REPORT TITLE: HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN AND BUDGET OPTIONS

23 NOVEMBER 2021

REPORT OF CABINET MEMBER: CLLR KELSIE LEARNEY – CABINET MEMBER FOR HOUSING AND ASSET MANAGEMENT

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WARD(S): ALL

PURPOSE

The purpose of this report is to update members on the current HRA 30 year Business Plan, and upon the impact of any proposed budget options. It confirms that the proposed business plan is both sustainable and viable over the 30 year period.

The report provides a number of budget options for members to consider and approve and also recommends a rent increase for 2022/23 of 4.1% in line with the national rent policy of Consumer Price Index (CPI) plus 1%.

RECOMMENDATIONS:

That Cabinet:

1. Approve the HRA Business 30 year Business Plan for 2021-22 to 2050-51 as summarised in the Operating Account included as Appendix 4.

2. Support the projected 30 year HRA capital programme of £873m, an increase of £41m on the present plan, subject to the approval of individual schemes, and the proposed long term funding strategy that will see overall borrowing of £368m in year 30 subject to the final detailed HRA budget and the Capital Strategy being approved by Council in February 2021.

3. Note that the business plan is viable and sustainable and will support the council's ambitious delivery of 1,000 new affordable homes over the next ten years. The proposed plan provides sufficient funds over the 30 years to

deliver in total over 1,700 new affordable homes in total.

4. Support the proposal to fund £0.3m new initiatives around the Housing White Paper – “The charter for social housing residents” and invest additional resources in the capacity of the new homes delivery team, the decent homes team and Neighbourhood/Estate Management.

5. Support the proposal to increase the revenue funding for planned and reactive repairs by £0.5m to reflect both increased budget pressures and the cost of delivering an improved void standard to properties prior to letting.

That Cabinet recommend that Council:

6. Approve a rent increase in accordance with the national guidelines for social housing rents, based upon CPI+1%, resulting in a rent increase of 4.1% from April 2022.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

1.1 Providing good quality housing and new affordable homes is a strategic priority for the Council. Effective management of the resources available to the Council enable it to take advantage of new opportunities and ensure that satisfaction levels remain high amongst tenants in relation to their home and community. In particular

1.2 Tackling the Climate Emergency and Creating a Greener District

The Business Plan and budget provision set out in this report includes £15.7m funding to support the retro-fitting of carbon reduction measures to existing homes and to develop new homes in accordance with Passivehaus or equivalent standards. The Plan also has capacity for additional investment in Carbon Neutrality measures in future years and specific proposals will be determined once the impact of existing measures has been assessed.

1.3 Homes for all

Assist with the increase of housing property stock across the Winchester district

1.4 Vibrant Local Economy

Deliver affordable accommodation that allows people to live and work in the community and contribute to the local economy.

1.5 Living Well

The wellbeing of residents are considered within the design of new properties and any substitute properties will be viewed accordingly.

1.6 Your Services, Your Voice

Housing tenants are directly involved in decisions regarding service provision, both through the work of TACT and through regular digital engagement processes. The service continues to review options to provide an improved customer experience, increase opportunities for digital engagement and to ensure satisfaction with services provided by the Council remains high.

2 FINANCIAL IMPLICATIONS

2.1 These are fully detailed in Section 11 of the report and the accompanying appendices.

3 LEGAL AND PROCUREMENT IMPLICATIONS

3.1 Under Part VI of the Local Government and Housing Act 1989 any local authority that owns housing stock is obliged to maintain a Housing Revenue Account. The HRA is a record of revenue expenditure and income in relation to an authority's own housing stock. The items to be credited and debited to the HRA are prescribed by statute. It is a ring fenced account within the authority's General Fund, which means that local authorities have no general discretion to transfer sums into or out of the HRA.

3.2 The Council is required to prepare proposals each year relating to the income of the authority from rents and other charges, expenditure in respect of repair, maintenance, supervision and management of HRA property and other prescribed matters. The proposals should be made on the best assumptions and estimates available and designed to secure that the housing revenue account for the coming year does not show a debit balance. The report sets out information relevant to these considerations.

3.3 Section 76 Local Government and Housing Act 1989 places a duty on local housing authorities: (a) to produce, and make available for public inspection, an annual budget for their HRA which avoids a deficit; (b) to review and if necessary, revise that budget from time to time and (c) to take all reasonably practicable steps to avoid an end-of-year deficit.

3.4 The proposed HRA budget fulfils these requirements. The report also seeks approval for major investment estimates in relation to a variety of schemes. In compliance with Section 151 of the Local Government Act 1972, the Council has in place Financial Procedures which provide appropriate arrangements for the approval of major works estimates. The various major works schemes must be capable of being carried out within the Council's statutory powers. To the extent that the details of the schemes appear from the body of the report, it does appear that the proposed works meet this requirement. In particular the maintenance of dwellings may be considered consistent with the Council's repairing obligation under Section 11 of the Landlord and Tenant Act 1985.

4 WORKFORCE IMPLICATIONS

4.1 Some of the options for consideration for next year's budget may require an additional staffing resource and further details regarding this are set out in section 16.

5 PROPERTY AND ASSET IMPLICATIONS

5.1 In order to meet one of the key principles of the Council Strategy, the HRA is required to provide sufficient financial resources to both maintain existing stock to decent homes standard and to enable new affordable housing to be built to help meet local demands.

6 CONSULTATION AND COMMUNICATION

6.1 The proposals set out in this report have been discussed with TACT representatives and will be presented in full to the next TACT meeting. The TACT representatives expressed a preference for a rent increase in line with CPI rather than the proposed CPI + 1%. They acknowledged the reduced investment in services that would result from a lower rent increase and will provide further comment at the Cabinet meeting.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 As set out above, the Council has approved £15.7m of investment in retro fitting carbon reduction measures to existing homes and this report takes account of this. New Homes schemes are now being brought forward based on achieving net carbon neutral development or as close to it as is possible on specific sites.

7.2 The Housing Service considers environmental factors when preparing and developing major projects e.g. working closely with Planning and Landscape Officers when considering new build developments to meet the required codes for sustainable housing.

