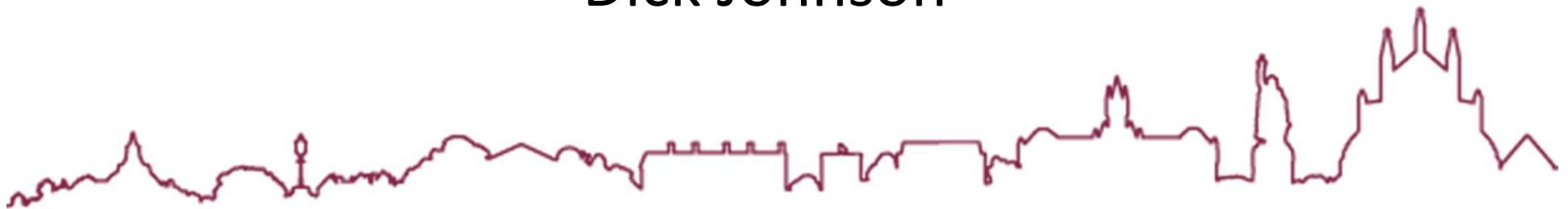


The HRA Business Plan 2021-50 And 2021-22 Budget Options

Business and Housing Committee

December 2020

Dick Johnson



Housing Revenue Account – Business Plan and Budget Options

WHAT WE WILL COVER

- The HRA
- HRA Business Planning
- Key drivers and assumptions
- The Proposed 30 Year Business Plan
- 2021/22 Service Options

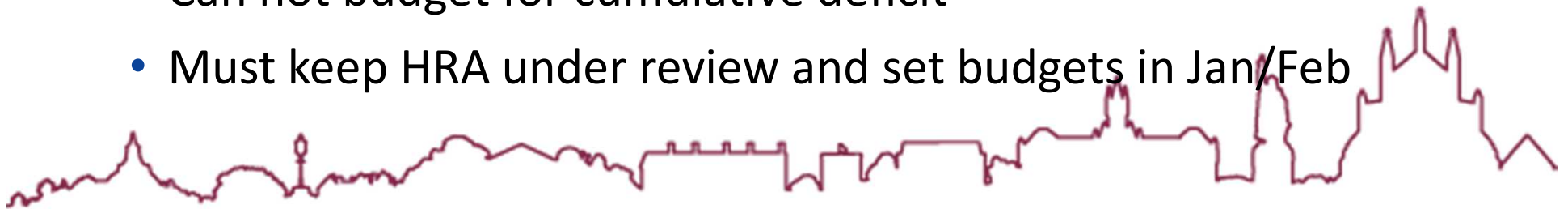


THE HOUSING REVENUE ACCOUNT



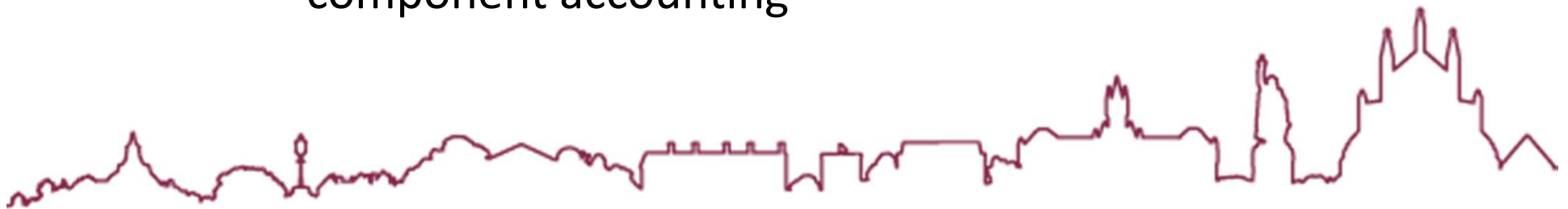
What is the HRA

- Statutory defined and Ring-fenced landlord Revenue account
- Part of the Council and exists within GF
- Not allowed to subsidise/ receive subsidy from GF
- Accounts for all council housing provided under Part II of the 1985 Housing Act
- Distinction between Revenue and Capital
- Can only charge and credit defined costs and income
- Can not budget for cumulative deficit
- Must keep HRA under review and set budgets in Jan/Feb



FINANCIAL FRAMEWORK

- Annual Budget Setting Process
- Annual 30 Year Business Plan review
- Cannot Budget for a deficit
- Rents set annually based on CPI+1%
- Capital investment based upon Asset Investment Plan and Stock Condition Survey
- Can only charge eligible costs to HRA
- Separate debt pool for HRA debt
- Requirement to account for depreciation and component accounting



HRA Business Planning



VOLUNTARY CODE FOR SELF FINANCING

Cash flow Forecast:

The housing authority has put in place a business planning process underpinned by appropriate financial modelling that allows the cash flows of the business to be forecast.

Testing Viability:

The housing authority tests the viability of proposed major capital expenditure projects against the resources generated in the business plan.

