

Budget Scrutiny Task Group

Housing Revenue Account (HRA)

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Executive Summary

Housing Revenue Account (HRA)

- The HRA is a statutory ring-fenced account with strict rules for ensuring that expenditure incurred for the management of the Council's social housing stock is entirely offset against the income generated by the portfolio (i.e. rents).
- The HRA is required to balance expected income against planned expenditure over the long-term, including the necessary provisions to support all capital expenditure. This is set out in the HRA 30-Year Business Plan.
- Gross income was budgeted at **£125.621m** in 2023/24.
- At Q2, the HRA was projecting to drawdown £1.895m from earmarked reserves to achieve a balanced outturn for 2023/24. This is driven by initial one-off investment needed to meet the requirements of the Building Safety Act.

Headline Adjustments

Revised HRA Business Plan

- **Rent Uplift** – the maximum allowable rent uplift is proposed for 2024/25 (7.7%, equivalent to CPI+1%) in order to balance the HRA budget. The rent support fund will also be extended by a further 12 months (£1.050m).
- **Revenue Pressures** – the revised business plan includes £2.5m+ of budget pressures to support statutory annual health & safety requirements (under the Building Safety Act) and investment in front-line staff (incl. estate offices).
- **Repairs & Maintenance** – the revised business plan safeguards the increased budget allocations made for repairs & maintenance (which have increased by more than 30% since 2021/22).
- **Housing Improvement Programme** – a total of £4.550m has been earmarked to invest in the transformation of the housing service over the next 18-months.
- **Capital Investment** – the capital allowance for the Major Works programme has been increased to £40m per annum to meet the requirements set out in the asset management plan and ensure there is adequate provision for improving the condition of existing council stock.
- **PDHU** – a capital allocation for the PDHU replacement has been included in the business plan for the first time. This covers the internal works to blocks and dwellings (which are considered to fall on the HRA).

HRA Revenue Budget Growths

HRA revenue growth has been divided into two categories: (1) recurring items that need to be built into the annual budget baseline; (2) one-off items that will be funded from earmarked reserves in the short-term.

		Annually Recurring Items (£m)	One-Off Items (£m)	
			2024/25	2025/26
Assets, Major Works & Repairs	H&S Inspection Regime (incl. Building Safety Act requirements)	1.927	1.600	-
Housing Management	Increased front-line housing staff (incl. estate offices)	0.597	-	-
	Rent Support Fund	-	1.050	-
Housing Improvement Programme	Short-Term Improvement Investment	-	2.517	0.458
TOTAL		2.524	5.167	0.458

HRA Revenue Budget Summary

2024/25 to 2028/29

	1	2	3	4	5
	2024.25	2025.26	2026.27	2027.28	2028.29
Dwelling Rents	(93,348)	(98,137)	(101,560)	(104,245)	(108,280)
Non-Dwelling Rents	(881)	(898)	(916)	(935)	(953)
Commercial Rents	(7,800)	(7,878)	(7,957)	(8,116)	(8,278)
Service Charges	(23,613)	(24,145)	(24,677)	(25,229)	(25,805)
Heating & Hot Water	(6,753)	(6,888)	(7,026)	(7,167)	(7,310)
HRA Investment & Other Income	(2,446)	(2,495)	(2,545)	(2,596)	(2,648)
TOTAL INCOME	(134,841)	(140,441)	(144,681)	(148,287)	(153,274)
Staff	25,854	26,359	26,874	27,399	27,935
Housing Improvement Programme	2,437	458	0	0	0
Repairs & Maintenance	27,999	28,840	29,521	30,263	31,092
Housing Management Services	11,486	10,002	10,202	10,406	10,927
Estate Services	11,086	11,308	11,534	11,765	12,000
Heating & Hot Water	6,753	6,888	7,026	7,167	7,310
Rents, Rates and Commercial Charges	679	692	706	720	735
Regeneration	2,575	2,627	2,679	2,733	2,788
TMO Allowances	1,683	1,716	1,751	1,786	1,821
Support Costs	11,094	11,316	11,542	11,773	12,008
Movement on Bad Debt Provision (BDP)	0	0	0	0	0
Depreciation	21,638	22,442	23,114	23,504	24,275
Capital Financing Costs	9,031	9,527	10,404	12,468	15,208
TOTAL INCOME	132,315	132,176	135,353	139,984	146,099
Revenue Contribution to Fund Capital	6,642	8,723	9,328	8,303	7,175
Drawdown from Reserves	(4,117)	(458)	0	0	0
HRA TOTAL	0	0	0	0	0

HRA Reserves

The current position for HRA reserves is as follows:

Commitment	General Reserve (£m)	Earmarked Reserves (£m)
HRA Balance	19.577	
Rent Support Fund		2.060
Housing Improvement Plan		4.550
H&S Compliancy		1.600
TOTAL	19.577	8.210

HRA – Capital Additions

West End Gate – Block H Buybacks

Acquisition of 18 homes at the development block H by Berkeley Homes. These homes consist of 2 and 3bed units at a cost of **£3.672m**. The average unit cost of £204k can be supported by the additional rent generated.