8 EQUALITY IMPACT ASSESSEMENT

This document is part of the budget consultation process and the public sector equality duty is considered alongside any relevant budget options.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 All projects set out in this report and the Capital Programme will be subject to individual data protection impact assessments.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
Property *That Council owned dwellings fail to meet decent home standards*	An effective programme of future works and sound financial planning ensures that these standards are met and then maintained.	Self-Financing provides certainty around future resource allocations and facilitates better supply chain management
Community Support *Lack of consultation will affect tenant satisfaction and cause objections to planning applications for new build developments.*	Regular communication and consultation is maintained with tenants and leaseholders on a variety of housing issues. The Council consults with local residents and stakeholders on proposed new build schemes.	Positive consultation brings forward alternative options that may otherwise not have been considered.
Timescales *Delays to new build contracts may result in increased costs and lost revenue.* .	New build contracts contain clauses to allow the Council to recover damages if the project is delayed due to contractor actions.	
Project capacity *The HRA can borrow funds in addition to utilising external receipts and reserves but it must be able to service the loan interest arising and repay debt in the future.* *Staffing resources (not always in Housing) reduce the ability to push forward new schemes at the required pace.*	Regular monitoring of budgets and business plans, together with the use of financial assessment tools enables the Council to manage resources effectively. Staffing resources have been reviewed to support the delivery of the enhanced new build programme.	The Council monitor's government announcements on the use of RTB receipts and potential capital grant funding. Given the challenging nature of the delivery targets it may be necessary to review the resourcing requirements needed to successfully deliver this step change in anticipated activity
Financial / VFM *Risks, mitigation and*	New build Schemes are financially evaluated and	

opportunities are managed through regular project monitoring meetings	have to pass financial hurdles and demonstrate VFM. In addition Total Scheme Costs contain provision for 5% contingency on build and 10% on fees for new build developments that take account of potential residual development and sales risk.	
Legal *The provision of social housing is a statutory requirement. Changing Government priorities place a greater emphasis on social housing which must be monitored and considered within planning of future new build projects.*	Government statutory requirements and policy changes are being monitored to identify any new risks or opportunities that they may bring.	To create new housing developments within new guidelines and drawing on innovative thinking.
Innovation *The creation of a Housing Company to support the new build programme is introduced without reference to existing rules and consents.*	External legal and business planning advice has been sought to ensure the Council has the most appropriate and effective solution and that any developments are only undertaken if they are financially viable.	A Housing Company has the potential to increase the available supply of affordable housing to support our residents.
Reputation *Failure to complete major housing projects due to lack of resources would have a direct impact on both customer satisfaction and the Council's reputation.*	Business planning tools with regular updates are utilised to make sure resources are available to complete projects.	
Other – None		

11 BACKGROUND

11.1 The 2012 Self-Financing HRA reforms and settlement resulted in the City Council buying itself out of the previous tightly controlled national HRA subsidy system. This system which had operated since 1989 was widely discredited in that it sought to redistribute notional HRA surpluses and deficits and relied upon annual notifications of financial resources. This discouraged any council from growing or improving the efficiency of its local HRA.

11.2 When Self-Financing was implemented councils in deficit had debt paid off whilst councils in surplus took on new debt. Winchester City Council was a surplus subsidy council and bought itself out of the previous system by taking on an extra £156m of new debt. This enabled the council effectively to take back ownership of its HRA and of all future income streams. At this time, it was envisaged and hoped that this would lead to the unlocking of resources and to the development of a significant national number of new affordable homes and incentivise a real step change in Local Authority strategic ambition and delivery capacity.

11.3 However this aspiration was curtailed and constrained by the Government's reluctance to allow councils to borrow for HRA housing investment, with individual borrowing caps imposed upon all councils as part of the self-financing settlement. Nevertheless, after 2012 the HRA could effectively be run in a more business-like way, with varying degrees of control over its own assets and revenue streams.

11.4 In October 2018 the Government removed the HRA borrowing cap replacing it with the same borrowing regime as applied to the General Fund, Prudential Borrowing. The key requirements of the Prudential Code are that capital investment plans are affordable, prudent and sustainable. On 12th March 2020 the Government further announced that HRA borrowing would now be available at a reduction of 0.8 basis points below other PWLB certainty borrowing rates. Current 50 year PWLB rates are at a historically low rate of under 2% In addition the HRA is not required to set aside any annual Minimum Revenue Provision (MRP) towards the outstanding debt as is the case in the GF. The LGA described the abolition of the debt cap as a game changing opportunity for local authorities.

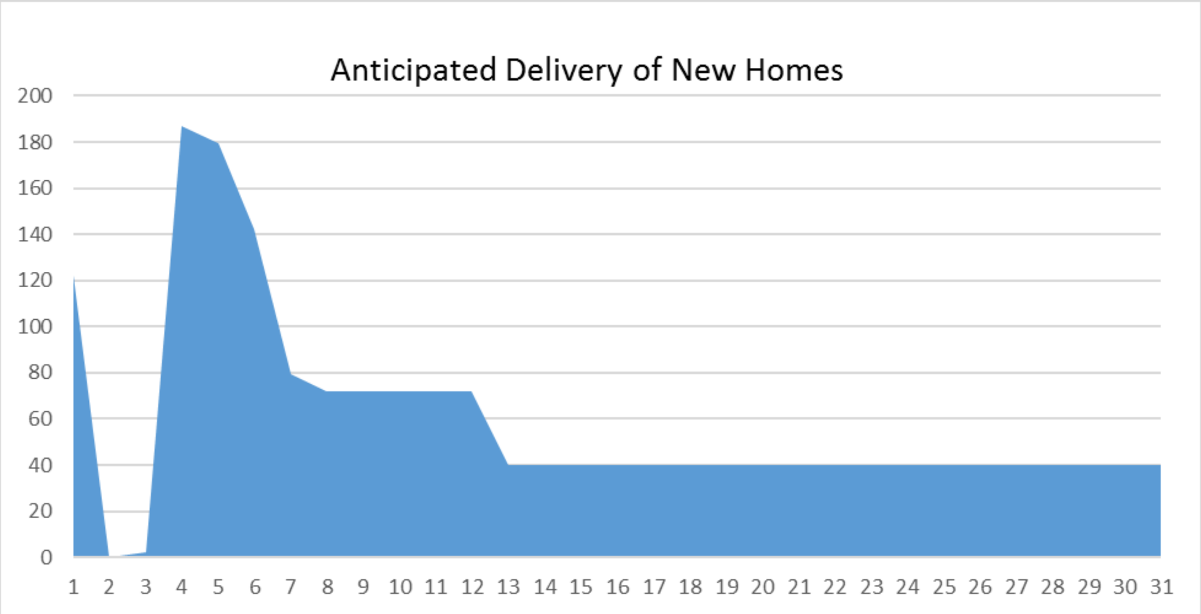
11.5 The 30-year HRA business plan remains the annual measure of the viability and sustainability of the HRA. The Business Plan projects future HRA revenue and capital budgets based upon future assumptions on key variables such as interest rates, inflation and Social rent policy, proposed future capital investment plans and associated funding requirements. Essentially the 30-year Business Plan demonstrates to stakeholders the impact of future investment decisions upon the sustainability and viability of the HRA.

12 THE PROPOSED 30 YEAR BUSINESS PLAN

12.1 The general assumptions and forecasts used in the Plan have been reviewed and amended where considered necessary. The details of the key assumptions made are shown in Appendix 1. The current 30 Year Business Plan has been updated for changes in stock, actual average rent and service charges and projected HRA forecast outturn at period 5.

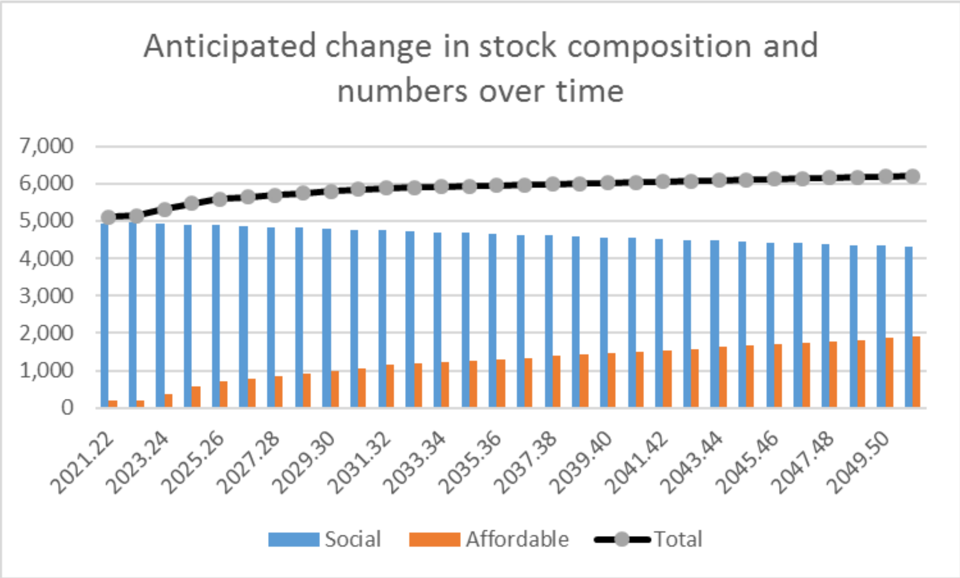
12.2 All of the identified current New Build Schemes have been individually reviewed and the financial cash flow impact profiled in line with delivery expectations. The financial impact of this is now reflected within the proposed investment plans.

12.3 In addition, the council's objective of delivering 1,000 new affordable homes is fully recognised and funded within the current business plan. The profiled delivery of new homes is shown over the life of the business plan, with the target of 1,000 funded to be achieved within the first 10 years. The 30 year plan has sufficient resources to deliver an estimated 1,700 new affordable dwellings over the life of the plan.



12.4 Year 1 of the above table is 2021-22 (the current year). The profile reflects the delivery of the Valley and Hookpit schemes completing 122 units in 2021 (the start of the 10 year programme) and reflects the 2 year gap between "start on site" and delivery for the next major schemes in the programme (Winnall and Whitely).

12.5 The proposed business plan will see funding in place to deliver in total around 1,700+ new affordable homes over the next 30 years including shared ownership of 305 units. The makeup of the stock, and forecast changes over time is shown below



13 RENT POLICY

13.1 The Rents for both social and affordable housing are now set in accordance with the guidance issued by the Regulator of Social Housing. The current policy framework applies to all registered social landlords, both local authorities and private registered providers (Housing Associations). This policy gives landlords a degree of certainty for 5 years from April 2020 that rents will be allowed to increase annually by a maximum of CPI+1% (based on CPI in September of the preceding year). The first year of this policy was 2020-21 and this followed 4 years of real actual annual rent reduction of 1% under the Welfare Reform Act 2012.

13.2 The calculation of social rents is based upon a formulae of 70% relative earnings to 30% relative property value, applied to each individual properties value in January 1999, and then adjusted for bedroom size. This is then inflated by an index of applied annual rent increases to arrive at a current formula target rent for each property. There are also caps or limits on the maximum amount that can be charged by bed size. However as the government applied caps and limits to the permitted increases over a number of years it is possible that some tenants are paying less than the formula target rent. If a social rented property is re-let and the current actual rent is below the formula target, then the rent can be increased to the formula target rent. By contrast affordable rent is based on a maximum of 80% of certified market rent, and when affordable property is re-let the certified market value must be reassessed.

13.3 The formulae target rent is the rent level that the Government believe should be charged for a particular social tenancy taking account as it does the size and location of the property. However because of the previous impact of caps and limits upon actual rent increase in 2020-21 only 664 social dwellings are at target formula rent levels with some 4,216 being below the formulae target rent. The size of this gap represents an annual loss to the HRA of £453k. If members chose to limit the size of any rent increase below guideline this gap increases. When property becomes void and is relet it is the Councils policy to relet it at formulae target rent.

13.4 The current Business Plan assumes that the rents will continue to comply with this guidance and the increase will be in line with the maximum allowed by the Regulator. The September CPI was 3.1% so the proposed rent increase will be 4.1%. The impact of this in terms of weekly rents for Winchesters housing stock by type and bed size is shown below.

14 RENT OPTION 1 - A GUIDELINE RENT INCREASE OF CPI+1%.

14.1 The average rent for an affordable dwelling would increase from £163.35 per week to £170.04 per week an increase of £6.69 or 4.1%. This would be inclusive of any service charges and their associated increases.

14.2 The average rent for a social dwelling would increase from £103.58 per week to £107.82 per week an increase of £4.24 or 4.1%. Service charges are payable on top of the rent charge for this type of accommodation.

14.3 For information the Current and recent LHA rates for 1-4 bed properties in Winchester is shown below, the LHA is set at the 30th percentile of properties available to let and the 2022-23 LHA rates will be announced in March 2022.

Option 1: Rent Increase of CPI+1% - Affordable Rent Properties:

Bedsizes	Property No.s	Average Affordable Actual Rent	Min Rent 21-22	Max Rent 21-22	Average Affordable Rent 2022-23	Min Rent 2022-23	Max Rent 2022-23
0	1	£189.81	£189.81	£189.81	£197.59	£197.59	£197.59
1	79	£141.57	£116.71	£161.54	£147.37	£121.50	£168.16
2	70	£170.60	£119.65	£191.92	£177.59	£124.56	£199.79
3	38	£192.89	£143.48	£243.60	£200.80	£149.36	£253.59
4	1	£227.35	£227.35	£227.35	£236.67	£236.67	£236.67
Grand Total	**189**	**£163.35**	**£116.71**	**£243.60**	**£170.04**	**£121.50**	**£253.59**

Option 1: Rent Increase of CPI+1% - Social Rent Properties:

Bedsizes	Property No's	Average Actual Rent 2021-22	Min Rent 21-22	Max Rent 21-22	Average Rent 2022-23	Min Rent 22-22	Max Rent 2022-23
1	1670	£89.56	£72.22	112.64	£93.23	£75.18	£117.26
2	1636	£103.73	£84.40	129.6	£107.98	£87.86	£134.91
3	1501	£117.89	£98.34	153.4	£122.72	£102.37	£159.69
4	69	£126.86	£91.34	149.64	£132.06	£95.08	£155.78
5	1	£146.83	£146.83	146.83	£152.85	£152.85	£152.85
6	1	£144.32	£144.32	144.32	£150.24	£150.24	£150.24
Grand Total	**4878**	**£103.58**	**£72.22**	**153.4**	**£107.82**	**£75.18**	**£159.69**

Winchester Local Housing Allowance Weekly Rent Limits

-	Room(s)			
Year	**1**	**2**	**3**	**4**
LHA April 2019-20	£148.30	£182.45	£211.87	£312.77
LHA April 2020-21	£152.75	£182.45	£211.87	£322.15
LHA April 2021-22	£166.85	£197.92	£253.15	£368.22

15 RENT OPTION 2 - A RENT INCREASE OF CPI INSTEAD OF CPI+1%

15.1 The option to have a lower rent increase than the guideline maximum rent increase is worthy of consideration. However, it should be noted that a rent increase of CPI only (3.1%) would lead to the HRA having working balances in year 30 of £10.953m lower at only £4.958m.The net NPV cost to the HRA would be £7.5m in today's prices over the 30 year life of the plan. This would be at the level required to maintain the minimum working balances but would have a significant impact on future funding for housing services, with the reduction in income being sufficient to fund an additional 58 new affordable homes.

15.2 Because of the Government imposed real reductions of 1% between 2016-17 and 2019-20, the average annual increase in rents over the last 10 years is only 1.9%.

15.3 It should be noted that a decision to set a rent lower than CPI+1% would have no beneficial impact to residents in receipt of benefits or universal credit. All support payments are adjusted to reflect rent decisions up to the maximum of CPI+1% and the Government anticipate registered landlords setting rents in accordance with the national policy.

15.4 The average rent for an affordable dwelling would increase from £163.35 per week to £168.41 per week an increase of £5.06 or 3.1%. This would be inclusive of any service charges and their associated increases.

15.5 The average rent for a social dwelling would increase from £103.58 per week to £106.79 per week an increase of £3.21 or 3.1%. Service charges are payable on top of the rent charge for this type of accommodation.

Option 2: Rent Increase of CPI only – Affordable Rent Properties:

Bedsizes	Property No.s	Average Affordable Actual Rent	Min Rent 21-22	Max Rent 21-22	Average Affordable Rent 2022-23	Min Rent 2022-23	Max Rent 2022-23
0	1	£189.81	£189.81	£189.81	£195.69	£195.69	£195.69
1	79	£141.57	£116.71	£161.54	£145.96	£120.33	£166.55
2	70	£170.60	£119.65	£191.92	£175.89	£123.36	£197.87
3	38	£192.89	£143.48	£243.60	£198.87	£147.93	£251.15
4	1	£227.35	£227.35	£227.35	£234.40	£234.40	£234.40
Grand Total	**189**	**£163.35**	**£116.71**	**£243.60**	**£168.41**	**£120.33**	**£251.15**

Option 2: Rent Increase of CPI only - Social Rent Properties:

Bedsizes	Property No's	Average Actual Rent 2021-22	Min Rent 21-22	Max Rent 21-22	Average Rent 2022-23	Min Rent 22-22	Max Rent 2022-23
1	1670	£89.56	£72.22	£112.64	£92.33	£74.46	£116.13
2	1636	£103.73	£84.40	£129.60	£106.95	£87.02	£133.62
3	1501	£117.89	£98.34	£153.40	£121.54	£101.39	£158.16
4	69	£126.86	£91.34	£149.64	£130.80	£94.17	£154.28
5	1	£146.83	£146.83	£146.83	£151.38	£151.38	£151.38
6	1	£144.32	£144.32	£144.32	£148.79	£148.79	£148.79
Grand Total	**4878**	**£103.58**	**£72.22**	**£153.40**	**£106.79**	**£74.46**	**£158.16**

16 OTHER BUDGET OPTIONS

16.1 Additional funding of £500k is has been included in the Business Plan and budget modelling to support:

a) £200k towards the cost of delivering an improved Void Property standard. The current standard has been in place for some years and does ensure properties are clean, habitable and with all safety checks completed. However, some properties will still require very significant decorating works and the current standard is considered to fall below that offered by other registered providers in Hampshire. It is therefore proposed that a new improved standard be developed in consultation with TACT and tenant representatives.

b) £300k to fund current budget pressures caused by redirected spend from major works that does not meet the accounting requirements to capitalise.

16.2 Proposal for additional Resources – Pressures on Housing teams have increased directly as a result of increased New Homes investment and additional measures regarding retrofitting of existing stock. In addition, the recent social housing white paper “The charter for social housing residents” highlighted the importance of effective neighbourhood and estate management. This forecasts/projections in this report include an additional £300k to fund additional resources as set out below:

a) New Homes – An additional project manager to ensure existing schemes are progressed and to increase capacity for new schemes and land acquisitions to support delivery of the 10 year programme now set out in the business plan.

b) Property Services – Additional surveying resource to support the delivery of the retrofitting programme (£1.5m annual programme), as well as an additional officer to provide back office support to the surveying team and improve customer liaison, complaint resolution etc

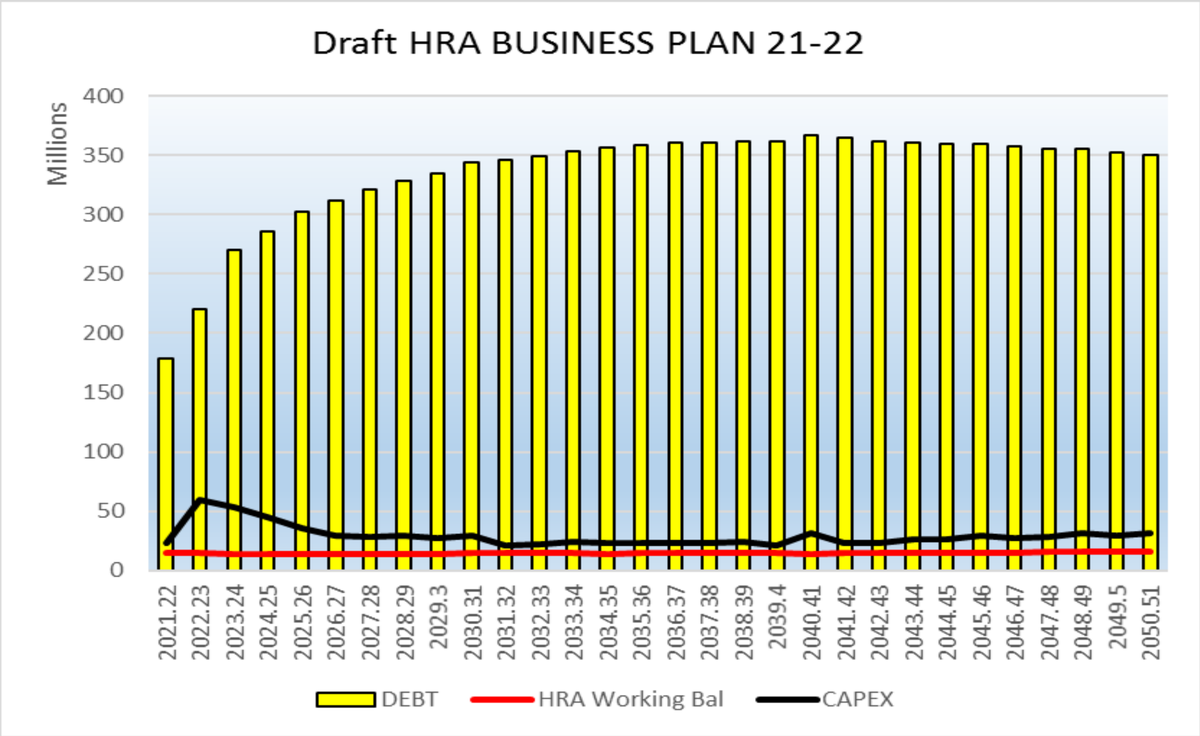
c) Neighbourhood Estate Services – 2 additional neighbourhood services officers to ensure sufficient capacity for monitoring estate services (grounds maintenance. Cleaning etc), improving tenant liaison and establishing an improved inspection programme for whole estates (not just communal housing). The provision also includes a £50k to fund additional estate maintenance works and to take timely interventions to address problems and maintain high standards on housing land. This investment will free up General Fund Neighbourhood services resources to focus on town centre management, fly tipping and wider community safety work.