Resource Allocation:

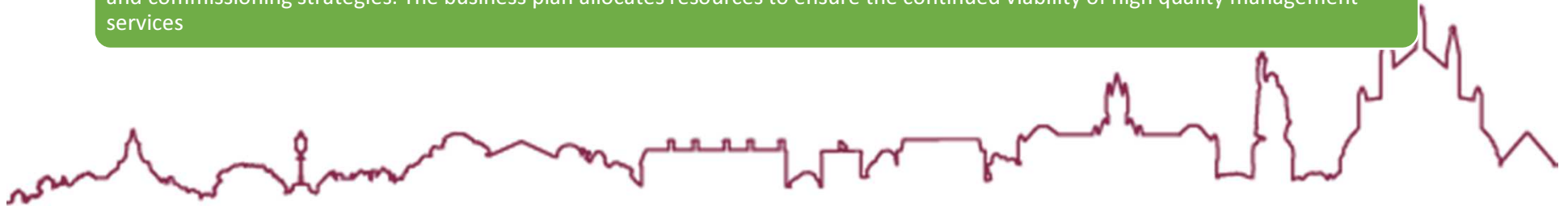
The housing authority ensures that sufficient resources are allocated for the long-term maintenance of the stock and other assets

Key Assumptions regularly Reviewed:

Assumptions are kept under regular review and tested against actual financial performance.

Maintain accurate cost data:

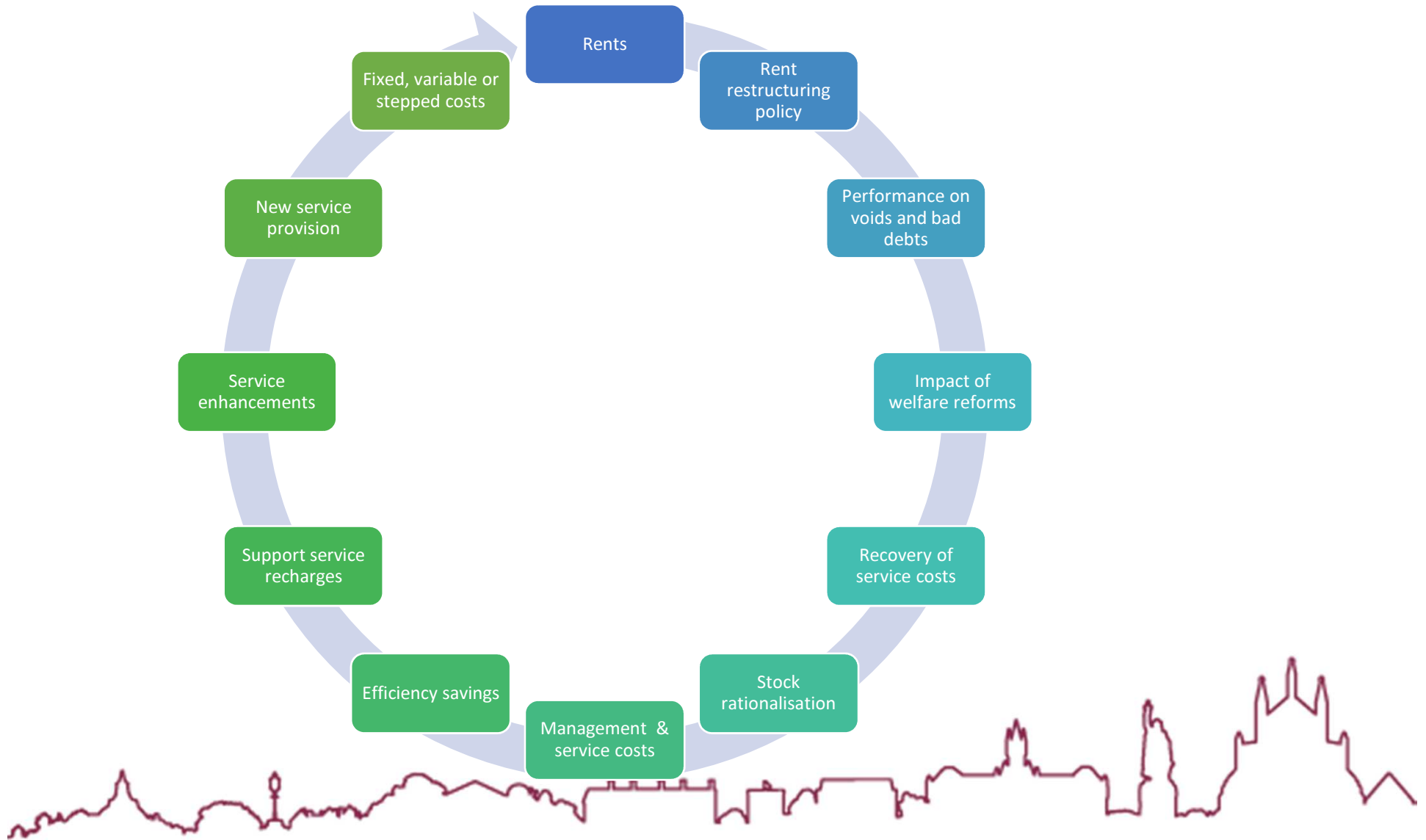
The housing authority maintains accurate data about the cost of its services, and regularly reviews these in relation to its procurement and commissioning strategies. The business plan allocates resources to ensure the continued viability of high quality management services



Key Drivers and Assumptions



KEY ISSUES AND RISKS TO CONSIDER



CURRENT KEY ASSUMPTIONS WITH THE BASE BP

RENTS	Social	AFH	TA
year 2-5	CPI+1%	CPI+1%	CPI+1%
year 5+	CPI	CPI	CPI

INFN	CPI	RPI	Major Works
year 2	0.5%	1.1%	1.60%
year 3+	2.0%	2.5%	3.0%

VOIDS & BAD DEBTS	Social	AFH	TA
year 1	1.6%	0.7%	12.6%
year 2	2.0%	0.8%	13.0%
year 3	4.4%	4.2%	14.0%
year 4+	3.4%	3.2%	13.0%

