871	9.049	9.230
Estate Services	9.297	9.529	10.199	10.403	10.831	11.048	11.268	11.494	11.724	11.958
Heating and Water (Including PDHU)	6.557	6.720	6.855	6.992	7.132	7.274	7.420	7.568	7.720	7.874
Rent, Rates and Commercial Charges	0.598	0.613	0.625	0.638	0.651	0.664	0.677	0.690	0.704	0.718
TMO Allowances	1.552	1.591	1.622	1.655	1.688	1.722	1.756	1.791	1.827	1.864
Support Costs	11.121	11.399	11.627	11.859	12.096	12.338	12.585	12.837	13.094	13.355
Movement on Bad Debt Provision	0.500	0.513	0.523	0.533	0.544	0.555	0.566	0.577	0.589	0.600
Depreciation	22.254	22.837	23.085	23.328	23.627	23.916	24.155	24.181	24.405	24.738
Capital financing costs	10.694	11.985	11.785	12.657	13.248	13.713	14.610	15.516	15.948	16.053
Regeneration Feasibility	0.350	0.359	0.366	0.373	0.381	0.388	0.396	0.404	0.412	0.420
TOTAL EXPENDITURE	112.781	116.783	119.043	121.716	124.685	127.222	130.137	132.773	135.262	137.678
HRA Net (Surplus)/Deficit position	(2.200)	(3.240)	(6.039)	(4.207)	(4.220)	(4.441)	(3.777)	(3.369)	(6.272)	(5.227)
Revenue Contribution to Capital (RCCO)	1.926	3.240	6.039	4.207	4.220	4.441	3.777	3.369	6.092	5.116
Planned contribution/(drawdown) from Reserves	0.274	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.180	0.111
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
	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.4	2040.41	2041.42
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(102.045)	(103.810)	(105.603)	(109.820)	(110.048)	(112.172)	(114.336)	(116.540)	(118.781)	(123.392)
Commercial Rent	(9.667)	(9.861)	(10.058)	(10.259)	(10.464)	(10.673)	(10.887)	(11.105)	(11.327)	(11.553)
Garages, Sheds & Car Parks Income	(1.112)	(1.134)	(1.157)	(1.180)	(1.204)	(1.228)	(1.252)	(1.277)	(1.303)	(1.329)
Service Charges	(22.656)	(23.175)	(23.705)	(24.729)	(24.811)	(25.334)	(25.868)	(26.413)	(26.969)	(28.067)
Heating and Water (Including PDHU)	(8.032)	(8.192)	(8.356)	(8.523)	(8.694)	(8.867)	(9.045)	(9.226)	(9.410)	(9.598)
HRA investment income & Other Income	(2.659)	(2.713)	(2.767)	(2.822)	(2.879)	(2.936)	(2.995)	(3.055)	(3.116)	(3.178)
TOTAL INCOME	(146.172)	(148.885)	(151.646)	(157.334)	(158.099)	(161.211)	(164.383)	(167.615)	(170.906)	(177.118)
Staff	25.665	26.179	26.702	27.236	27.781	28.337	28.903	29.482	30.071	30.673
Repairs & Maintenance	26.278	26.723	27.175	27.711	28.284	28.817	29.360	29.913	30.476	31.050
Supervision & Management	9.414	9.603	9.795	9.991	10.190	10.394	10.602	10.814	11.030	11.251
Estate Services	12.197	12.441	12.690	12.944	13.203	13.467	13.736	14.011	14.291	14.577
Heating and Water (Including PDHU)	8.032	8.192	8.356	8.523	8.694	8.867	9.045	9.226	9.410	9.598
Rent, Rates and Commercial Charges	0.733	0.747	0.762	0.777	0.793	0.809	0.825	0.842	0.858	0.876
TMO Allowances	1.901	1.939	1.978	2.017	2.058	2.099	2.141	2.184	2.227	2.272
Support Costs	13.623	13.895	14.173	14.456	14.745	15.040	15.341	15.648	15.961	16.280
Movement on Bad Debt Provision	0.612	0.625	0.637	0.650	0.663	0.676	0.690	0.704	0.718	0.732
Depreciation	25.169	25.347	25.525	25.704	26.025	26.256	26.489	26.724	26.962	27.201
Capital financing costs	16.174	16.677	18.467	20.346	20.975	21.139	21.275	21.301	21.167	20.953
Regeneration Feasibility	0.429	0.437	0.446	0.455	0.464	0.473	0.483	0.492	0.502	0.512
TOTAL EXPENDITURE	140.228	142.805	146.706	150.812	153.875	156.375	158.891	161.340	163.675	165.976
HRA Net (Surplus)/Deficit position	(5.944)	(6.080)	(4.939)	(6.522)	(4.224)	(4.837)	(5.492)	(6.275)	(7.231)	(11.142)
Revenue Contribution to Capital (RCCO)	5.687	5.876	4.733	6.072	4.173	4.595	5.246	6.024	6.976	10.650
Planned contribution/(drawdown) from Reserves	0.257	0.204	0.206	0.450	0.051	0.242	0.246	0.251	0.255	0.492
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
	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.5	2050.51	2051.52
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(123.387)	(125.753)	(128.162)	(130.614)	(133.111)	(138.262)	(138.243)	(140.878)	(143.562)	(146.295)
Commercial Rent	(11.784)	(12.020)	(12.260)	(12.506)	(12.756)	(13.011)	(13.271)	(13.536)	(13.807)	(14.083)
Garages, Sheds & Car Parks Income	(1.356)	(1.383)	(1.410)	(1.439)	(1.467)	(1.497)	(1.527)	(1.557)	(1.588)	(1.620)
Service Charges	(28.118)	(28.710)	(29.315)	(29.932)	(30.563)	(31.806)	(31.863)	(32.534)	(33.220)	(33.919)
Heating and Water (Including PDHU)	(9.790)	(9.986)	(10.186)	(10.390)	(10.597)	(10.809)	(11.026)	(11.246)	(11.471)	(11.700)
HRA investment income & Other Income	(3.242)	(3.307)	(3.373)	(3.440)	(3.509)	(3.579)	(3.651)	(3.724)	(3.798)	(3.874)
TOTAL INCOME	(177.677)	(181.159)	(184.706)	(188.320)	(192.003)	(198.965)	(199.581)	(203.476)	(207.447)	(211.492)
Staff	31.286	31.912	32.550	33.201	33.865	34.542	35.233	35.938	36.657	37.390
Repairs & Maintenance	31.635	32.231	32.837	33.456	34.085	34.727	35.381	36.047	36.725	37.416
Supervision & Management	11.476	11.706	11.940	12.178	12.422	12.670	12.924	13.182	13.446	13.715
Estate Services	14.869	15.166	15.469	15.779	16.094	16.416	16.744	17.079	17.421	17.769
Heating and Water (Including PDHU)	9.790	9.986	10.186	10.390	10.597	10.809	11.026	11.246	11.471	11.700
Rent, Rates and Commercial Charges	0.893	0.911	0.929	0.948	0.967	0.986	1.006	1.026	1.046	1.067
TMO Allowances	2.317	2.364	2.411	2.459	2.508	2.558	2.610	2.662	2.715	2.769
Support Costs	16.606	16.938	17.277	17.622	17.975	18.334	18.701	19.075	19.456	19.845
Movement on Bad Debt Provision	0.747	0.762	0.777	0.792	0.808	0.824	0.841	0.858	0.875	0.892
Depreciation	27.443	27.687	27.932	28.180	28.430	28.683	28.937	29.194	29.453	29.714
Capital financing costs	20.722	20.498	20.257	19.992	19.704	19.352	18.971	18.602	18.343	17.432
Regeneration Feasibility	0.523	0.533	0.544	0.555	0.566	0.577	0.589	0.600	0.612	0.625
TOTAL EXPENDITURE	168.306	170.692	173.109	175.551	178.022	180.480	182.961	185.508	188.220	190.335
HRA Net (Surplus)/Deficit position	(9.371)	(10.467)	(11.597)	(12.769)	(13.981)	(18.484)	(16.619)	(17.968)	(19.227)	(21.157)
Revenue Contribution to Capital (RCCO)	9.339	10.198	11.322	12.490	13.697	17.933	16.585	17.667	18.921	20.846
Planned contribution/(drawdown) from Reserves	0.032	0.269	0.275	0.279	0.284	0.551	0.034	0.301	0.306	0.311
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
	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.3	2030.31	2031.32
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	17.301	17.000	17.000	17.000	17.000	17.000	11.000	11.000	11.000	11.180
Planned contribution/(drawdown) to Reserves	(0.301)	0.000	0.000	0.000	0.000	(6.000)			0.180	0.111
Proposed Reserve Balance	17.000	17.000	17.000	17.000	17.000	11.000	11.000	11.000	11.180	11.291
Proposed Reserve as % of income	21%	20%	19%	19%	19%	12%	12%	12%	11%	11%

Year	11	12	13	14	15	16	17	18	19	20
	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.4	2040.41	2041.42
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	11.291	11.548	11.752	11.958	12.408	12.459	12.701	12.947	13.198	13.453
Planned contribution/(drawdown) to Reserves	0.257	0.204	0.206	0.450	0.051	0.242	0.246	0.251	0.255	0.492
Proposed Reserve Balance	11.548	11.752	11.958	12.408	12.459	12.701	12.947	13.198	13.453	13.945
Proposed Reserve as % of income	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%

Year	21	22	23	24	25	26	27	28	29	30
	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.5	2050.51	2051.52
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	13.945	13.977	14.246	14.521	14.800	15.084	15.635	15.669	15.970	16.276
Planned contribution/(drawdown) to Reserves	0.032	0.269	0.275	0.279	0.284	0.551	0.034	0.301	0.306	0.311
Proposed Reserve Balance	13.977	14.246	14.521	14.800	15.084	15.635	15.669	15.970	16.276	16.587
Proposed Reserve as % of income	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%

Appendix 4 – HRA 30 Year Capital Programme

Year	1	2	3	4	5	06-30	
	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28-	TOTAL
	£'000	£'000	£'000	£'000	£'000	2051.52	
						£'000	
Planned Maintenance							
Voids, Aids and Adaptions	5,700	5,700	5,700	5,700	5,700	129,700	158,200
Electrical and Mechanical Services	2,836	2,757	2,728	2,773	2,627	58,380	72,101
Major Works	30,304	41,384	34,527	34,906	33,296	400,622	575,039
Fire Precautions	9,932	3,448	2,424	2,132	1,360	26,820	46,116
Asset Management, Condensation and Minor Works	2,811	2,705	2,595	2,595	2,400	36,000	49,106
Domestic Heating, Hot Water and Lifts	3,743	3,643	3,643	3,643	3,513	59,815	78,000
PDHU and Climate Action Works	2,500	9,441	13,166	11,605	11,205	181,405	229,322
Planned Maintenance Total	57,826	69,078	64,783	63,354	60,101	892,742	1,207,884
Regeneration							
Carlton Dene	893	21,166	18,487	-	-	-	40,546
Church Street Site A	1,269	1,452	8,257	203	203	51,290	62,674
Church Street Acquisitions	2,000	8,400	14,432	-	-	83,444	108,276
Church Street Site B	-	-	-	-	1,208	100,743	101,951
Church Street Site C	-	-	-	-	-	42,758	42,758
Lisson Arches	11,521	994	-	-	-	-	12,515
Luton Street	8,400	-	-	-	-	-	8,400
Parsons North	614	494	13	-	-	-	1,121
Cosway Street	13,840	683	-	-	-	-	14,523
Ashbridge	1,920	180	-	-	-	-	2,100
Cundy Street	1,000	-	-	7,000	-	-	8,000
Ashmill Street	272	16	-	-	-	-	288
Ebury Bridge Phase 1	40,228	40,791	30,036	5,980	-	-	117,035
Ebury Bridge Acquisitions	10,418	13,754	8,592	-	-	-	32,764
Ebury Bridge Phase 2	4,692	8,066	4,285	12,759	304	17,553	47,659
Tollgate Gardens	545	-	-	-	-	-	545
Westmead HRA buybacks	-	1,505	-	-	-	-	1,505
Queens Park Court	3,580	6,160	-	-	-	-	9,740
Churchill Gardens	3,597	9,282	6,595	2,590	-	-	22,064
Bayswater	-	824	1,468	5,574	9,554	5,917	23,337
Bayswater Acquisitions	-	1,200	1,200	-	-	-	2,400
West End Gate	1,303	-	-	-	-	-	1,303
300 Harrow Road	4,124	3,978	-	-	-	-	8,102
Contingency	12,153	14,078	13,149	5,698	1,920	30,834	77,831
Paddington Green	1,537	3,690	3,997	1,846	-	-	11,070
Woodchester	100	700	6,133	6,134	6,134	-	19,201
Lisson Grove Programme	-	-	-	-	-	6,635	6,635
Brunel Estate	295	2,115	15,969	13,816	1,643	-	33,838
Small Sites/Infills	9,381	15,328	12,022	1,081	150	-	37,962
Regeneration Total	133,682	154,856	144,635	62,681	21,116	339,174	856,143
Self-Financing							
Self Financing	6,000	5,000	5,000	5,000	5,000	125,000	151,000
Self-Financing Total	6,000	5,000	5,000	5,000	5,000	125,000	151,000
Total HRA Capital Programme	197,508	228,934	214,418	131,035	86,217	1,356,916	2,215,027
Funding							
Major Repairs Allowance	22,254	22,837	23,085	23,328	23,627	560,687	675,818
Government Grant/Loan	3,475	4,224	976	3,715	1,739	-	14,129
Climate Action Funding	1,000	2,500	5,000	5,000	5,000	90,500	109,000
Affordable Housing Fund	57,672	60,170	37,572	20,203	13,173	56,048	244,838
Capital Receipts	41,924	80,777	89,410	22,741	22,665	147,000	404,517
Leaseholder Contributions	8,984	12,387	14,263	13,531	13,564	190,248	252,975
CIL	7,750	-	7,052	-	-	36,228	51,030
Other	4,188	15,046	11,748	2,347	1,146	-	34,474
New Borrowing	50,262	30,994	25,311	40,171	5,303	276,205	428,246
Total Funding	197,508	228,934	214,418	131,035	86,217	1,356,916	2,215,027

Appendix 5 – Table of Risks, Impacts and Mitigations

Risk	Impact	Mitigation
Capital Receipts	Any significant slippage in the timing or value of receipts will create a shortfall in capital financing (temporary or permanent) which would increase the HRA borrowing requirement.	Valuations will be regularly undertaken for schemes with units for sale to allow projected receipts to be closely monitored. Alternative options may be sought to keep schemes viable. A development contingency is available to cover shortfalls and stay within the parameters of the current capital programme.
Availability of External Funding	The Climate Works programme is assumed to be 50% externally funded (i.e. grants). If this is unachievable, the HRA borrowing requirement will increase.	The interest cover in the HRA BP provides an opportunity to generate additional borrowing capacity, if required, but spend profiles across the HRA capital programme may need to be revised to mitigate.
Rent Policy	The 5-year Rent Policy period comes to an end in 2024/25. If the revised policy for 2025/26 onwards restricts rent increases by more than the level modelled (CPI only) there will be a reduction in HRA income.	Lobbying, with other RPs, is key to the success of preventing this. However, the level of interest cover built into the HRA revenue budget and the balance on the HRA reserve does provide some cover to reduce the potential impact of a rent freeze (at least for a short period of time, before spending plans might need to be revised).
Interest Rates	The rates assumed are 2.6% on new borrowing throughout the plan. If interest rates were to rise this would have an adverse impact on capital	The revenue budget includes an interest cover ratio of at least 1.20. This ensures that the revenue budget can

Risk	Impact	Mitigation
	capacity and may jeopardise the projected level of HRA borrowing in the plan.	absorb the impact of interest rate increases (up to a point).
Inflation	<p>If inflation were to be higher than the assumed CPI rates, the resulting cost increase would alter the surplus/deficit position on the revenue account.</p> <p>The cost increases would also impact scheme viability within the capital investment strategy and may result in a need for additional borrowing.</p>	<p>The increase in revenue costs would be partially offset by increased income as this is also linked to CPI.</p> <p>The level of interest cover on the revenue budget would also provide some means of absorbing cost increases, but ultimately the BP would need to be refreshed and spending plans reviewed accordingly.</p>
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	Price inflation is being experienced within the construction/maintenance sector driven by the availability of materials and labour (arising from barriers to supply, additional costs applied to imports and changes in the value of sterling). This could increase the HRA borrowing requirement or adversely impact delivery profiles within the capital programme.	<p>A selection of current projects are being reviewed to identify and quantify the impacts based on the best evidence available to highlight areas where further measures need to be taken.</p> <p>Ultimately, the contingency built into the capital programme provides some cover, but where schemes become unviable as a result there may be a need to terminate or delay.</p>