16.3 Additional Energy Works – A rent increase of CPI+1% would generate sufficient capacity within the Business Plan to fund an additional annual extra £0.5m investment in working towards carbon neutrality for the Council's existing homes. This could help to accelerate existing plans to improve energy efficiency of the housing stock. Achieving carbon neutrality for the stock is estimated to cost in the region of £45m and this additional capacity, along with the £15.7m already allocated would fund over half of this requirement. Any shortfall will need to be met from national programmes and grant funding and the Energy Officer approved as party of the 2021/22 budget will lead on preparing bids for future programmes. It should be noted however that an inflation only rent increase would result in no additional capacity over and above existing programmes to fund additional carbon reduction measures.

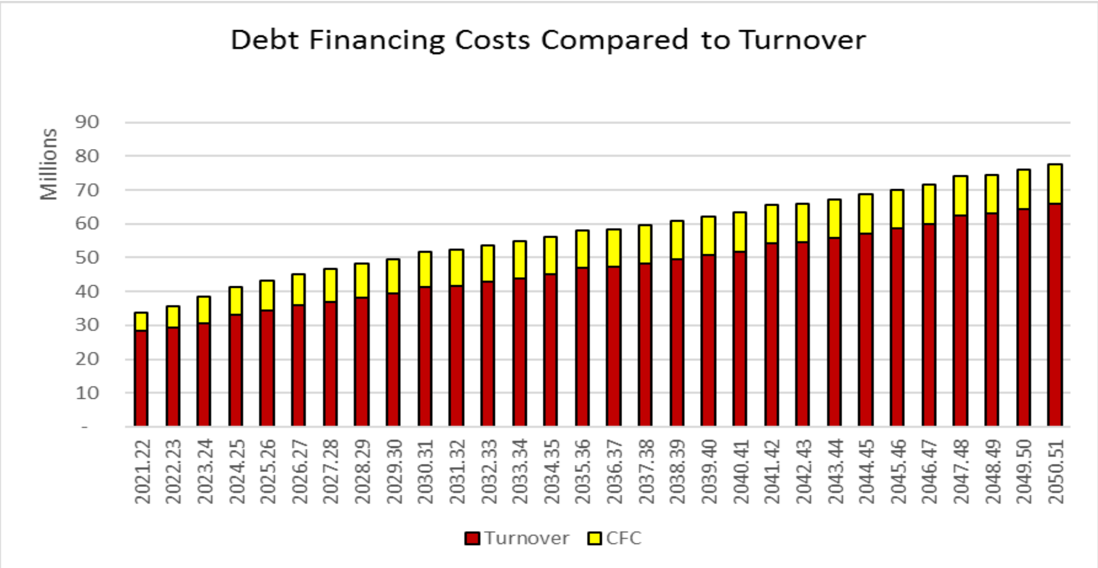
17 HRA FUNDING STRATEGY

17.1 To facilitate the investment requirement needed to deliver the councils housing new build targets the HRA business plan external borrowing will need to increase from £178m to £367m, an increase of £189m over the life of the plan. This is necessary to deliver the step change in the anticipated delivery of new homes over the life of the plan. This will require over £165m of investment in new homes over the next 5 years and take advantage of the current historically low level of PWLB interest rates and the ability of the HRA to borrow prudentially.

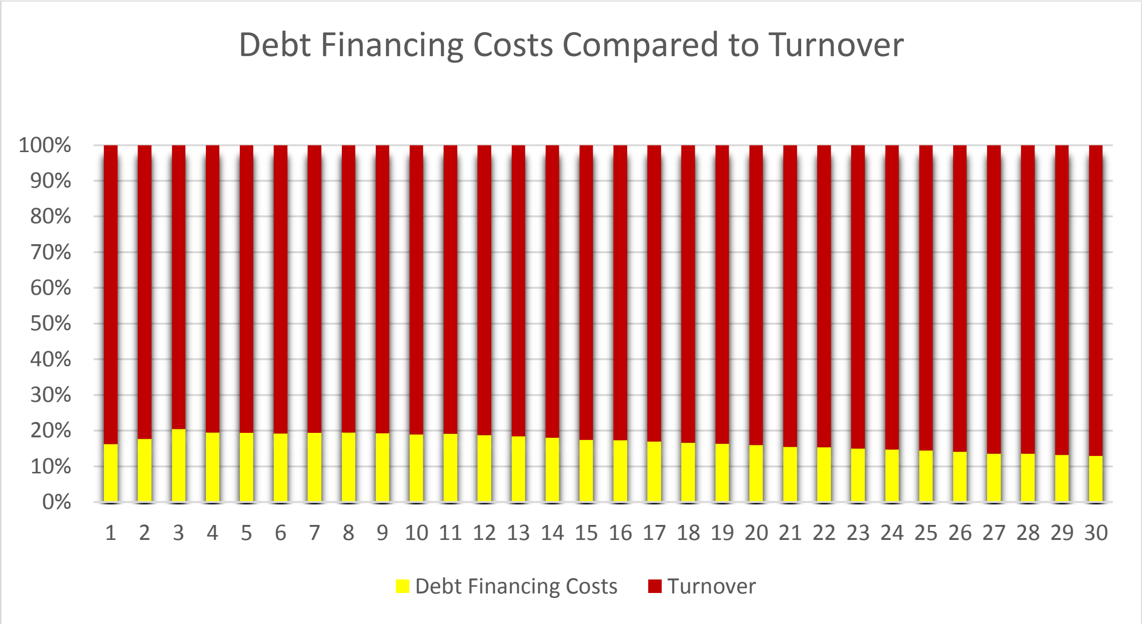
17.2 The interplay of capital investment, borrowing and the HRA working balance are shown over. The average amount of annual capital investment is £29.1m, and the projected HRA reserves at year 30 is £15m. See Appendix 4 for key HRA financial metrics



18 The projected increase in borrowing needs to be considered against the growth in both the asset base and the increase in turnover that this will facilitate. The increase in borrowing remains affordable as the interest costs can be funded from within the HRA and the associated increase in both the asset base and in turnover mean that the ratio of debt to income remains affordable



19 Looking at the relative relationship between the debt financing costs and turnover, the ratio of debt to turnover remains fairly constant at between 17%-26%. The assumptions surrounding new debt assume that new loans between now and March 2025 are taken out at an average of 3% and thereafter 3.5%, taking account of current short term interest rate uncertainty.



16 OTHER OPTIONS CONSIDERED AND REJECTED

16.1 The option to have a nil increase in rents was also modelled. The impact of no increase would have a cumulative detrimental impact over the life of the plan. Modelling demonstrated that the proposed HRA 30 year business plan would not be financially viable nor financially sustainable in such a situation, with negative working balances from year 18. The net NPV cost to the HRA in today's prices over the 30 years would be a loss of £29.027m. The lost income could theoretically fund 152 new affordable homes. This option has therefore been discarded as being unviable.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB 3275 – HRA Budget, Business Plan & Budget Options 2020/50 – 16 Dec 2021

CAB3111 – HRA Budget 2019-20 & Business Plan 2019/49 – 30 Jan 2019

CAB3016 (HSG) – HRA Budget 2018/19 & Business Plan 2018/48 – 31 Jan 2018

Other Background Documents:-

APPENDICES:

APPENDIX 1 – HRA BUSINESS PLAN ASSUMPTIONS

APPENDIX 2 - CAPITAL INVESTMENT AND THE ASSET BASE

APPENDIX 3 - HRA OPERATING ACCOUNT 2021-22 to 2050-51

APPENDIX 4 – HRA 30 YEAR BUSINESS PLAN KEY METRICS

APPENDIX 1 – HRA BUSINESS PLAN ASSUMPTIONS

There are a number of assumptions required for the 30 year HRA business plan. The key assumptions are detailed below.

Inflation

Year	RPI	CPI	Repairs
2022-23	3.00%	3.01%	3.00%
Thereafter	3.00%	2.00%	3.00%

NB the September 2021 RPI was 4.9% and the CPI was 3.1% as published by the ONS. In addition repairs contracts are often linked to BCIS factors, produced by RICS. The assumed inflation rate for costs (RPI) included in the HRA business plan is 3.00% (2.5% in 2021-22). RPI affects cost drivers and CPI income.

Rent Increases

Year	Social & Affordable Rents	Shared Ownership Rents
2022-23	CPI + 1%	RPI + 1%
2023-24	CPI + 1%	RPI + 1%
2024-25	CPI + 1%	RPI + 1%
Thereafter	CPI + 0%	RPI + 1%

NB Affordable rents have a requirement to “rebase” the rent level in relation to current market rents when a property is re-let. However, in business planning terms, it is assumed that market rent income will rise in line with CPI.

Voids and Bad Debts

Year	Voids			Bad Debts		
	Social	Affordable	Temp Acc.	Social	Affordable	Temp Acc.
2022-23	2.00%	5.00%	24.00%	0.50%	0.50%	0.80%
2023-24	1.80%	2.00%	20.00%	2.00%	2.00%	2.00%
Thereafter	1.80%	2.00%	20.00%	2.00%	2.00%	2.00%

Appendix 2 (continued)

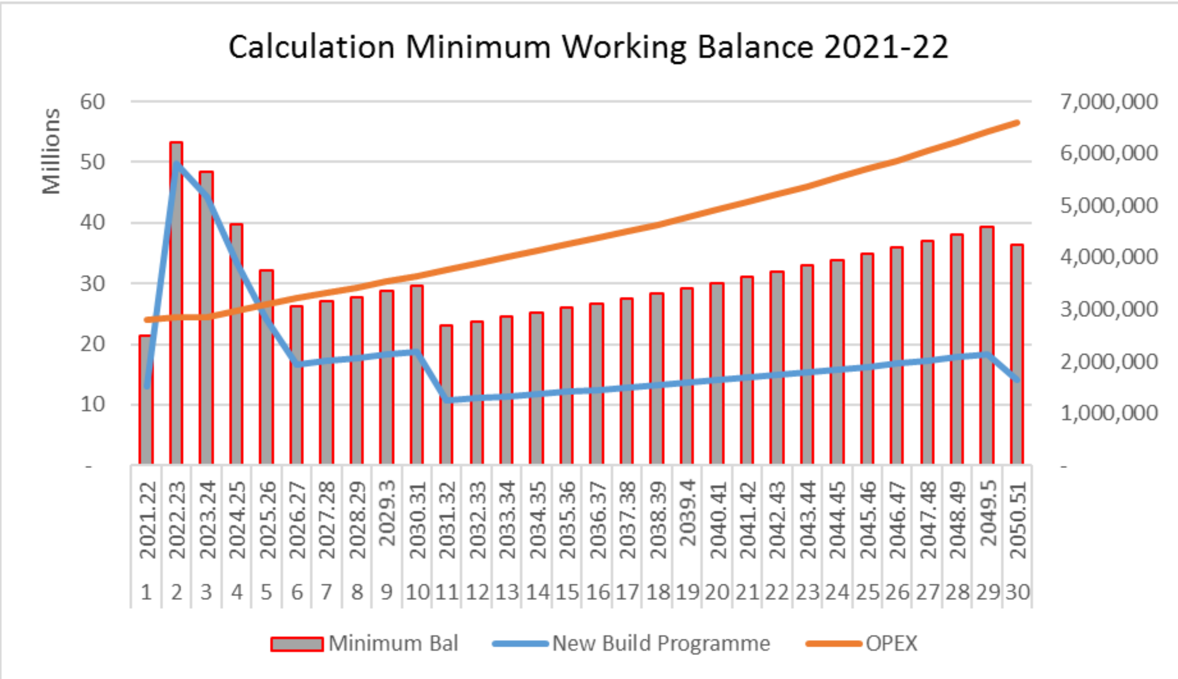
Right to Buy Sales

A review of the average number and value of RTB sales shows since the introduction of the reinvigorated RTB in 2012 that on average 22 sales have completed each year at a value in 2021-22 of £257k.The average discount that a tenant receives is currently £82,283, equivalent to 32% of the market value.

23 sales have been assumed for 2021-22 and all subsequent years.

HRA Working Balance

The minimum HRA working balance for 2020-21 has been reviewed in light of the challenging delivery and scale of investment required in new affordable housing with its inherent development/sales risks. It is now recommended that the minimum working balance should be set at 5% of the operating revenue expenditure and 10% of the annual new build programme. This will result in a minimum working balance shown below against the current budget for these two key activities. In 2022-23 this will be set at £6.2m.



Interest Rates and Borrowing

Internal

All internal transactions with the General Fund are determined by the Treasury Management Strategy approved by the Council and the statutory item 8 Debit determination. All interest rates are variable and the current rates are set at 0.01% on both internal borrowings and credits in the HRA and reserves in light of the latest corporate guidance.

External

The current Housing Revenue Account Capital Financing Requirement (HRACFR) an indication of the indebtedness and need to borrow within the HRA is largely financed by external loans with interest rates ranging from 1.95% to 3.52% depending on the length of the loan. The current average cost of capital is under 3.2%

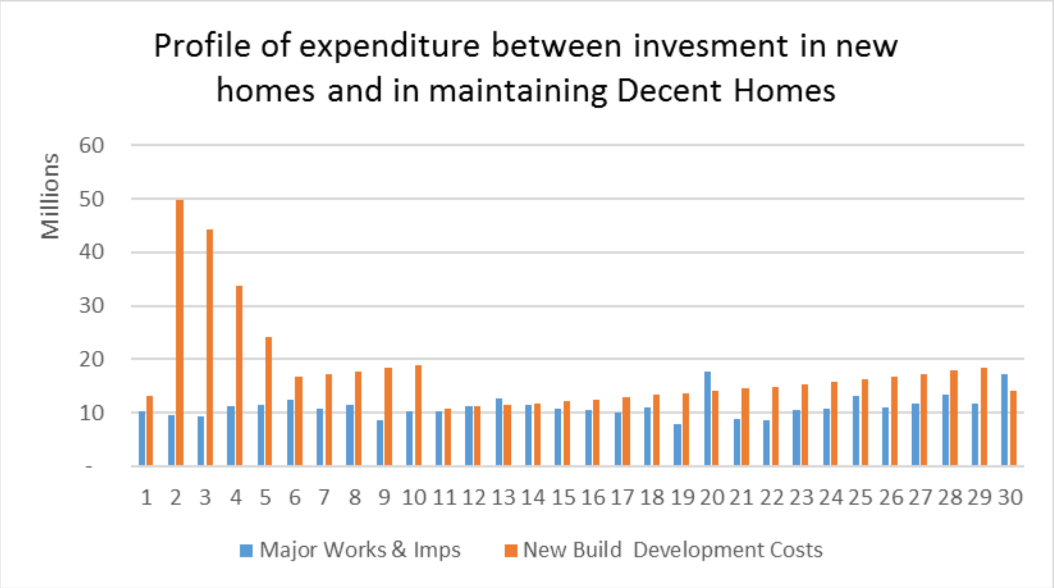
The latest business plan assumes that further external borrowing of £11.455m is undertaken in 2021-22 at an interest rate of 3.0%. Thereafter the plan assumes that prudential borrowing is undertaken in order to finance capital expenditure, after the application of available RTB 1-4-1 funds, grants and Major Repairs Funding as necessary. The current HRA Capital Financing Requirement the (HRA CFR) increases over the life of the plan to £367m at year 30, an increase of £189m.

All current loans that expire during the plan are assumed to be refinanced. It is assumed that all new loans will bear an interest rate of 3% up to March 2025 and 3.5% thereafter. In the first 5 years it is assumed that £124m of capital investment will be financed from borrowing.

APPENDIX 2 CAPITAL INVESTMENT AND THE ASSET BASE

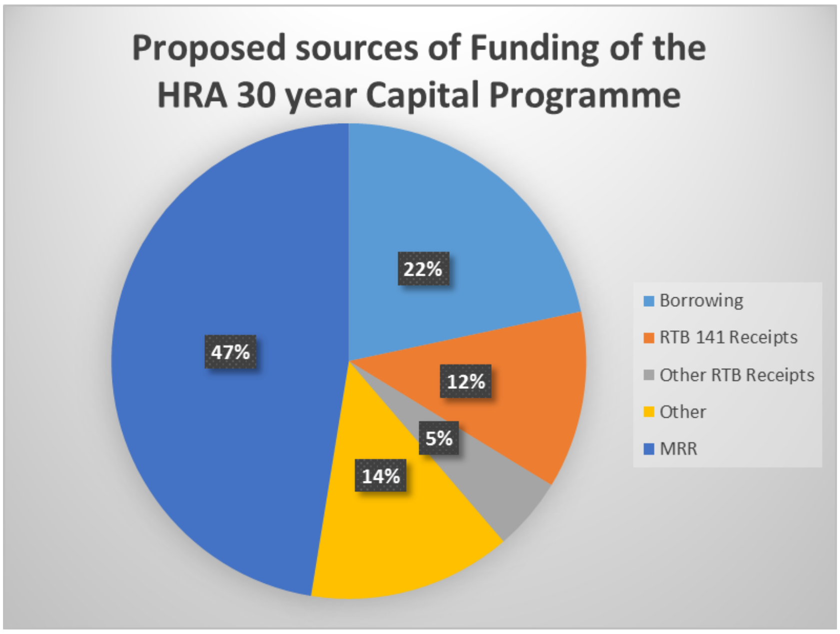
Capital Investment over the 30 year Plan

The Current plan allows for £335m of investment in maintaining Decent Homes standard+ which here includes investment in Climate change, estates improvement, disabled adaptations, sewage treatment works and Fire safety measures. At present the plan allows for £539m of investment in delivering new affordable homes.

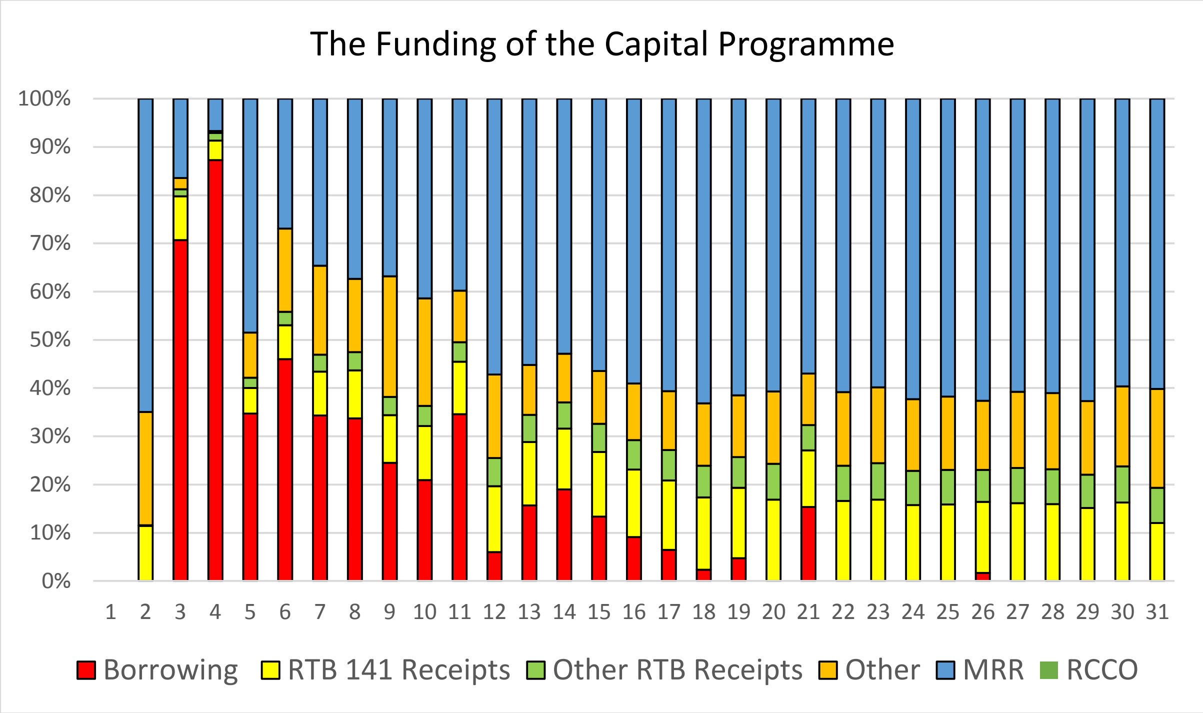


The funding of the Capital Programme

Based upon the funding strategy proposed the likely funding of the overall Capital Programme of £874m over the next 30 years is shown below.



The chart below shows the proposed funding profile by year over the 30 years.



APPENDIX 3 – The HRA OPERATING ACCOUNT 2021-22 to 2050-51

Winchester City Council
HRA Business Plan
Operating Account
(expressed in money terms)

		Income			**Expenditure**					
Year	Year	Net rent Income £,000	Misc Income £,000	Total Income £,000	Managt. £,000	Depreciation £,000	Responsive & Cyclical £,000	Total expenses £,000	Capital Charges £,000	**Net Operating (Expenditure) £,000**
1	2021.22	28,307	869	29,176	(9,892)	(8,188)	(5,769)	(24,350)	(5,492)	**(415)**
2	2022.23	29,276	895	30,171	(10,189)	(8,537)	(5,073)	(25,006)	(6,309)	**(541)**
3	2023.24	30,475	922	31,397	(10,503)	(8,757)	(5,248)	(24,507)	(7,898)	**(1,008)**
4	2024.25	33,104	949	34,054	(10,922)	(9,180)	(5,451)	(25,554)	(8,149)	**351**
5	2025.26	34,521	978	35,499	(11,353)	(9,612)	(5,646)	(26,611)	(8,780)	**108**
6	2026.27	35,897	1,007	36,905	(11,694)	(10,062)	(5,820)	(27,576)	(9,272)	**57**
7	2027.28	37,026	1,037	38,063	(12,045)	(10,427)	(5,995)	(28,466)	(9,660)	**(63)**
8	2028.29	38,152	1,069	39,221	(12,406)	(10,792)	(6,175)	(29,374)	(9,992)	**(145)**
9	2029.30	39,311	1,101	40,412	(12,778)	(11,170)	(6,361)	(30,310)	(10,217)	**(115)**
10	2030.31	41,282	1,134	42,416	(13,162)	(11,562)	(6,552)	(31,276)	(10,492)	**648**
11	2031.32	41,729	1,168	42,897	(13,557)	(11,966)	(6,749)	(32,272)	(10,715)	**(90)**
12	2032.33	42,866	1,203	44,069	(13,963)	(12,385)	(6,938)	(33,286)	(10,826)	**(43)**
13	2033.34	43,907	1,239	45,146	(14,382)	(12,767)	(7,132)	(34,281)	(10,969)	**(104)**
14	2034.35	44,973	1,276	46,249	(14,814)	(13,162)	(7,331)	(35,306)	(11,105)	**(162)**
15	2035.36	46,952	1,314	48,266	(15,258)	(13,569)	(7,536)	(36,362)	(11,210)	**694**
16	2036.37	47,186	1,354	48,540	(15,716)	(13,988)	(7,746)	(37,450)	(11,274)	**(183)**
17	2037.38	48,334	1,394	49,728	(16,187)	(14,420)	(7,962)	(38,569)	(11,314)	**(155)**
18	2038.39	49,510	1,436	50,946	(16,673)	(14,866)	(8,184)	(39,723)	(11,343)	**(120)**
19	2039.40	50,642	1,479	52,121	(17,173)	(15,325)	(8,413)	(40,911)	(11,363)	**(153)**
20	2040.41	51,876	1,524	53,400	(17,688)	(15,798)	(8,647)	(42,134)	(11,448)	**(183)**
21	2041.42	54,164	1,569	55,733	(18,219)	(16,287)	(8,889)	(43,394)	(11,533)	**805**
22	2042.43	54,438	1,616	56,055	(18,766)	(16,790)	(9,136)	(44,692)	(11,530)	**(167)**
23	2043.44	55,768	1,665	57,433	(19,329)	(17,308)	(9,391)	(46,028)	(11,528)	**(123)**
24	2044.45	57,131	1,715	58,845	(19,908)	(17,843)	(9,653)	(47,405)	(11,527)	**(86)**
25	2045.46	58,528	1,766	60,294	(20,506)	(18,394)	(9,922)	(48,822)	(11,534)	**(63)**
26	2046.47	59,960	1,819	61,779	(21,121)	(18,963)	(10,199)	(50,282)	(11,543)	**(46)**
27	2047.48	62,610	1,874	64,484	(21,754)	(19,548)	(10,483)	(51,786)	(11,538)	**1,160**
28	2048.49	62,934	1,930	64,864	(22,407)	(20,152)	(10,775)	(53,334)	(11,537)	**(7)**
29	2049.50	64,478	1,988	66,465	(23,079)	(20,775)	(11,075)	(54,929)	(11,535)	**1**
30	2050.51	66,060	2,047	68,108	(23,772)	(21,416)	(11,384)	(56,572)	(11,532)	**4**

APPENDIX 4 - HRA 30 YEAR BUSINESS PLAN KEY METRICS

Year		HRACFR	Turnover	Debt Financing Costs	as % age Turnover	Working Balance
		£,000	£,000	£,000		£,000
1	2021.22	178,177	28,307	5,492	19%	15,139
2	2022.23	220,077	29,276	6,309	22%	14,618
3	2023.24	270,077	30,475	7,898	26%	13,631
4	2024.25	285,656	33,104	8,149	25%	14,004
5	2025.26	302,077	34,521	8,780	25%	14,128
6	2026.27	312,041	35,897	9,272	26%	14,201
7	2027.28	321,457	37,026	9,660	26%	14,154
8	2028.29	328,641	38,152	9,992	26%	14,026
9	2029.30	334,279	39,311	10,217	26%	13,927
10	2030.31	344,313	41,282	10,492	25%	14,591
11	2031.32	345,565	41,729	10,715	26%	14,517
12	2032.33	349,076	42,866	10,826	25%	14,491
13	2033.34	353,670	43,907	10,969	25%	14,403
14	2034.35	356,785	44,973	11,105	25%	14,257
15	2035.36	358,874	46,952	11,210	24%	14,968
16	2036.37	360,368	47,186	11,274	24%	14,802
17	2037.38	360,900	48,334	11,314	23%	14,663
18	2038.39	362,040	49,510	11,343	23%	14,560
19	2039.40	362,040	50,642	11,363	22%	14,425
20	2040.41	366,892	51,876	11,448	22%	14,259
21	2041.42	366,892	54,164	11,533	21%	15,081
22	2042.43	366,892	54,438	11,530	21%	14,932
23	2043.44	366,892	55,768	11,528	21%	14,825
24	2044.45	366,892	57,131	11,527	20%	14,756
25	2045.46	367,376	58,528	11,534	20%	14,710
26	2046.47	367,376	59,960	11,543	19%	14,682
27	2047.48	367,376	62,610	11,538	18%	15,859
28	2048.49	367,376	62,934	11,537	18%	15,870
29	2049.50	367,376	64,478	11,535	18%	15,889
30	2050.51	367,376	66,060	11,532	17%	15,911