RTB Sales	Number
year 1+	22

Interest rates on Borrowing	rate
year 1-year 5	1.80%
year 6+	3.50%

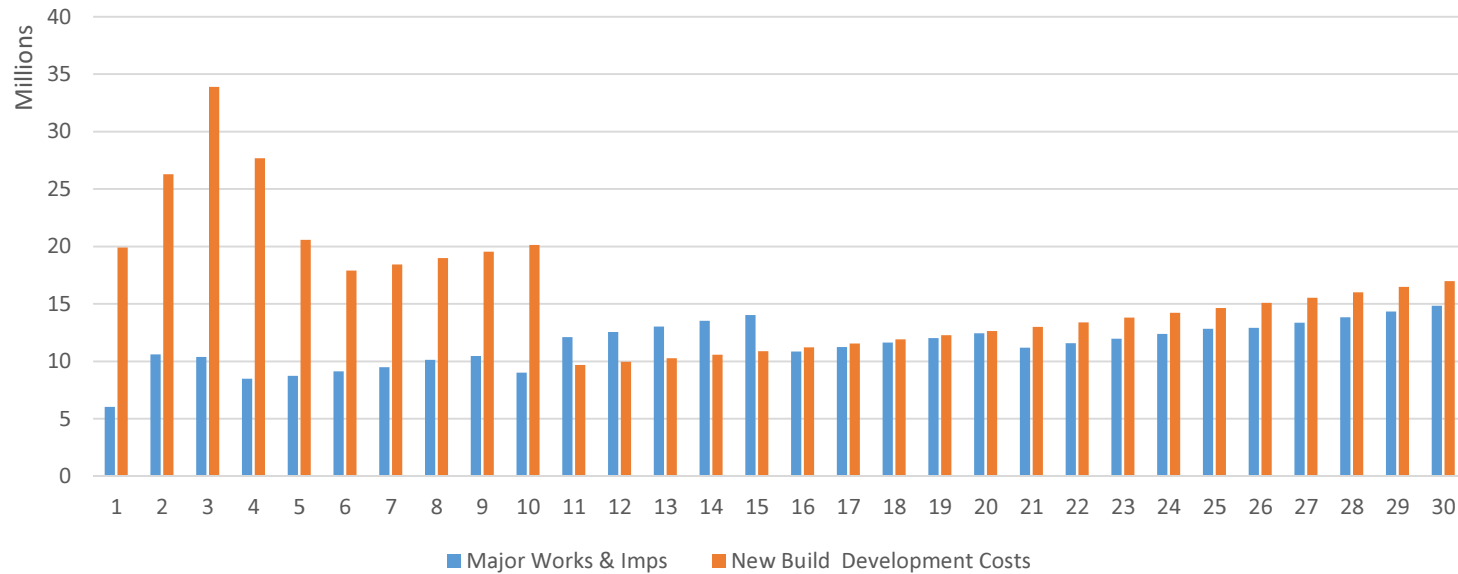


The Proposed HRA Business Plan



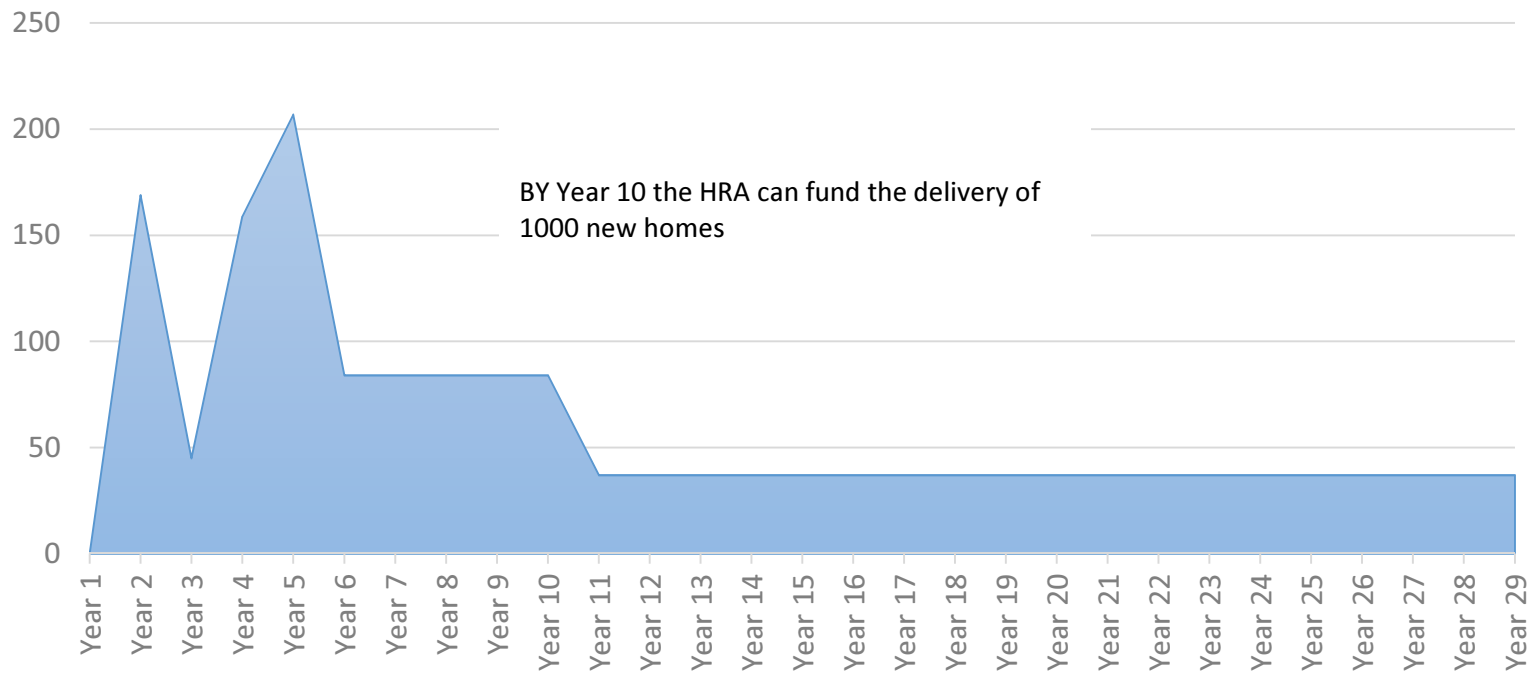
HRA BUSINESS PLAN

Profile of capital expenditure between New Homes and maintaining Decent Homes



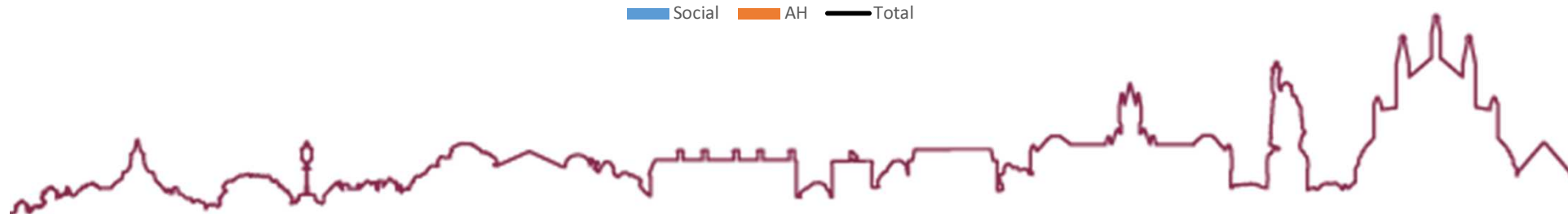
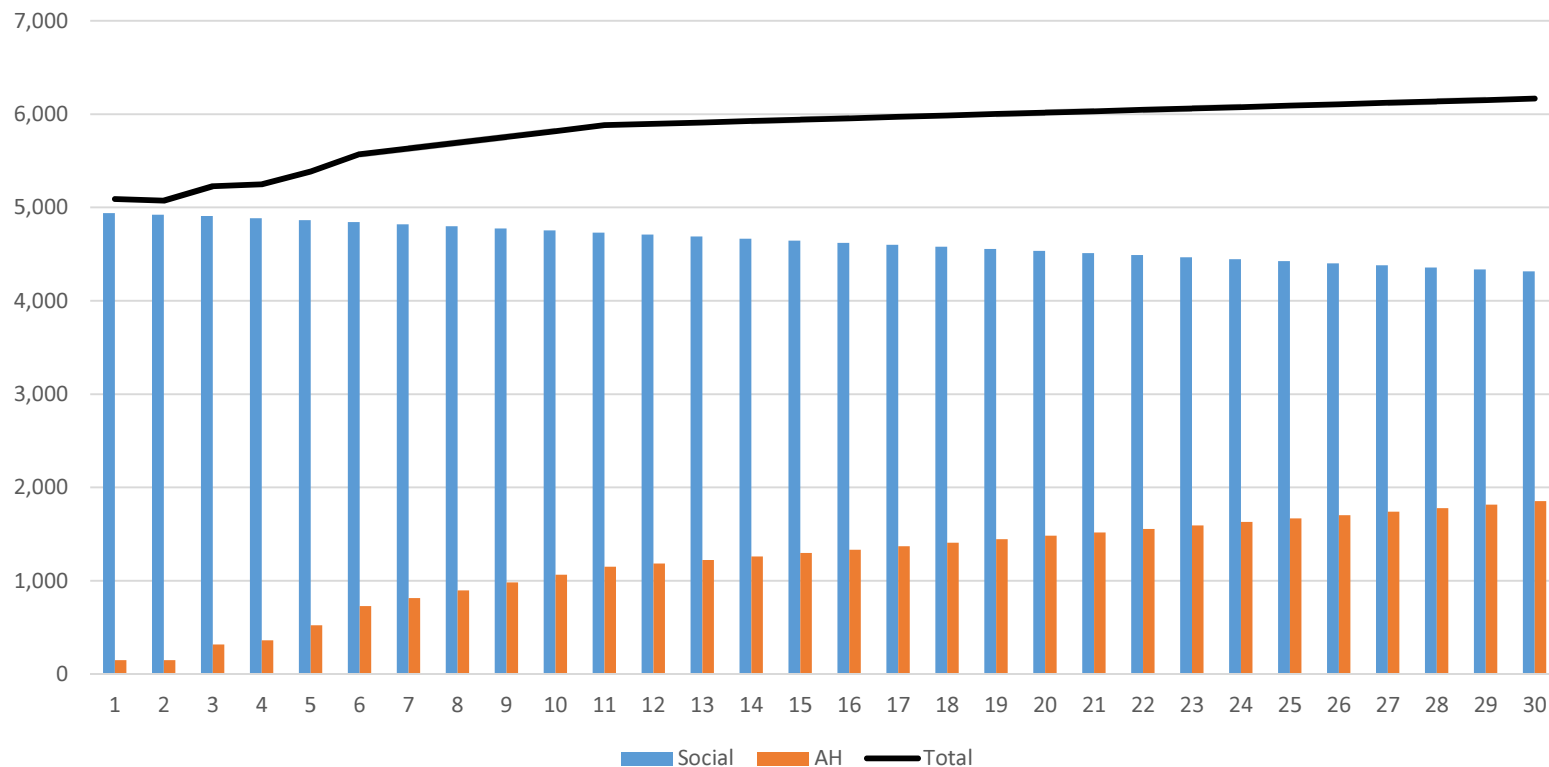
HRA BUSINESS PLAN

Profile of anticipated delivery of New homes over life of Plan



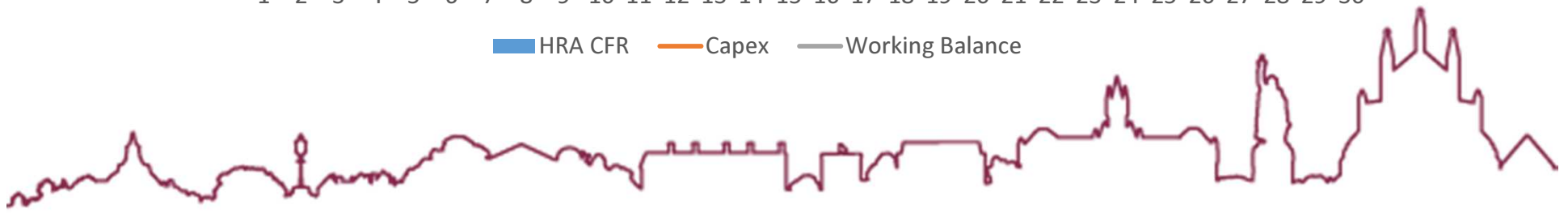
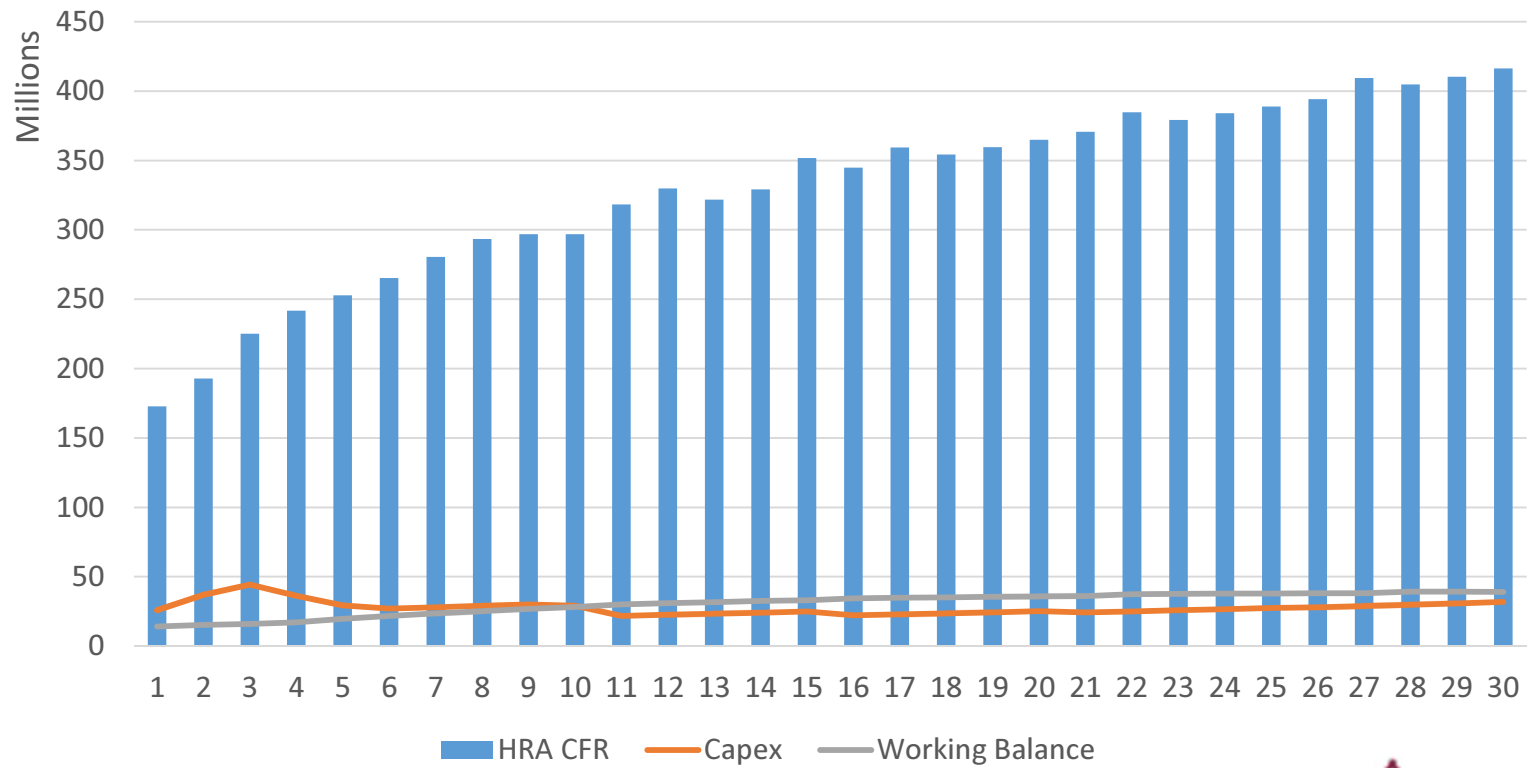
HRA BUSINESS PLAN

Anticipated Change in Stock numbers



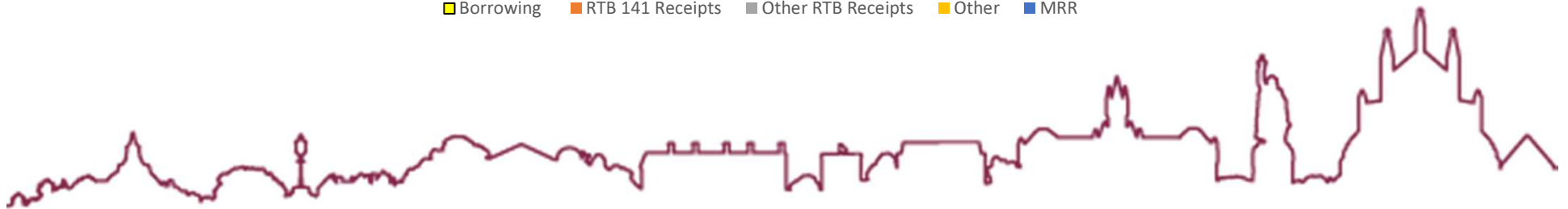
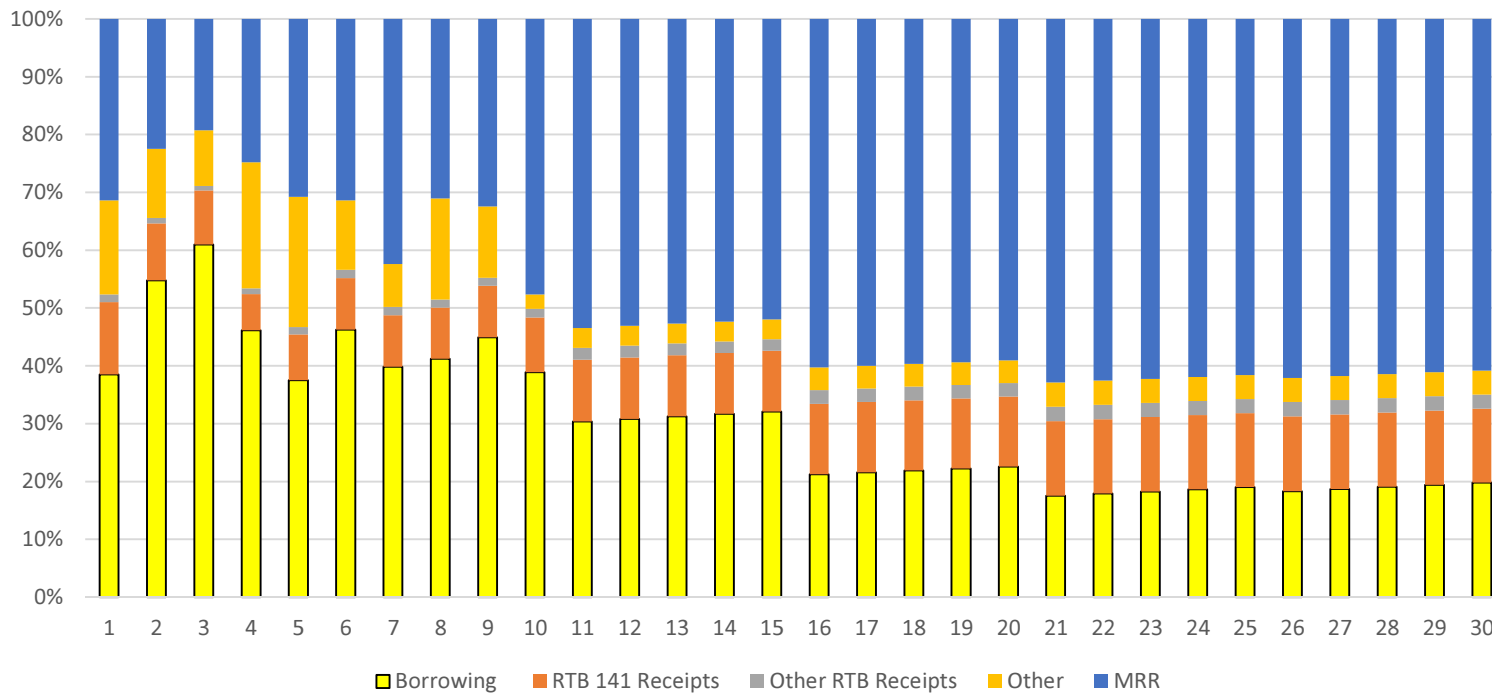
HRA BUSINESS PLAN

HRA Projected Borrowing over 30 years



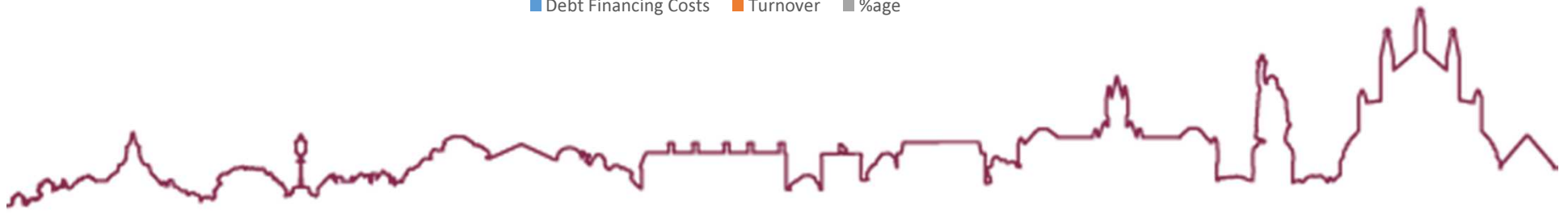
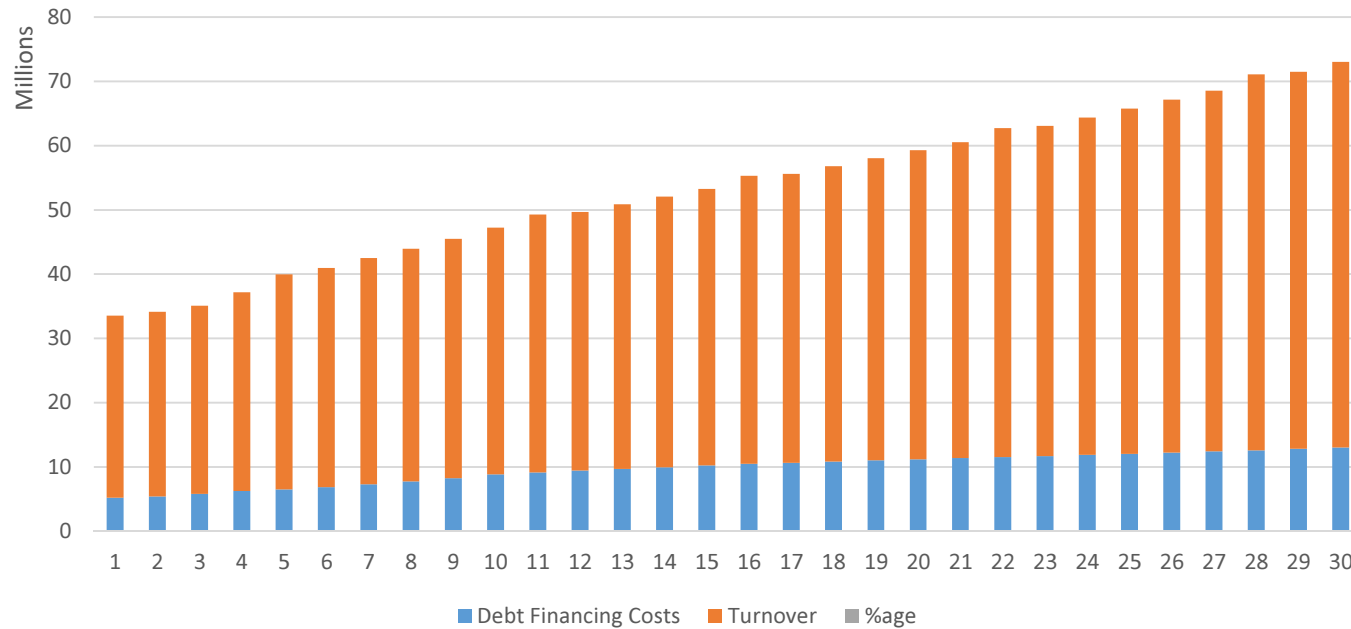
HRA BUSINESS PLAN

The Proposed Funding of the 30 year Capital Programme



HRA BUSINESS PLAN

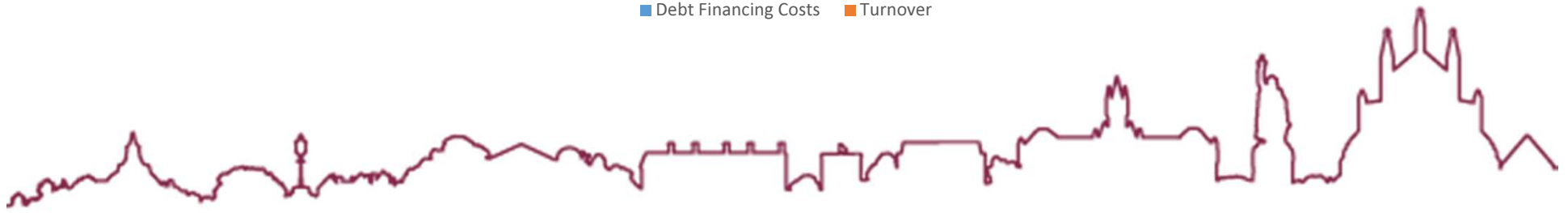
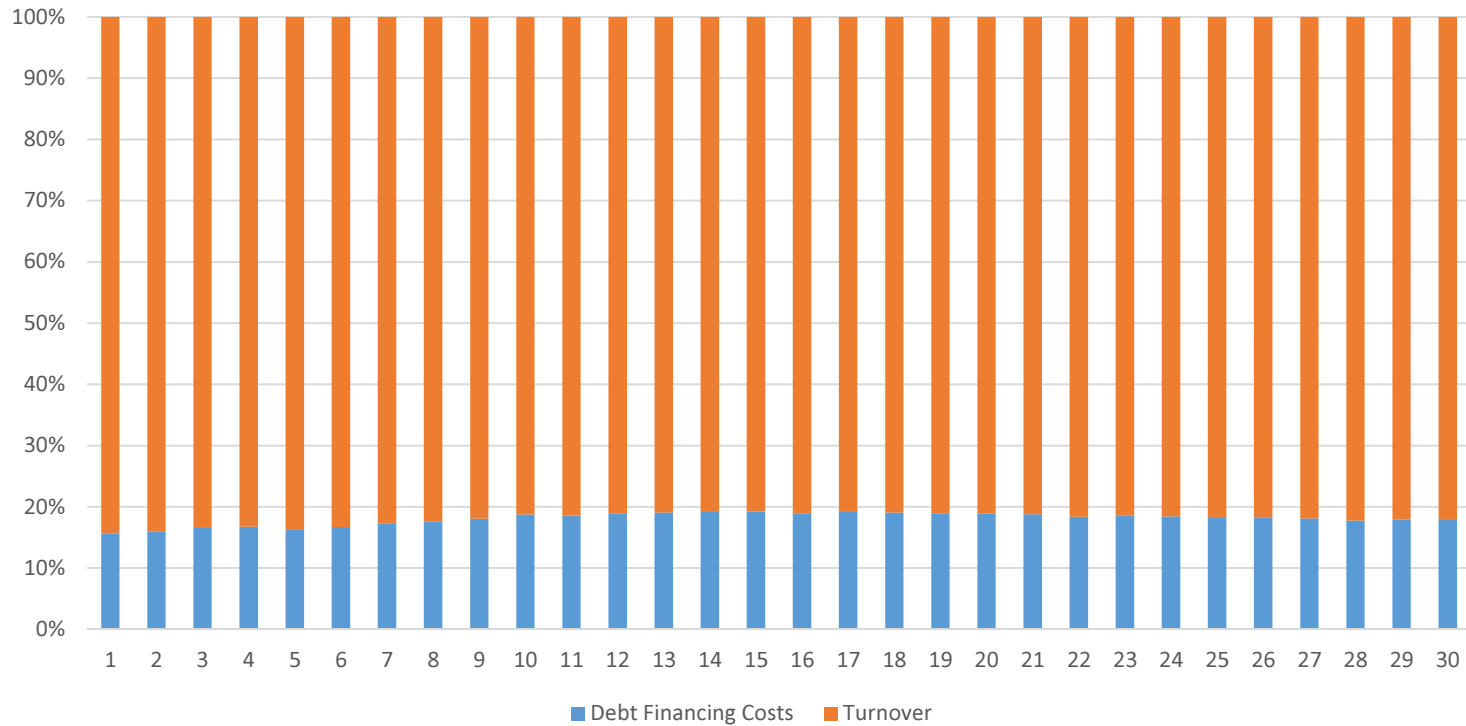
Debt Financing Costs compared to Projected Turnover



HRA BUSINESS PLAN

Indicative 30 year HRA business Plan Profile

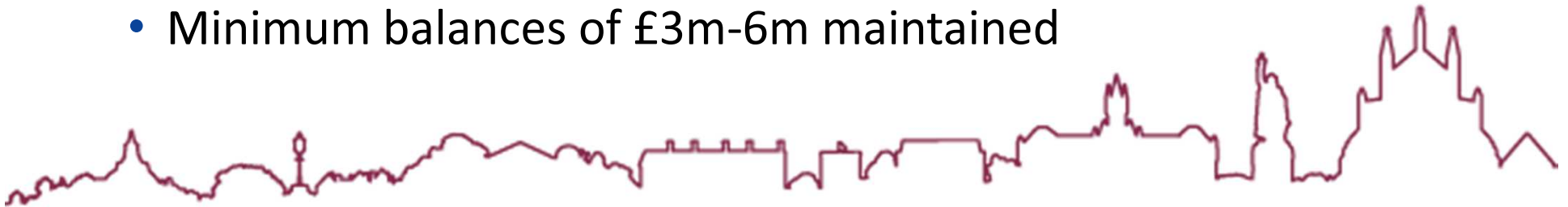
Debt Financing Costs Compared to Turnover



HRA BUDGET BRIEFING

KEY HRA BP OUTPUTS

- Current HRA 30 year business plan is viable and sustainable
- Stock can be maintained at DH+ standard (£345m)
- Significant Investment in New Homes (£500m)
- Increases gross supply of affordable housing by 1,630 units
- Existing Investment in Climate Change £10.7m
- HRA outstanding debt increases from £157m to £407m
- But remains affordable as %age income between 18%-24%
- Minimum balances of £3m-6m maintained



HRA BUDGET OPTIONS – 2021/22

- Carbon Reduction
 - An additional £2.5m in 2021/22 investment in Retro fitting programme (increasing £10.7m to £13.2m)
 - Creation of new post for Energy Officer to support above programme
- New Build - £10m provision for Purchase of land for development
- Tenancy Support – Retain £50k to support UC claimants
- Sewage Treatment - Additional Investment in Sewage Treatment Works £200k (assets require additional investment. Works will also aim to reduce nitrate discharge)