291 Harrow Road

The scheme is being delivered through the General fund, however HRA aims to maximise the buy back of the affordable homes for social rent.

Heat Metering Project

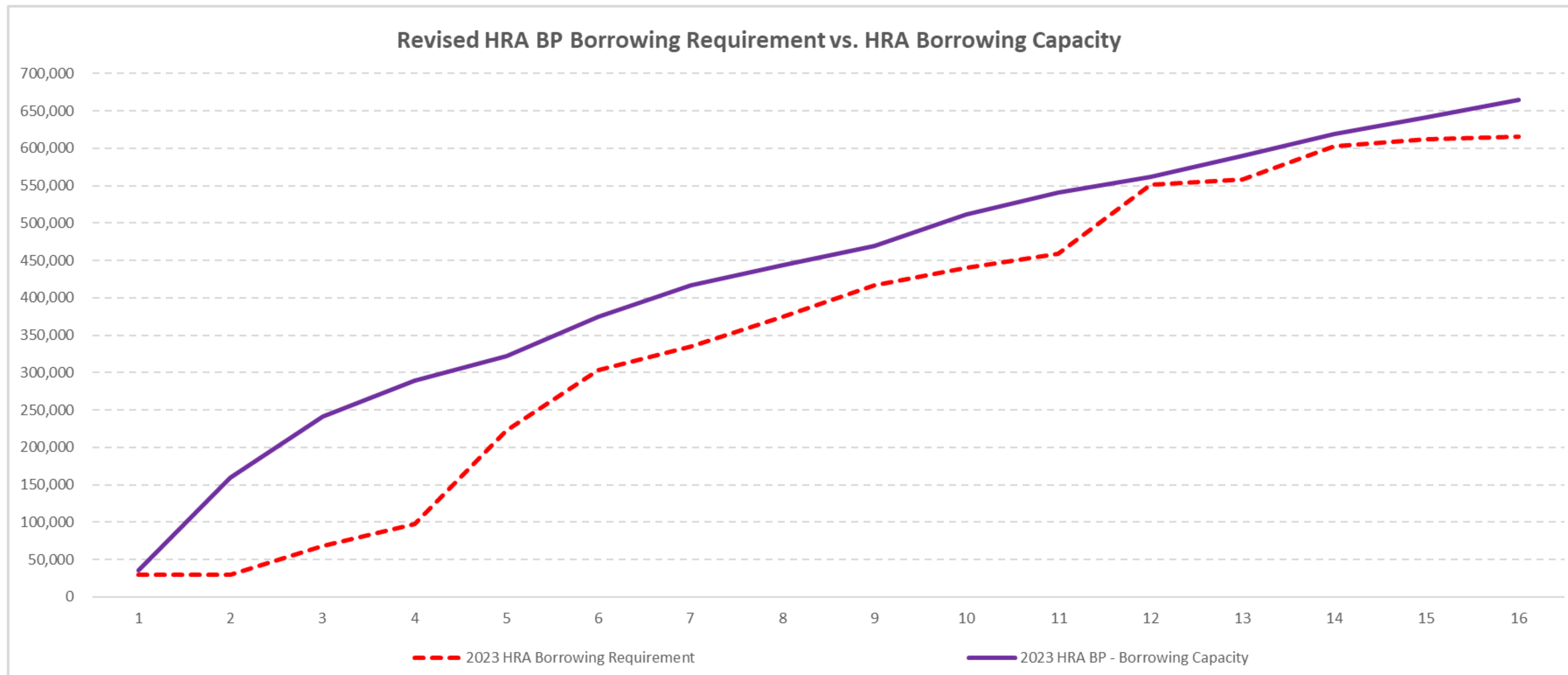
This is the installation of meters into properties attached to Westminster heating networks across the city. This is now a statutory requirement for authorities that levy energy charges. The total cost of installation is **£10.1m**.

PDHU Replacement

A funding allocation of **£70m** has been made in the HRA to cover the share of the PDHU replacement project that might fall onto the Council as landlord. A full budget will be set once the options appraisal has been completed.

HRA Borrowing Outlook

The borrowing peak in the revised plan is higher than the 2022 version of the business plan (mainly due to the inclusion of the PDHU project). However, it remains affordable within the parameters of what the HRA can service (and debt levels reduce over the second half of the business plan).

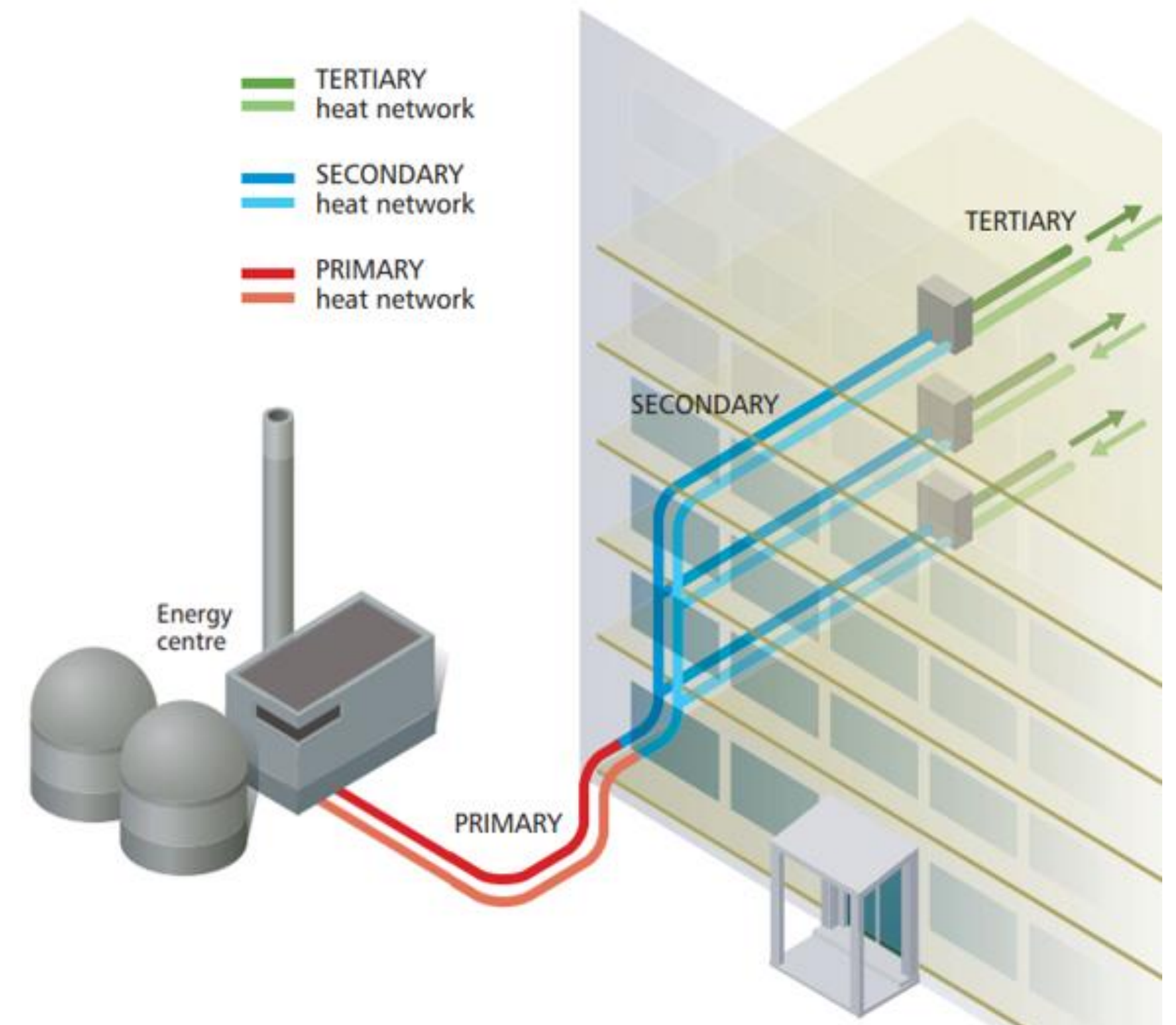


PDHU – Project Overview

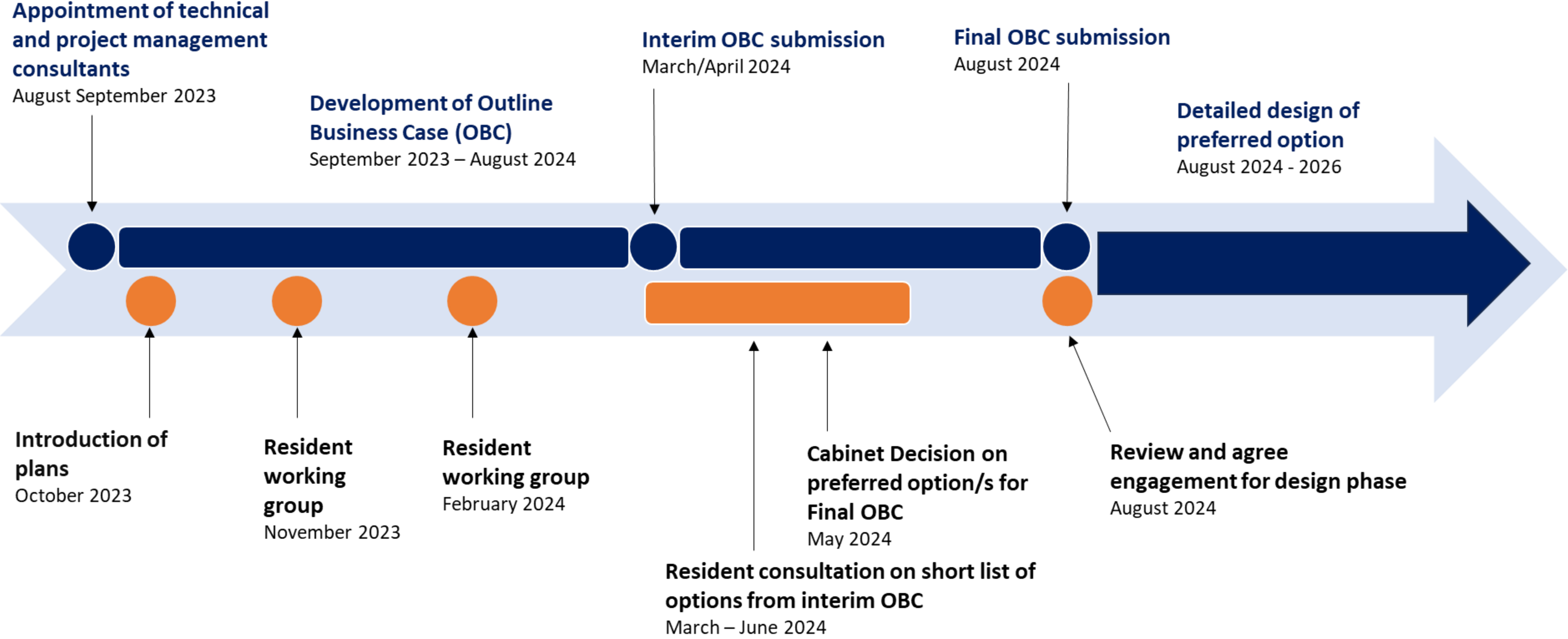
- PDHU is a strategically important asset for WCC – supplying heat to 3,300 homes and 50 commercial buildings
- Operating the network accounts for 39% of WCC’s annual carbon emissions, reducing these are vital in achieving the Councils net zero 2030 target
- The existing PDHU pipework is 50 - 60 years old. Maintenance costs are increasing and WCC spend £1.97m per annum maintaining and repairing the network, with a further £1.7m on in flat repairs related to leaks
- Opportunity to modernise the network, improve energy control and enhance resident experience
- The existing network is not compliant with forthcoming legislation (Energy Act 2013) and Government plans to regulate Heat Networks

An Outline Business Case (OBC) is being developed to compare options for the future network, with consideration to:

- **Value for Money** – capital cost, operational cost and carbon emissions
- **Resident Impact** – residents connected to PDHU are being engaged through a working group and wider communication
- **Architectural Impact** – including planning
- **Efficiency and Controllability** – with an aim to improve both



PDHU – Project Timeline



PDHU Funding Strategy (1)

The 2023/24 capital strategy includes an allocation of funds to enable the delivery of the project required to renew the energy supply currently provided by the Pimlico District Heating Undertaking (PDHU). The Strategic Outline Case was approved in January 2023 and identified a need to replace the existing infrastructure due to its age and condition, and the risk that this presents in terms of network failure.

A funding allocation has been made on the basis of the following:

1. A detailed options analysis is underway to identify the recommended approach and take this forward with more detailed cost information as part of an **Outline Business Case** (due in 2024)
2. The funding earmarked in the capital strategy (specifically the HRA Business Plan) does not prejudice the assessment of the 9 live options and serves to ensure that an **adequate funding provision** has been made for all potential outcomes in lieu of detailed costings at this stage
3. **Value for money** remains the most significant consideration within the options appraisal, specifically the estimated annual cost for all network users
4. “Do Nothing” has already been discounted as a viable operational plan and it is therefore considered prudent to ensure that an early funding provision is made
5. **External funding** opportunities will be maximized wherever possible

PDHU Funding Strategy (2)

The proposed funding strategy is as follows:

