

London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 3/2/2020

Subject: Financial Plan for Council Homes: The Housing Revenue Account (HRA) Financial Strategy, 2020/21 HRA Budget, 2020/21 Rent Increase and HRA 40 Year Financial Business Plan

Report of: Councillor Lisa Homan – Cabinet Member for Housing
Councillor Max Schmid, Cabinet Member for Finance and Commercial Services

Responsible Officer : Mark Meehan, Chief Housing Officer
Cliff Parker, Assistant Director, Finance & Governance

1 Summary

1.1 This report covers the 2020/21 budget for the Council's homes (also known as the annual Housing Revenue Account (HRA) budget) and the HRA financial business plan.

1.2 The HRA enables the Council to deliver services to residents, maintain safe and secure homes, invest in its stock, and develop new affordable homes.

1.3 In the past 12 months the Council have:

- developed a capital programme focussed on the delivery of the Council's Fire Safety Plus strategy ensuring the health and safety of all residents is a primary objective;
- implemented an interim repairs delivery model that provides better services for residents. Including setting up of an inhouse call centre and a Direct labour organisation;
- launched a new asset management strategy and created a long-term investment plan for residents' homes;
- started reforming key services within the HRA so that it better delivers for residents;
- actively progressed development opportunities for new affordable homes directly and in partnership on HRA land;
- advance plans for a significant uplift in new homes to be built by the Council as set out in the new HRA 40-year Business Plan.

1.4 Continuing on this work, in the next 12 months the Council will:

- progress the implementation of a long-term repairs delivery model that provides better services for residents and health and safety compliance;

- continue delivering the Fire Safety Plus Programme ensuring the safety of its residents;
- continue to implement the new asset management strategy with ruthless financial efficiency;
- continue the reform of key services within the HRA, incorporating a programme of medium-term savings, thereby ensuring value for money for our residents;
- advance the delivery of new affordable homes ensuring an increase in housing options for our residents whilst simultaneously securing the long-term financial sustainability of the HRA.

2 Recommendations

That Cabinet agrees:

- 2.1 To approve the Housing Revenue Account 2020/21 budget for Council homes as set out in Table 1.
- 2.2 To approve the 40-year Financial Plan for Council Homes for 2020/21 to 2058/59 as set out in section 5 of this report.
- 2.3 To approve a transfer of £17.2m from Housing Revenue Account earmarked reserves to general reserves as part of a reallocation of HRA resources following an assessment of the balance of earmarked reserves required and the financial pressures facing the HRA.
- 2.4 To approve the long-term HRA Financial Plan which includes plans to deliver on-going annual revenue savings of £0.5million per annum from 2020/21 rising to £4.0million per annum from 2023/24 (see Appendix 1).
- 2.5 To help fund the 40-year Financial Plan, including investment in better repairs and new homes, approve a rent increase of 2.7% (based on the Consumer Prices Index at September 2019 plus 1% in line with government policy) from April 6th, 2020 which equates to an average weekly increase of £2.90 in 2020/21.
- 2.6 To approve an increase to shared ownership rents of 2.7% (based on the Consumer Prices Index at September 2019 plus 1% in line with government policy) from April 6th, 2020.
- 2.7 To approve an increase in tenant service charges¹ of CPI (1.7% as at September 2019) from April 6th, 2020.
- 2.8 To approve an increase to the management fee for temporary on licence properties of CPI (1.7% as at September 2019) from April 6th, 2020.

¹ This includes general needs, sheltered and hostels properties.

- 2.9 To delegate authority to the Strategic Director for The Economy in conjunction with the Cabinet Member for Housing to agree the average increase in water charges.
- 2.10 To approve a freeze in the communal heating charges.
- 2.11 To increase garage charges by CPI (1.7% as at August 2019).
- 2.12 To note that any change to parking charges on housing estates will be considered in a separate report on the Council's parking plans.
- 2.13 To approve an increase in the Leasehold After Sale – Home Buy Fees from £155 to £160.

Wards Affected: All

3 H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
<ul style="list-style-type: none"> Building shared prosperity 	<p>The HRA Financial Strategy provides for a significant step change in the Council's ambitions of delivering more genuinely affordable homes on HRA land. This will be through an increased level of borrowing to invest over the long term in the delivery of new homes either directly or in partnership.</p>
<ul style="list-style-type: none"> Creating a compassionate council 	<p>The HRA Business Plan allows for the on-going investment in services which directly support residents in living healthy and independent lives. In particular, the provision for aids and adaptations to tenanted accommodation.</p>
<ul style="list-style-type: none"> Doing things with local residents, not to them 	<p>The Business Plan will enable the continued investment in resident engagement and involvement. The new resident involvement strategy sets out the approach which will be adopted. The Plan allows for more investment in resident liaison with regards to the delivery of capital works. This will ensure that residents are involved and informed about the works which will be taking place following the Cabinet approval of the capital programme in July 2019.</p>

<ul style="list-style-type: none"> • Being ruthlessly financially efficient 	<p>The HRA Financial Strategy includes investing in the long-term repairs delivery model and the reform of services to better deliver for residents whilst also delivering on-going annual revenue savings of £0.5million per annum from 2020/21 rising to £4.0million per annum from 2023/24, thereby ensuring the financial sustainability of the HRA for the long term. The delivery of a significant number of new homes will also contribute to the future financial sustainability of the HRA and replace those lost through the Right To Buy.</p>
<ul style="list-style-type: none"> • Taking pride in H&F 	<p>The main emphasis of the approved capital programme is fire safety compliance. However, some of the works will deliver wider estate improvements, in particular the communal works undertaken by the Direct Labour Organisation – H&F Maintenance. There will also be on-going investment in caretaking and other estate services which will be focussed on improving the quality of council estates. New homes will be built to the latest compliant standards, ensuring cost-efficient, safe and secure homes for our tenants and residents for the long term.</p>

4 Financial Impact

4.1 Comments are contained within the body of the report.

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5 Legal Implications

- 5.1 The HRA was established by statute to ensure that council tax payers cannot subsidise council rents and nor can council rents subsidise council tax. Failure to adhere to this statutory guidance can render the Council's accounts subject to challenge and/ or qualification by the External Auditor.
- 5.2 The HRA ring-fence was introduced in Part IV of the Local Government and Housing Act 1989 ("the Act") and was designed to ensure that rents paid by local authority tenants accurately reflect the cost of associated services. This act specifies that expenditure and income relating to property listed in section 74 of the Act (that is houses and buildings provided for the provision of accommodation including the land on which they sit, excluding leases taken out for less than 10 years to provide temporary accommodation) must be accounted for in the HRA. Schedule 4 of the Act (as amended by section 127 of the Leasehold Reform, Housing and Urban Development Act 1993) specifies the allowable debits and credits. The Housing (Welfare Services) Order 1994 specifies more detail on the welfare services which must be accounted for outside the HRA. The Act also specified that it is unlawful to approve a budget which will result in a debit position on HRA reserves. It is not possible for a local housing authority to subsidise rents from its General Fund.
- 5.3 Section 24 of the Housing Act gives the Council power to set rents but Section (5) requires that the Council must have regard to relevant standards which are set for them under section 193 of the Housing and Regeneration Act 2008 (HRA 2008). Section 193 of the HRA 2008 allows the regulator of social housing to fix standards which social landlords must abide by. On 25th February 2019 the Government issued a directive which requires the regulator of social housing to set a new rent standard which will apply to all local authority social landlords with effect from 1st April 2020.
- 5.4 The rent increases recommended in the report comply with the rent standard.

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Background Papers Used in Preparing This Report

HRA Financial Plan for Council Homes, Economy, Housing & The Arts Public
Accountability Committee, 27th January 2020

Capital Programme Monitor & Budget Variations, 2019/20 (Third Quarter), Cabinet,
3rd February 2020

6 BACKGROUND

Housing Strategy

6.1 The HRA plays a key role in delivering across a range of Business Plan and Housing Strategy objectives including:

- Delivering genuinely affordable housing;
- Protecting the future of existing housing;
- Being Ruthlessly Financially Efficient and delivering value for money in services;
- Delivering public service reform, by finding new ways of working;
- Doing things with residents, through their role in service design and co-production;
- Providing excellent housing services for all;
- Delivering new housing units through an expanding development programme.

Purpose of Housing Revenue Account

6.2 The Housing Revenue Account (HRA) contains solely the costs arising from the management and maintenance of the Council's housing stock, funded by income from tenant rents and service charges, leaseholder service charges, commercial property rents and other housing-related activities. It is a ring-fenced account and is required under statute to account separately for local authority housing provision.

6.3 The ring-fence was introduced in Part IV of the Local Government and Housing Act 1989 and was designed to ensure that rents paid by local authority tenants accurately reflected the cost of associated services as well as exclusively funding those services. The ring-fence also requires that rents cannot be used to subsidise Council Tax. The items that can be credited and debited to the HRA are prescribed by statute, and the Council has no general discretion to transfer items into and out of the HRA.

Rent Regulations

6.4 The draft budget for Council homes for 2020/21 requires funding for ambitious plans to improve repairs, ensure homes remain safe and to fund the development of new homes. To help fund this, the plan assumes that tenant rents increase by 2.7% (Consumer Price Index of 1.7% as at September 2019 plus 1%) in line with current government rent policy.

6.5 Tenant service charges will increase by CPI (1.7% as at September 2019) as most of our contract costs increase each year by CPI. The combined effect will be an increase in average tenants rent and service charges of 2.6%. Together with a few other adjustments, this will increase net rental and tenant service charges income in the HRA by £1.26m in 2020/21.

- 6.6 However, the legacy of four years of rent reductions has been to reduce income to the Council by at least £19m over that period. The average rent for our Council Homes of £106.17 per week remains lower than the average rent of other central London boroughs (see Appendix 3 for a comparison of average rents in other central London boroughs). This has an effect on the funding available from rental income to invest in stock, new housing and service provision and has contributed to the need for the short-term savings requirement included within the business plan.
- 6.7 In 2019, following a consultation process, the Government confirmed that local authorities are permitted to increase social housing rents annually by up to CPI + 1% for at least five years from April 2020. This is included within the 40-year financial plan with subsequent increases assumed at CPI + 0.5% for the remaining term of the plan.
- 6.8 The 40-year financial plan also includes an assumption that the Council will use the rent flexibility level. This is where current Government policy on social housing rents gives landlords flexibility to set rents up to 5% above the formula rent for newly let homes. This policy, approved by Cabinet in February 2019, will ensure that the average rent does not exceed the limit rent for the Council as this could result in a loss of Housing Benefit to the HRA. For those tenants who remain in receipt of Housing Benefit or Universal Credit, their increase in rent will continue to be met by either HB or UC Housing costs, therefore any increase will be negated by the protection within both schemes.
- 6.9 This will increase the rental income available to fund new housing, investment and service provision. This is reflected in the rental income projections in Table 1 and in the 40-year business plan.
- 6.10 Without the rent increase of CPI + 1%, this would result in a significant increase in the savings programme required. For example, continuing with current development schemes and implementing a CPI only increase, would result in a requirement to make further savings of £11m by 2024/25 in addition to the £4m savings programme already proposed (£15m in total by 2024/25). This is shown in more detail in Appendix 5.

Other Charges

- 6.11 The changes to charges for communal heating schemes, garage and parking space rents, water and sewerage charges, home buy and income from advertising hoardings and commercial properties are set out in Appendix 4.

Borrowing and debt

- 6.12 Following the removal of the HRA borrowing (debt) cap in October 2018, the Council is able to borrow for housebuilding in accordance with the Prudential Code. This year's Business Plan reflects the HRA's increased ability to borrow. It should be noted that borrowing can only be used for capital purposes and cannot be used to fund revenue costs (i.e. operations). Any

additional borrowing will need to be affordable within the context of the overall business plan.

- 6.13 Appendix 5 also indicates that an opportunity scenario would significantly increase peak debt which would be affordable given the correct mix of tenures and financing.

7 HRA REVENUE BUDGET AND MTFS

Financial Context

- 7.1 The decision by the Chancellor of the Exchequer to reduce social housing rents by 1% each year for four years from April 2016, without any accompanying compensation to the HRA, means that while lower rents may appear to benefit tenants in the short term, there is a lot less money available to pay for the maintenance of Council homes. Although rents are now expected to increase for at least the next five years from 2020/21 by CPI plus 1%, this will not recover over £19m of income which was lost to the HRA as a result of four years compounded rent reductions. The effect of this is exacerbated in our borough's case because the average rent for council homes is significantly lower than the average rent of other central London boroughs.
- 7.2 The Council's Fire Safety Plus Programme to make sure the Council's homes and other properties meet higher standards has an estimated cost in the region of £20m. Although these are mainly capital costs, Cabinet approved in July 2018 that the HRA set aside £12.8m in the Fire Safety Plus earmarked reserve as a contribution to these costs. The funding requirement for the Fire Safety Plus programme is significant because there is no new money from Government to cover the cost of fire safety improvements and because of the local strategic decision to make these improvements at no additional cost to our residents. Following the use of the reserve to fund fire safety expenditure in the last two years, the balance remaining of £10.0m is being transferred to the HRA General Reserve and this funding will be replaced with borrowing in order to preserve cashable reserves.
- 7.3 The restructure of key services within the HRA has led to an increase in the staffing establishment in 2019/20 and will do so in 20/21 as more divisions are reviewed and reorganised to enable investment in the delivery of a better housing service for residents. This increase in FTEs has resulted in an increase in corporate costs of £1m in addition to the temporary increase in accommodation costs of £1.6m of which £1.2m is associated with the Civic Campus programme.
- 7.4 The removal of the HRA borrowing cap enables the Council to make a significant capital investment in much needed new housing provision in the borough. The new financial business plan seeks to provide a platform from which a range of new development schemes can be modelled and reviewed for affordability. The plan presented includes schemes that have already started to be recognised in the Council's approval and budgetary process and enables

the financing of over 500 units (before sales). Future pipeline opportunities will be subject to further modelling.

- 7.5 The Council collects income from tenants for water and sewerage charges on behalf of Thames Water. From April 2020, the Council will no longer be charging those tenants and leaseholders who are charged on a rateable value basis as Thames Water will be billing tenants and leaseholders directly for water and sewerage. For the remaining tenants and leaseholders who are charged via a bulk meter, Thames Water plans to delay the transfer until April 2021. Guidance has already been issued to tenants and leaseholders in collaboration with Thames Water. As the Council earned a commission on this activity, this will result in an ongoing loss of income of £0.6m in 2020/21 rising to £0.8m from 2021/22.
- 7.6 In March 2019, Cabinet approved a one-off annual revenue budget of £22.2m for the interim repairs delivery model (which replaced the MITIE contract), of which £18.1m was funded from existing budgets within the HRA for 2019/20 and £4.1m was funded as a one-off appropriation from the HRA General Reserve. As the procurement process for the long-term repairs delivery model has progressed, it has become apparent that the additional £4.1m budget provision will need to continue into 20/21 and potentially in future years and this prudent assumption has been incorporated within the business plan. This is because the actual costs of the contracts will only be known once tenders have been fully evaluated. The competitive tender with negotiation is intended to ensure the Council receives the best value for money in awarding these contracts.
- 7.7 The updated Asset Management Strategy will establish how the Council will prioritise investment in housing over the course of the next five years. It will make clear the Council's commitment to achieve a compliance-based asset management approach to its housing stock. Much of the housing stock and associated assets are reaching or have exceeded their operational life expectancy. Significant future investment to maintain and replace these assets will be required.
- 7.8 In the coming months, officers will set out the detailed investment plans informed by the Asset Management Strategy and the associated financial implications. There is a risk that the revised capital investment plans may exceed the available funding and this could result in the need to delay, change or reprioritise the specification of other works and projects within the capital programme.

The Financial Strategy

- 7.9 The strategic financial objectives for the HRA support the delivery of the housing strategic objectives (outlined in section 12) and are as follows:
- to enable the financing of a viable on-going repairs programme that focusses on ensuring that all health and safety requirements are met and on

maintaining the basic fabric of the Council's homes. The repairs programme will be prioritised to provide safe and weather-proof homes.

- to fund this by undertaking a programme of prudential borrowing whilst financing both the annual interest of new and existing debt and repayments of the principal debt on maturity (£176.5m as at 1st April 2019);
- to be ruthlessly financially efficient, continue to seek opportunities to raise additional income and to find further efficiencies which do not impact on service delivery;
- to create a platform from which a significant number of new homes can be built in the HRA from the optimisation of capital funding sources, including capital receipts, grants, partnership contributions and borrowing;
- to continue to endeavour to free resources for investment in new initiatives whilst improving service standards;
- to maintain a minimum balance for the HRA General Reserve of £5m from 2025/26 onwards.

The Financial Plan

- 7.10 Given the administration's priorities in relation to health and safety in council homes and ambitious plans for the development of new affordable housing together with the need to manage resources on a ruthlessly financially efficient basis, all service budgets and the long-term 40-year financial business plan and its underlying assumptions have been thoroughly reviewed as part of this year's budget setting process. This review has included enabling a comprehensive assessment of financial pressures and opportunities facing the Council's Housing Revenue Account, and the identification of strategies to manage this and ensure the financial sustainability of the long-term plan.
- 7.11 The financial business planning model has been independently reviewed and verified in order to ensure that the inputs, assumptions and approach to the financial model are robust and reasonable. In addition, illustrative scenarios and sensitivities have been run to assess the potential capacity in the Council's business plan.
- 7.12 This review has shown that the level of General Reserves within the HRA comes under severe pressure in the first 15 years of the financial plan before increases in the net income from prudent rent increases and new development rents flowing to the HRA restore the General Reserves to a more prudent level more closely aligned with the balances held by other London housing authorities. A number of key actions have been identified to offset the impact of the above cost pressures on the HRA's long-term financial sustainability.

- 7.13 Although the opportunity to get more money in is restricted as most of the income received in the HRA is from tenants' rents which are constrained by the Government's rent standard, a detailed review of the budgets has resulted in the development of a savings plan for the HRA over a four year period beginning in 2020/21 with £0.5m savings rising to £4.0m by 2023/24. These savings are assumed to be ongoing rather than one-off. The medium-term savings plan is detailed in Appendix 1.
- 7.14 A revised approach to capital financing will reduce the immediate pressure on the HRA by favouring the use of borrowing over revenue contributions to capital or use of reserves. Thus, where possible, instead of using reserves for capital expenditure funding (e.g. fire safety), borrowing will be used in order to maintain a prudent level of cashable reserves.
- 7.15 Additionally, a revised risk-based approach to the management of earmarked reserves for the HRA will enable the necessary investment in services in the early years of the financial business plan. The plan involves the transfer of £17.2m of earmarked reserves to the general reserve. The full detail of the plans is outlined in section 9.
- 7.16 The table below sets out the proposed budget for 20/21 together with projections for income and expenditure in the HRA for the following four years taken from the HRA 40-year business planning model:

**Table 1: Housing Revenue Account Income & Expenditure Account:
Budget 20/21 and Projection 2021/22-2024/25**

	2020/21	2021/22	2022/23	2023/24	2024/25
	Budget	Business Plan	Business Plan	Business Plan	Business Plan
	£000s	£000s	£000s	£000s	£000s
Opening Balance on HRA General Reserve	(13,883)	(13,038)	(8,089)	(4,328)	(3,705)
(Contribution to) / Withdrawal from HRA General Reserve					
	845	4,950	3,761	623	(1,570)
Closing Balance on HRA General Reserve	(13,038)	(8,089)	(4,328)	(3,705)	(5,275)
Net Rental & Tenant Service Charge Income	(69,169)	(71,934)	(75,264)	(79,177)	(83,633)
Other income	(9,934)	(9,974)	(10,228)	(10,485)	(10,747)
Total Income	(79,102)	(81,909)	(85,492)	(89,662)	(94,381)
Management costs	45,922	42,719	42,936	44,970	46,590
Repairs & Maintenance costs	16,420	16,818	17,261	17,730	18,166
Savings Programme	(500)	(1,500)	(2,000)	(4,000)	(4,000)
Depreciation	15,405	15,777	16,176	16,737	17,288
Net Interest charges	9,779	13,045	14,879	14,848	14,766
Total Expenditure	87,026	86,858	89,253	90,285	92,811
Net Operating (Surplus)/Deficit	7,924	4,950	3,761	623	(1,570)
Transfer from / (to) Revenue Reserve	(7,079)	0	0	0	0
(Contribution to) / Withdrawal from HRA General Reserve	845	4,950	3,761	623	(1,570)
Cash saved from Savings Programme	(500)	(2,000)	(4,000)	(8,000)	(12,000)

Interest payments, borrowing and depreciation

- 7.17 The two main components of capital charges are the cost to the HRA of borrowing that has taken place to fund the capital programme, including the Decent Homes Programme, and the cost to the HRA of depreciation charges.
- 7.18 In line with the newly revised 40-year HRA business plan, it is planned to refinance £9.5m of external debt due to mature in 2020/21 and borrow a further £48.9m in order to support capital investment plans. This increase in external debt means that the annual interest cost on external debt in 2020/21 will increase to £9.5m (from £8.4m in 2019/20). No assumption is made on further uses of cash to repay external debt as this will be subject to the Council's overall treasury management strategy, changes to the wider capital programme and the level of cashable reserves available.
- 7.19 It has been assumed that the cost of internal borrowing will increase over the next three years due to a reduction in the cash balances internally available within the Council's General Fund to lend to the HRA. This will result in additional external borrowing for the HRA at a higher rate (4% has been modelled long term, in line with expectations of rates from the Public Works Loan Board) than available internally (a rate of 1% based on LIBOR² has been charged in 19/20).
- 7.20 The charge for depreciation in the HRA for housing properties for 2020/21 will be confirmed following the valuation of the Council's housing stock as at 31st March 2020. Following a review of the valuation of the two components of the housing stock (land and buildings), the ratio of land to buildings has been revised from 35:65 to 38:62. As only the buildings element is subject to depreciation, this has resulted in a reduction (subject to the valuation as at 31st March 2020) to the expected depreciation charge for 2020/21. The budgeted charge for 2020/21 is set at £15.4m, a reduction of £0.3m from the 19/20 budgeted charge.
- 7.21 There is a risk that the depreciation charge in the HRA could increase above the revised budget level as a result of changes in property market values, restricting flexibility over use of funds, and this is included in the risks schedule in Appendix 2.

8 HRA Capital Expenditure

- 8.1 Over the next five years the Council plans to invest £416m in improving the quality and safety standards of its existing stock as well as building new affordable homes. The expenditure and resource analysis of the Housing Programme is summarised in Table 2 below:

² The London Inter-Bank Offered Rate (LIBOR) is the basic rate of interest used in lending between banks on the London inter-bank market and has been used as a reference at the Council for setting the interest rate on internal borrowing.

Table 2 – Forecasted Housing Capital Programme 2020-25

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	5-Year Total £'000
Approved Budget						
HRA Asset Management and Compliance Programme	61,740	36,179	29,161	-	-	127,080
Building Homes & Communities Strategy (HRA sites)	4,009	540	-	-	-	4,549
Other HRA Capital Schemes	14,133	15,479	12,619	-	-	42,231
Total Approved Housing Capital Programme	79,882	52,198	41,780	-	-	173,860
Forecast expenditure subject to further approvals*						
HRA Asset Management and Compliance Programme/ Long-term stock investment	-	-	-	26,110	25,011	51,121
Building Homes & Communities Strategy (HRA sites)	15,613	69,071	64,965	27,988	13,062	190,699
Other HRA Capital Schemes	-	-	-	-	-	-
Total Housing Capital Programme Subject to Further Approvals*	15,613	69,071	64,965	54,098	38,073	241,820
Total Forecast Capital Spend*	95,495	121,269	106,745	54,098	38,073	415,680
Capital Funding						
Capital Receipts & Affordable Housing Grant	7,236	5,738	81,128	26,618	30,175	150,895
Right-to-Buy Receipts (141)	7,209	6,907	3,786	172	0	18,075
Major Repairs Reserve (MRR)	24,249	16,512	8,799	22,661	5,291	77,512
Contributions from Developers (S106)	5,017	10,835	8,833	0	0	24,685
Contributions from leaseholders	2,891	5,787	4,199	3,050	2,607	18,534
Use of other reserves	0	0	0	0	0	-
Borrowing (see table 3)	48,893	75,490	0	1,597	0	125,980
Total Funding	95,495	121,269	106,745	54,098	38,073	415,680

**Affordable homes being developed in the general fund (non HRA sites) will be transferred (also known as appropriated) to the HRA on completion. Although this will be an accounting adjustment the cost is included above to show the full effect on the HRA capital funding requirement.*

- 8.2 The five-year total column in the table above shows the approved budget for 2020/21 – 2024/25 is £174m and it is estimated that a further £242m (£416m-£174m) of funding is required for the HRA to continue its Asset Management and Compliance Programme and progress new build developments underway as part of the Building Homes and Communities Strategy. The latter will be part subsidised by the sale of private and low-cost affordable homes.
- 8.3 The longer-term capital spend over the 40 years of the business plan is set out in appendix 8. The most significant part of this is the long-term stock investment programme which is based on stock condition data produced in 2015, which is now due for renewal. Over the next few years the data will be refreshed, and this will lead to changes in the forecasted longer-term investment requirement. Given the council's priority on maximising the safety and welfare of its residents there is a possibility that the level of investment required could significantly increase.
- 8.4 The Capital Programme in the next 5 years and longer-term business plan is fully funded however the capital financing requirement (CFR) is expected to rise by £126m as set out in the table 3. The CFR is the non-funded element of capital spend which is in respect of borrowing or credit arrangements used to finance capital expenditure on assets. This is not restricted to external borrowing as the Council may elect to internally borrow against cash balances.

8.5 Table 3 shows the forecast CFR over the next 5 years. The level of borrowing proposed within the Financial Plan for Council Homes is predicted to increase over the next 15 years and then reduce over the longer term of the business plan as operating surpluses become available to pay off debt principal rather than internally borrow or refinance. The plan for the next 40 years' borrowing is set out in appendix 9. This will be subject to the Council's overall treasury management strategy, changes to the wider capital programme and the level of cashable reserves available.

Table 3 – Forecasted Housing Capital Financing Requirement (CFR) 2020-25

HRA CFR Forecast	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Opening Forecast HRA CFR	217.75	266.64	342.13	342.13	343.73
Capital Expenditure Finance by Borrowing / Appropriation of Affordable Housing units to HRA	48.89	75.49	-	1.60	-
Closing HRA CFR	266.64	342.13	342.13	343.73	343.73

8.6 Whilst this is a significant increase in borrowing compared to recent years it is required in order to improve the standard of homes to safe guard residents and to build much needed affordable housing. Over the longer term of the business plan the rental income generated from the new homes will service the associated debt and generate surpluses. The following section and table 4 show the number of homes being built within the HRA over the course of the business plan.

New Development

8.7 As outlined in section the Financial Context (paragraph 7.8), the removal of the HRA borrowing cap enables the Council to make a significant capital investment in much needed new housing provision in the borough. The Business Planning process this year has modelled two delivery scenarios, the "Base Plan" based on schemes already recognised and progressing through the Council's approval process and an "Opportunity Plan". By its nature the Opportunity Plan is likely to change over time as other options present themselves but is currently based on aspirational pipeline schemes.

8.8 The base Business Plan has a pipeline of 539 new homes, which includes new council homes, other social housing, as well as homes that will be sold for full and shared ownership. Table 4 shows the number of homes projected to be built within the HRA in the first five years of the business plan. All the sites are subject to resident consultation and involvement and will only proceed if residents are supportive and local stakeholders are fully involved.

Table 4 – New Homes Development Pipeline in Base Business Plan

Scheme	Genuinely Affordable Housing (Social Rent & London Affordable Rent)	Intermediate Housing (Intermediate Rent & Shared Ownership)	Market Sale
White City Estate (numbers are indicative for planning purposes and subject to detailed consultation with residents)	63	59	122
Old Laundry Yard	16	16	30
Avonmore School*	20	9	0
Flora Gardens School*	26	17	0
Education City (Phase 1)	9	15	0
Education City (Phase 2)*	24	23	0
Commonwealth Avenue	24	16	40
Spring Vale Estate	10	0	0
Totals³	192	155	192

**29 & 43 private sale homes are being built at Avonmore and Flora schools respectively and 61 private rented at Education City. However, the cost and sales proceeds for these will be recognised in the general fund and will not impact the HRA, hence they are not included in the table above.*

8.9 The New Build programme requires significant capital funding predominantly coming from borrowing but also from right to buy receipts and GLA affordable housing grant. The capital receipts generated from the market sale and shared ownership are re-invested into the overall capital programme, thereby reducing the borrowing requirement the HRA would otherwise have. A summary of each of the schemes in the above table are in appendix 10.

8.10 In addition to the homes planned to be built within the base business plan, there is an aspirational pipeline (opportunity scenario) which, subject to viability being established, will produce further homes/capital receipts as follows:

Opportunity Development Pan	Units before sales
Social Rent & London Affordable Rent	259
Shared Ownership	171
Market Sale ⁴	123
Total	553

³ Totals are before sales. The data in the approved schemes table is correct as at December 2019 and will be subject to further refinement through the development process, including the views of residents as we complete consultation and involvement processes. Further changes will be highlighted in future governance reports.

⁴ In addition to the 123 market sale homes built and sold in the HRA, a further 307 are planned to be built on non-HRA sites as part of the same Opportunity Development Programme, for which the cost of and receipts generated would be recognised in the general fund.

- 8.11 Based on early modelling the estimated net development cost of the 553 homes is circa £260m. Sensitivity analysis indicates that the current business plan has the capacity to develop at this scale subject to assumptions around tenure mix, grant and sales income.

9 Reserves

- 9.1 Two types of reserves are held within the HRA: **General reserves** and **Earmarked reserves**.
- 9.2 **HRA General reserves** should provide sufficient cover against unanticipated events. The risks facing the HRA must be viewed in conjunction with the level of HRA general reserves held. A prudent level of reserves is important to support long term investment planning in the context of a property portfolio of 17,000 properties with an existing use value of £1.3 billion.
- 9.3 The HRA general reserve at 31st March 2018 stood at £10m, having reduced from £20m following the need to transfer £10m to the Fire Safety Plus Programme earmarked reserve. The general reserve recovered slightly to £12m by 31st March 2019 but is currently forecast to reduce to c£4m by 31st March 2020 (as per the month 6 Corporate Revenue Monitor).
- 9.4 **HRA Earmarked reserves** are funds set aside to cover specific future plans that are not covered by normal budgets (such as one-off funding for major projects such as the long-term repairs model) and risks that are considered highly likely to happen (such as revenue costs relating to affordable housing and regeneration projects).
- 9.5 HRA cashable earmarked reserves stood at £33.1m as at 31st March 2019. These included funds set aside for the Fire Safety Plus programme (£12.0m), the Southwark water case risk (£11.0m) and for abortive and other write-off costs associated with the Council's regeneration plans (£6.4m). Earmarked reserves are expected to reduce to £29.6m by 31st March 2020.
- 9.6 Following the review of cost pressures and the long-term financial plan, it is now planned to fund the Fire Safety Plus programme from borrowing. This enables the transfer of the £10m balance expected on the Fire Safety Plus earmarked reserve by 31st March 2019 to the HRA general reserve. Further, the risk-based review of HRA earmarked reserves allows the Utilities earmarked reserve to be reduced by £5m and a number of other earmarked reserves can also be released to the general reserve.
- 9.7 The release of these funds to the general reserve will provide the HRA with an adequate financial cushion to absorb the revenue pressures expected to impact over the medium-term. Before taking account of any appropriation from reserves for the year ending 31st March 2020, the general reserve is expected to increase by £17.2m to £21.5m as a result of these transfers. This level of reserves is necessary to fund the next three years of significant net operating

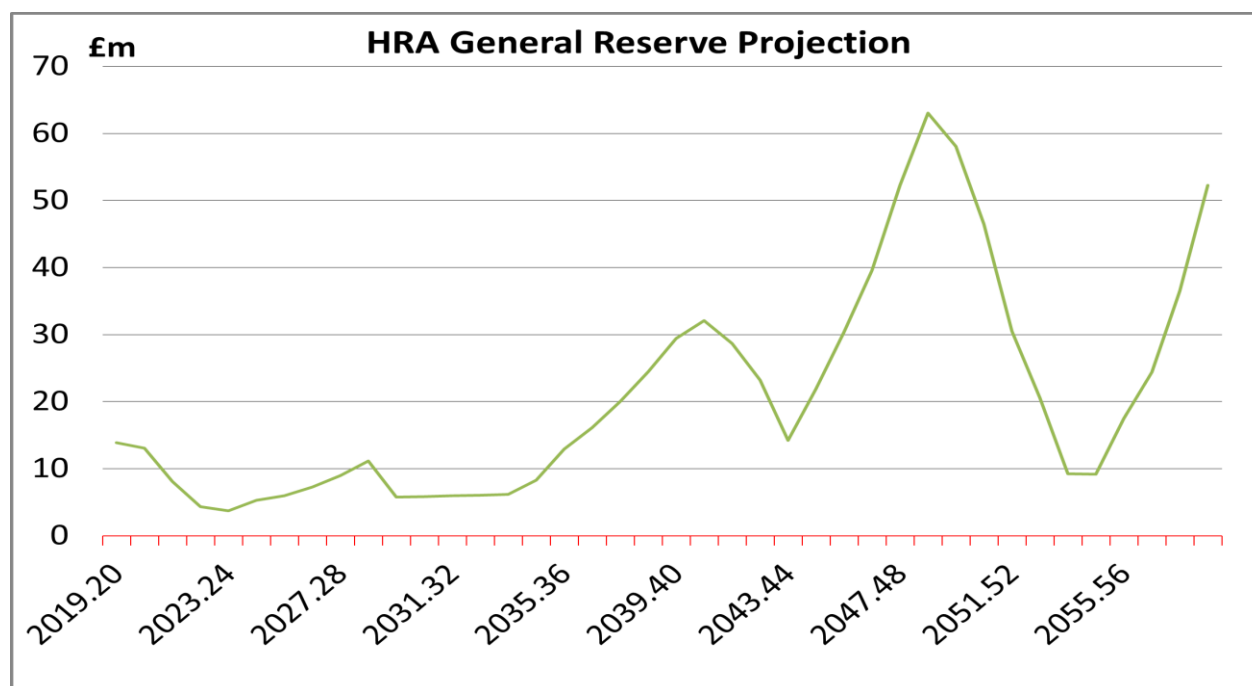
deficits in the HRA financial plan, after which the HRA returns to net surpluses in future years in line with the long-term financial strategy.

- 9.8 This is equivalent to 16 weeks rent from the Council's homes. Appendix 6 shows how the Council's reserve levels relative to turnover compare to those of other local housing authorities. Direct comparison is difficult however, as councils will have different approaches to risk.
- 9.9 As illustrated in Table 1, a budgeted drawdown from the general reserve in 2020/21 is currently forecast. This is in addition to the drawdown expected in 2019/20 of £8.3m as set out in the Corporate Revenue Monitor for month 6⁵ approved at Cabinet on 6th January 2020.
- 9.10 The table below sets out the reserves available for HRA purposes and the proposed transfers to the general reserve:

Reserves	Balance as at 1 April 2019	Proposed transfers to HRA General Reserve	Commitments 19/20	Balance as at 31 March 2020
	£000s	£000s	£000s	£000s
Other earmarked reserves	(3,790)	2,160	1,630	-
Regeneration reserve	(6,352)	(20)	-	(6,372)
Utilities reserve	(11,000)	5,000	-	(6,000)
Fire Safety Plus reserve	(11,973)	10,059	1,914	-
Cashable earmarked reserves	(33,116)	17,199	3,544	(12,372)
General reserve	(11,890)	(17,199)	8,307	(20,782)
All cashable reserves	(45,006)	-	11,851	(33,154)

⁵ Note that since CRM 6, it has been confirmed by Cabinet that the Fire Safety Plus reserve will fund the £1.9m forecast cost of fire wardens for 19/20. Further, it is also expected that the risk relating to the increased costs of corporate recharges for accommodation and other FTE-driven costs will crystallise, resulting in further costs of c£2.25m. These adjustments are included within the above figure.

9.11 The graph below illustrates the long term forecasted movements in reserves:



10 Risks

- 10.1 The Government's programme of Welfare Reform continues to represent a risk to the Council's ability to collect rental income and may result in increased bad debt charges to the HRA. All new benefit claims are subject to Universal Credit and all existing claims are currently subject to a migration process to Universal Credit that is anticipated to be completed by December 2023.
- 10.2 The bad debt provision for rents and tenant service charges has been budgeted for 20/21 at £1.45m. There is a risk that the migration of tenants to Universal Credit moves at a faster pace than expected.
- 10.3 The long-term financial business plan assumes that rents will increase by CPI+1% for each of the next five years, followed by increases of CPI+0.5% for the term of the 40-year plan. In the event that future social rent policy deviates from this expectation in the coming years, this could lead to a requirement to reduce costs further.
- 10.4 Whilst the full cost implications of implementing the recommendations of the Hackitt report are still being determined as the condition of the Council's homes continues to be investigated, there is a risk that costs over and above those in the current long-term business plan are identified. As referenced in section 8 this will be determined as stock condition surveys are completed over the next few years.
- 10.5 In addition to this, there are several other financial risks and these are set out in detail in Appendix 2.

11 Asset Management

- 11.1 The Fire Safety Plus programme has been incorporated within the HRA capital programme for the five years from 2020/21 to 2024/25 inclusive. Cabinet has reaffirmed its position that in order to deliver a higher standard of fire safety that it will not seek to charge leaseholders for fire safety works. Through re-prioritising capital spend towards fire safety measures we have still produced a balanced financial plan.
- 11.2 The HRA Asset Management Strategy and capital will continue to be revised to reflect additional works or requirements related to reviewing fire risk assessments and emerging recommendations of the Hackitt report following the Grenfell Public Enquiry. At present no additional money has been allocated by central government for fire safety measures for which the Council may apply. Additional requirements may be difficult to absorb within the existing planned budget envelope.
- 11.3 In addition, as set out in the Asset Management Strategy, the housing stock and associated assets (including communal boilers, plant rooms and lifts) are aging and require significant investment to maintain compliance. The extent of investment is unknown at this stage as officers will need to work through the detailed programme of works arising from stock condition surveys which have started. Although accurate figures are not currently available, the value and extent of works will be significant to enable the provision of safe homes for the next 40 years.
- 11.4 There are also costs pressures across the construction market in relation to on-going uncertainty due to Brexit and the impact that this will have on both materials and labour costs. These risks along with any regulatory change will be reported to Cabinet as required.
- 11.5 The financial plan includes funding to enable the delivery of new affordable housing. This will allow the Council to house more people and contribute to keeping people out of temporary accommodation where possible and contribute to the much-needed containment of costs in the Council's General Fund.

12 Reasons for Decision

- 12.1 Section 76 (1)-(4) of the Local Government & Housing Act 1989 requires that local authorities with a Housing Revenue Account set a budget that avoids a deficit, using the best assumptions available. The Council must also keep the HRA under regular review.
- 12.2 This budget and new 40-year business plan has been built from existing base budgets, responding to rent regulations, and developed so that the Council can meet its Business Plan and Housing Strategy objectives.

13 Equality Implications

- 13.1 The Equalities Impact Assessment (EIA) shows that the rent increase is not anticipated to have any direct negative impact on groups with protected characteristics. The appended EIA outlines the potential adverse impact and officers are confident that support measures in place will provide mitigation to any potential negative impact encountered by our tenants.
- 13.2 Implications verified by Fawad Bhatti, Policy & Strategy Officer, 07500 103617.

14 Risk Management Implications

- 14.1 The principal risks are detailed in section 8 of this report and in appendix 2. These are included in the departmental risk register.
- 14.2 Implications completed by: Michael Sloniowski.

15 Consultation

- 15.1 Tenants and residents were consulted on the plans at the Housing Representatives Forum on 21st January 2020 and at the Economy, Housing and the Arts Policy & Accountability Committee on 27th January 2020 in order to allow the consideration of comments on the implications in advance of any formal decision being taken by Cabinet on 3rd February 2020.

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Appendix 1 4 Year Savings Plan

Appendix 2 Key Risks

Appendix 3 Local Housing Authorities Weekly Rents

Appendix 4 Fees, Charges & Other Income

Appendix 5 Business Plan Sensitivity Scenario testing

Appendix 6 General Reserves as a % of Turnover

Appendix 7 Long Term Operating Account

Appendix 8 Long Term Capital Programme Indicative Costs and Financing

Appendix 9 Long Term Capital Financing Requirement

Appendix 10 Base New Build Development Scheme Summary

Appendix 11 Equality Impact Assessment

Appendix 1								
Four Year Savings Plan								
Housing Revenue Account Four Year Savings Plan					Budget Change			
Service	Title & Theme	Summary	Impact on Residents (H-M-L)	Delivery Risk (H-M-L)	2020-21 Budget Change Cumulative (£000s)	2021-22 Budget Change Cumulative (£000s)	2022-23 Budget Change Cumulative (£000s)	2023-24 Budget Change Cumulative (£000s)
TBC					(500)	(1,500)	(2,000)	(4,000)
Housing Revenue Account - Total Savings					(500)	(1,500)	(2,000)	(4,000)

These savings would need to be increased by £11m (see paragraph 6.11) if a rent increase of CPI only were implemented.

The detailed savings plans are currently being developed and an update will be provided to Cabinet via the Corporate Revenue Monitor in the coming months.

Appendix 2: Key Risks 2020/21	Lower Limit	Upper Limit	Worst Case
	£000s	£000s	£000s
Quantifiable Risks			
<p>Welfare Reform - the budgeted bad debt provision provides some protection against the impact on rent collection rates as a result of the various strands of the Government's Welfare Reform programme. However, there remains some risk.</p> <p>Given that the households involved are on very low income levels it is likely that any increase in arrears would be uncollectable and the annual exposure is estimated in the region of between £1.7m and £5.8m for 2020/21, assuming mitigating actions are in place. The maximum level of exposure is far higher; the total annual rent paid directly to the Council for HRA properties by Housing Benefit is approximately £27m. The Council continues to promote payment by direct debit to tenants and has achieved "trusted partner" status with the Department of Work & Pensions (DWP) as part of a detailed rent collection strategy, as well as having in place arrangements to support tenants in managing their money. Under the "trusted partner" scheme, the Council can apply directly to the DWP for "alternative payment arrangements" (APAs) for individual tenants before they fall into significant arrears. The APA means that benefits for housing costs can be paid directly to the Council.</p>	0	5,800	27,000
<p>Right to Buy Disposals - a level of Right to Buy disposals (20 per annum from 2020/21 onwards) has been assumed within the business plan. There is a risk that unbudgeted levels beyond the Council's control could impact on the net income due to the HRA. The upper limit and worst case risks set out here are based on an assumption that the level of applications currently projected (80) all progress to RTB sales.</p>	0	442	442
Total Quantifiable Risks	0	6,242	27,842

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Appendix 2: Key Risks 2020/21

Unquantifiable Risks

Housing Repairs - unpredicted events may result in some additional expenditure (for example, following new health and safety directives, legislation, potential insurance claims from storm damage) on housing repairs. The HRA general reserves provide a financial provision that mitigate against this risk.

Risk to recruitment – given the shortage of appropriately qualified technical staff available on the market required to develop, scope, specify and procure fire safety plus capital works due to high demand in a post-Grenfell environment, there is a risk that the delivery of the Council’s Fire Safety Plus programme and Hackitt recommendations on health & safety may be significantly delayed.

Continuation of social housing rent reductions beyond 2025 – There is a risk that the Government will set requirements for rent levels that are different from those assumed in the HRA 40-year financial plan. This is particularly sensitive to the Council’s plans and aspirations to develop affordable housing.

Service Level Agreements - any review of corporate SLA costs may impact adversely on the HRA, particularly if contracts are retained in-house resulting in higher than expected FTE⁶ numbers. There is a risk that corporate services may not pass on savings as the proportion charged to the HRA changes because of changes elsewhere in the Council. For example: increases in FTEs in the HRA and decreases in General Fund FTEs would mean the HRA attracts a higher portion of central costs; or legislative burdens could increase costs.

Market Risk on Re-Procurement and Recruitment – There is a risk especially under better economic conditions that it will become harder to re-procure contracts or recruit staff at the predicted rates

Other changes in central Government policy towards social housing

Additional Fire Safety Costs - following the fire at the Grenfell housing tower block in Kensington and Chelsea, the Council has put in place the Fire Safety Plus Programme to make fire safety improvements to the housing stock above and beyond the current legal minimum standards. There remains a risk that more work may be needed as

⁶ Full time equivalents

investigations reveal the full cost of implementing the Hackitt recommendations.

Appendix 2: Key Risks 2020/21

Brexit and the state of the UK economy - this includes the impact on the housing sector on costs of a weakening currency, loss of grants funding opportunities, potential inflationary pressures on new contracts

Depreciation - a risk that the depreciation charge could change as a result of changes in housing stock valuations or from changes in the regulations governing HRA assets. While any increase in the depreciation charge would provide more ringfenced funding for the capital programme it would result in lower revenue reserves. Revenue reserves can be used to cover revenue or capital risks so any movement in funds from revenue to capital restricts flexibility.

Asbestos management: As fire safety works are undertaken, asbestos will be encountered and require removal. The costs are unknown as the presence in many circumstances is unforeseeable.

Additional compliance costs and other repairs risks such as uninsured events

Aging housing and asset stock condition maintenance: The aging housing stock requires significant investment to maintain structural safety and upgrade assets including communal boilers, lifts etc to meet current standards and ensure the future safety of residents. Historic construction methods reveal deficiencies such as structural weaknesses (current building regulations address these weaknesses for new build), which significant numbers of our buildings exhibit. Immediate risks can be addressed but investment is required to halt deterioration to ensure the longevity of the stock. This has been addressed via the Asset Management Strategy but there is a risk that the investment required will exceed the approved resources.

Medium Term Financial Strategy - a risk to future savings expected to be delivered in accordance with the HRA four-year savings plan.

Contractor default – with the change in repairs and maintenance delivery arrangements and the potential increase in the Council's new build programme, there is a risk of unquantified contractor litigation.

Appendix 3		
Neighbouring London Local Housing Authorities		
Weekly Rents: 2019/20		
Local Housing Authority	Weekly Rent 2019/20	Weekly Rent 2018/19
Neighbouring Authorities		
Ealing*	£94.89	£95.85
Hammersmith & Fulham	£106.17	£106.93
Brent	£112.06	£113.19
Kensington & Chelsea	£120.00	£120.92
Westminster	£121.07	£121.94
Wandsworth*	£124.64	£125.90
Average for Neighbouring Authorities	£113.14	£114.12
H&F are below the average rent by:	£6.97	£7.19

* Where the average rent for 2019/20 is not available, a 1% reduction on the 2018/19 average rent is applied as a proxy.

Appendix 4 – Fees, Charges & Other Income

Heating Charges

Tenants and leaseholders who receive communal heating (around 1,811 properties in total) pay a weekly charge towards the energy costs of the scheme. The Council meets the costs of heating in the year, and recharges tenants and leaseholders based on an estimated cost and usage.

The Council is part of the LASER energy procurement group, which purchases energy on behalf of 48 local authorities. A system of flexible procurement is used which should ensure that LASER tenders for new energy contracts on a rolling basis, so that it can purchase when rates are low.

As the new energy contract rates are not expected to be received until after this report is published, an estimate has been prepared in consultation with the Council's Utilities management function who have provided an indication of the new contract rate the Council can expect to achieve. Based on this estimate, combined with the need to balance the heating account for the year, no increase in charges is proposed for 2020/21.

Garage Rents

Garages are currently let on a weekly basis at a flat rate of £23.70 for a car garage to customers who are Council tenants or leaseholders. Private customers of the borough whose lettings commenced from July 2017 onwards pay £44.81 per week if living in the borough, with those outside of Hammersmith and Fulham paying £64.02 per week. A number of lettings which commenced prior to 2017 have different charges and these will be replaced by the current scheme as they elapse. Motorcycle garages are charged at a flat rate of £17.78 to all customers. Discounts are available for customers who hold a valid blue badge or have a current state pension.

It is proposed to increase garage charges for council tenants, resident leaseholders and for other customers from April 2020 in line with CPI (as at September 2019) of 1.7%.

The level of charges among other neighbouring London Councils vary. For example, equivalent weekly charges for garages are between £34 and £67 in Kensington and Chelsea, £12 and £36 in Camden and £17 and £32 in Wandsworth. Prices for garages rented privately within Hammersmith & Fulham range from £1,800 to £2,500 per annum.

Parking Permits

Parking permits are issued at £71 for 6 months and £119 for a year. This is increased for second cars to £260 for 6 months and £497 for 12 months. There are also concessionary rates for low emission and electric cars.

Following changes in law that limit the Council's powers to enforce parking on housing estates by private contractors, the Council is undertaking a review of parking on all housing estates in the borough with a view to introducing enforceable parking controls. Following a consultation process with estate residents, Traffic Management Orders have been implemented on a number of estates. This process is ongoing and is expected to conclude in 2020/21. The level of income assumed for parking charges for 2020/21 takes account of the changes in law and on-going review of parking.

It is proposed to freeze this £119 rate for vehicles on council estates that opt for a Traffic Management Order. Any concessions that reduce this rate on streets outside council estates for low emission cars will also be applied in estates covered by Traffic Management Orders. No fees or surcharges above this flat rate are proposed for vehicles in estates.

Water Charges

The Council collects income from tenants on behalf of Thames Water.

The annual review of charges involves comparing the amount paid to the Council by tenants for water and sewerage during the previous financial year with the amount the Council paid to Thames Water. For communally metered homes this involves working closely with Thames Water to ensure that the charges are in line with the actual water used.

The increase advised by Thames Water for 2020/21 will need to be overlaid on top of the adjusted charges. It is expected that Thames Water will confirm the agreed changes to water and sewerage service charges for 2020/21 in January 2019. It is therefore proposed that any change to the water charges be agreed following Thames Water's confirmation in January 2020 and it is recommended that, as in previous years, authority be delegated to the Strategic Director of Finance & Governance to approve the increase in water charges. This will ensure that the Council fulfils its legal obligation to recover the water charges.

As explained in paragraph 7.5, the Council will not be billing tenants and leaseholders on a rateable value supply from April 2020, but will continue to bill for those tenants and leaseholders on a bulk metered supply. Thames Water will be billing tenants and leaseholders on a rateable value supply directly for water and sewerage from April 2020. Further guidance will be issued in the coming months.

Leasehold After Sale – Home Buy Fees

In order to cover the costs of service provision, it is planned to increase the fee from £155 to £160.

Advertising Income

The budget for income generated from advertising hoardings located on Housing land has been reduced by £90k to £400k. This is due to the need to upgrade one of the sites to prepare it for the digital hoardings market before it can be successfully marketed and re-let.

Legal and accounting advice previously has confirmed that the income and expenditure associated with advertising hoardings on HRA land should be accounted for within the HRA.

Rents on Shops

The budget for commercial property rents for 2020/21 has been increased to £1.547m, an increase of £38k. The increase in income is due to better management of the property portfolio. The budget set for HRA commercial property incorporates a forecast void rate of 6%, based on informed assumptions from the Council's Valuation & Property Services team to allow for economic conditions. Additionally, the budgeted charge for the bad debt provision has been set at £100k for 2020/21.

Appendix 5 Business Plan Scenarios and Sensitivities

SCENARIO	SAVING REQUIRED	PEAK DEBT	COMMENTS
Base	£4m by 2023/24	£415m	Rents: CPI + 1% for 5 years then CPI + 0.5% Live Development Schemes
Opportunistic	£5m by 2023/24	£587m	Rents: CPI + 1% for 5 years then CPI + 0.5% Live + Pipeline Development Schemes
1st Rent Sensitivity - CPI + 0% Rents	£15m by 2024/25	£319m	Rents: CPI + 0% throughout plan Live Development Schemes
2nd Rent Sensitivity - CPI + 0% from 2025/26	£11m by 2024/25	£319m	Rents: CPI + 1% for 5 years then CPI + 0% Live Development Schemes
3rd Rent Sensitivity - CPI + 0% Rents and no development costs	£16m by 2024/25	£270m	Rents: CPI + 0% throughout plan All development schemes switched off

Appendix 6			
Local Housing Authorities: HRA Reserves as a % of Turnover			
Local Housing Authority	Turnover 2018/19	HRA Reserves at 31st March 2019	HRA Reserves as a % of Turnover
	£m	£m	%
H&F	84.9	45.0	53%
London Local Housing Authorities			
RBKC	53.9	15.7	29%
Westminster	104.2	17.2	17%
Brent	55.0	3.1	6%
Ealing	66.4	14.0	21%
Harrow	31.6	7.5	24%
Hounslow	87.6	38.1	43%
Hillingdon	60.8	18.3	30%
Wandsworth	143.9	136.3	95%
Barking & Dagenham	107.1	16.7	16%
Camden	170.5	33.4	20%
Croydon	91.3	15.3	17%
Enfield	70.5	16.7	24%
Greenwich	117.0	22.2	19%
Hackney	141.7	25.1	18%
Haringey	110.7	32.8	30%
Islington	214.8	95.2	44%
Lambeth	187.1	57.7	31%
Lewisham	97.1	76.7	79%
Newham	109.7	72.0	66%
Redbridge	28.6	16.7	58%
Southwark	257.8	20.8	8%
Waltham Forest	62.3	5.0	8%
Barnet	58.9	12.3	21%
Kingston upon Thames	35.1	7.5	21%
Sutton	36.3	3.1	9%
Tower Hamlets	92.6	53.7	58%
Average Neighbouring Authorities			35%
Average of all 27 London Local Housing Authorities			32%

Direct comparison of reserve levels relative to turnover with other local housing authorities is of limited benefit as councils will have different approaches to risk.

Appendix 7 - Long Term Operating Account

Year	Income			Expenditure							Net Operating (Expenditure) £,000	Repayment of loans £,000	Transfer from / (to) Revenue Reserve		RCCO £,000	Surplus (Deficit) for the Year £,000	Surplus (Deficit) b/fwd £,000	Interest earned £,000	Surplus (Deficit) c/fwd £,000
	Net rent Income £,000	Other income £,000	Total Income £,000	Managt. £,000	Depreciation £,000	Responsive & Cyclical £,000	Other Revenue spend £,000	Misc expenses £,000	Total expenses £,000	Capital Charges £,000			Revenue Reserve £,000	RCCO £,000					
2019.20	68,331	10,435	78,765	(42,978)	(15,887)	(16,022)	(3,524)	0	(78,412)	(9,050)	(8,697)	0	10,300	0	1,603	11,890	390	13,883	
2020.21	69,169	9,934	79,102	(39,028)	(15,405)	(16,420)	(5,694)	(700)	(77,247)	(10,135)	(8,279)	(0)	7,079	0	(1,200)	13,883	355	13,038	
2021.22	71,934	9,974	81,909	(37,904)	(15,777)	(16,818)	(2,814)	(500)	(73,813)	(13,206)	(5,110)	0	0	0	(5,110)	13,038	161	8,089	
2022.23	75,264	10,228	85,492	(38,577)	(16,176)	(17,261)	(2,359)	0	(74,374)	(15,037)	(3,919)	0	0	0	(3,919)	8,089	158	4,328	
2023.24	79,177	10,485	89,662	(42,321)	(16,737)	(17,730)	1,351	0	(75,437)	(15,009)	(783)	0	0	0	(783)	4,328	161	3,705	
2024.25	83,633	10,747	94,381	(43,975)	(17,288)	(18,166)	1,384	0	(78,045)	(14,972)	1,364	0	0	0	1,364	3,705	206	5,275	
2025.26	84,349	11,016	95,365	(45,057)	(17,749)	(18,593)	1,419	0	(79,980)	(14,975)	410	0	0	0	410	5,275	275	5,961	
2026.27	86,463	11,291	97,754	(46,165)	(18,164)	(19,029)	1,455	0	(81,903)	(14,831)	1,021	0	0	0	1,021	5,961	276	7,258	
2027.28	88,577	11,573	100,150	(47,405)	(18,587)	(19,475)	1,491	0	(83,977)	(14,718)	1,455	0	0	0	1,455	7,258	280	8,993	
2028.29	90,737	11,863	102,600	(48,569)	(19,021)	(19,932)	1,528	0	(85,993)	(14,707)	1,900	0	0	0	1,900	8,993	295	11,188	
2029.30	92,946	12,159	105,105	(49,761)	(19,458)	(20,400)	1,566	0	(88,052)	(14,794)	2,259	0	0	(7,926)	(5,668)	11,188	253	5,773	
2030.31	97,035	12,463	109,498	(50,982)	(19,906)	(20,878)	1,606	0	(90,160)	(15,167)	4,171	(0)	0	(4,313)	(142)	5,773	204	5,835	
2031.32	97,512	12,775	110,287	(52,233)	(20,364)	(21,368)	1,646	0	(92,319)	(15,822)	2,147	0	0	(2,238)	(91)	5,835	208	5,951	
2032.33	99,872	13,094	112,967	(53,515)	(20,832)	(21,869)	1,687	0	(94,529)	(16,524)	1,913	0	0	(2,007)	(93)	5,951	211	6,070	
2033.34	102,285	13,422	115,706	(54,828)	(21,311)	(22,381)	1,729	0	(96,792)	(17,217)	1,698	0	0	(1,792)	(94)	6,070	215	6,191	
2034.35	104,751	13,757	118,508	(56,174)	(21,801)	(22,906)	1,772	0	(99,109)	(17,562)	1,838	0	0	0	1,838	6,191	243	8,273	
2035.36	109,335	14,101	123,437	(57,552)	(22,302)	(23,443)	1,816	0	(101,481)	(17,569)	4,387	0	0	0	4,387	8,273	307	12,967	
2036.37	109,850	14,454	124,304	(58,965)	(22,814)	(23,992)	1,862	0	(103,910)	(17,579)	2,815	0	0	0	2,815	12,967	376	16,158	
2037.38	112,483	14,815	127,298	(60,412)	(23,339)	(24,555)	1,908	0	(106,397)	(17,494)	3,408	0	0	0	3,408	16,158	444	20,010	
2038.39	115,175	15,185	130,360	(61,894)	(23,875)	(25,130)	1,956	0	(108,943)	(17,478)	3,940	0	0	0	3,940	20,010	518	24,468	
2039.40	117,925	15,565	133,490	(63,413)	(24,423)	(25,719)	2,005	0	(111,550)	(17,478)	4,462	0	0	0	4,462	24,468	531	29,461	
2040.41	120,736	15,954	136,690	(64,969)	(24,984)	(26,322)	2,055	0	(114,220)	(17,478)	4,993	0	0	(2,870)	2,123	29,461	483	32,068	
2041.42	125,985	16,353	142,338	(66,564)	(25,557)	(26,938)	2,107	0	(116,953)	(17,478)	7,908	0	0	(11,717)	(3,810)	32,068	447	28,705	
2042.43	126,544	16,762	143,306	(68,197)	(26,144)	(27,569)	2,159	0	(119,751)	(17,478)	6,077	0	0	(11,943)	(5,865)	28,705	414	23,253	
2043.44	129,624	17,181	146,805	(69,871)	(26,744)	(28,215)	2,213	0	(122,617)	(17,478)	6,711	0	0	(16,091)	(9,380)	23,253	356	14,229	
2044.45	132,775	17,610	150,386	(71,585)	(27,358)	(28,876)	2,269	0	(125,551)	(17,478)	7,358	0	0	0	7,358	14,229	357	21,943	
2045.46	135,999	18,051	154,050	(73,342)	(27,994)	(29,552)	2,325	0	(128,563)	(17,478)	8,009	0	0	0	8,009	21,943	432	30,384	
2046.47	139,297	18,502	157,799	(75,142)	(28,646)	(30,244)	2,383	0	(131,648)	(17,478)	8,674	0	0	0	8,674	30,384	515	39,573	
2047.48	145,415	18,965	164,379	(76,986)	(29,312)	(30,952)	2,443	0	(134,807)	(17,478)	12,095	0	0	0	12,095	39,573	616	52,284	
2048.49	146,123	19,439	165,562	(78,875)	(29,993)	(31,677)	2,504	0	(138,041)	(17,478)	10,043	0	0	0	10,043	52,284	723	63,050	
2049.50	149,654	19,925	169,579	(80,810)	(30,691)	(32,418)	2,567	0	(141,353)	(17,478)	10,748	0	0	(16,491)	(5,742)	63,050	745	58,052	
2050.51	153,266	20,423	173,689	(82,793)	(31,404)	(33,177)	2,631	0	(144,744)	(17,363)	11,582	(4,731)	0	(19,091)	(12,240)	58,052	670	46,483	
2051.52	156,961	20,933	177,895	(84,825)	(32,135)	(33,954)	2,697	0	(148,216)	(17,156)	12,522	(9,461)	0	(19,547)	(16,486)	46,483	559	30,556	
2052.53	163,832	21,457	185,289	(86,906)	(32,881)	(34,748)	2,764	0	(151,772)	(16,823)	16,694	(7,096)	0	(20,014)	(10,416)	30,556	454	20,594	
2053.54	164,607	21,993	186,600	(89,039)	(33,646)	(35,561)	2,833	0	(155,412)	(16,337)	14,850	(14,192)	0	(12,374)	(11,715)	20,594	369	9,249	
2054.55	168,562	22,543	191,105	(91,223)	(34,428)	(36,393)	2,904	0	(159,140)	(15,826)	16,138	(16,557)	0	0	(419)	9,249	327	9,157	
2055.56	172,608	23,106	195,714	(93,462)	(35,227)	(37,245)	2,977	0	(162,957)	(15,305)	17,452	(9,461)	0	0	7,991	9,157	369	17,517	
2056.57	176,747	23,684	200,431	(95,755)	(36,046)	(38,116)	3,051	0	(166,866)	(14,774)	18,792	(12,330)	0	0	6,462	17,517	440	24,419	
2057.58	180,980	24,276	205,256	(98,104)	(36,883)	(39,007)	3,127	0	(170,868)	(14,529)	19,859	(8,279)	0	0	11,581	24,419	527	36,527	
2058.59	188,873	24,883	213,756	(100,512)	(37,740)	(39,920)	3,205	0	(174,966)	(14,200)	24,590	(9,461)	0	0	15,129	36,527	652	52,308	

Appendix 8 Long Term Capital Programme Indicative Costs and Financing

Year	Expenditure				Financing						
	HRA Asset Management and Compliance Programme/long term stock investment £,000	Building Homes and Strategy (HRA sites) £,000	Other £,000	Total Expenditure £,000	Borrowing £,000	RTB 141 Receipts £,000	Capital Receipts, Affordable Housing Grant & Developers Contributions £,000	Leaseholders contributions to major works £,000	Major Repairs Reserve £,000	Revenue Contributions to Capital £,000	Total Financing £,000
2020.21	61,740	19,622	14,133	95,495	48,893	7,209	12,253	2,891	24,249	-	95,495
2021.22	36,179	69,611	15,479	121,269	75,490	6,907	16,573	5,787	16,512	-	121,269
2022.23	29,161	64,965	12,619	106,745	-	3,786	89,961	4,199	8,799	-	106,745
2023.24	26,110	27,988	-	54,098	1,597	172	26,618	3,050	22,660	-	54,098
2024.25	25,011	13,062	-	38,073	-	-	30,175	2,607	5,291	-	38,073
2025.26	25,610	105	-	25,714	-	31	3,283	2,684	19,716	-	25,714
2026.27	26,223	105	-	26,328	-	31	3,075	2,762	20,459	-	26,328
2027.28	27,000	149	-	27,148	-	-	5,270	2,843	19,035	-	27,148
2028.29	27,708	149	-	27,857	-	-	5,422	2,927	19,507	-	27,857
2029.30	45,086	149	-	45,235	3,637	-	5,580	1,833	26,259	7,926	45,235
2030.31	46,146	149	-	46,295	14,447	-	5,743	1,887	19,906	4,313	46,295
2031.32	47,276	149	-	47,425	16,972	-	5,910	1,942	20,364	2,238	47,425
2032.33	48,429	149	-	48,578	17,659	-	6,081	1,999	20,832	2,007	48,578
2033.34	49,653	149	-	49,801	18,383	-	6,259	2,057	21,311	1,792	49,801
2034.35	26,770	149	-	26,919	-	-	6,442	2,404	18,073	-	26,919
2035.36	27,409	149	-	27,558	-	-	6,631	2,475	18,452	-	27,558
2036.37	28,063	149	-	28,212	-	-	6,827	2,547	18,839	-	28,212
2037.38	28,733	149	-	28,882	-	-	7,029	2,621	19,232	-	28,882
2038.39	29,419	149	-	29,568	-	-	7,238	2,698	19,633	-	29,568
2039.40	47,675	149	-	47,824	-	-	7,454	4,671	35,699	-	47,824
2040.41	48,814	149	-	48,963	-	-	7,677	4,807	33,609	2,870	48,963
2041.42	49,980	149	-	50,129	-	-	7,908	4,947	25,557	11,717	50,129
2042.43	51,175	149	-	51,323	-	-	8,146	5,091	26,144	11,943	51,323
2043.44	52,397	-	-	52,397	-	-	4,324	5,238	26,744	16,091	52,397
2044.45	33,978	-	-	33,978	-	-	4,416	2,635	26,927	-	33,978
2045.46	34,785	-	-	34,785	-	-	4,510	2,711	27,563	-	34,785
2046.47	35,611	-	-	35,611	-	-	4,607	2,790	28,214	-	35,611
2047.48	36,457	-	-	36,457	-	-	4,705	2,871	28,881	-	36,457
2048.49	37,322	-	-	37,322	-	-	4,806	2,954	29,562	-	37,322
2049.50	61,864	-	-	61,864	-	-	4,910	7,617	32,846	16,491	61,864
2050.51	63,349	-	-	63,349	-	-	5,016	7,838	31,404	19,091	63,349
2051.52	64,870	-	-	64,870	-	-	5,124	8,064	32,135	19,547	64,870
2052.53	66,427	-	-	66,427	-	-	5,235	8,297	32,881	20,014	66,427
2053.54	68,022	-	-	68,022	8,117	-	5,348	8,537	33,646	12,374	68,022
2054.55	46,209	-	-	46,209	-	-	5,464	6,452	34,292	-	46,209
2055.56	47,323	-	-	47,323	-	-	5,583	6,638	35,101	-	47,323
2056.57	48,464	-	-	48,464	-	-	5,705	6,830	35,929	-	48,464
2057.58	49,632	-	-	49,632	-	-	5,829	7,027	36,776	-	49,632
2058.59	50,828	-	-	50,828	-	-	5,957	7,229	37,642	-	50,828

Appendix 9 Long-Term HRA Capital Financing Requirement

Long-Term HRA Capital Financing Requirement					
Year	Opening HRA CFR £,000	Capital Exp Financed by Borrowing & Appropriations to the HRA £,000	Appropriations from the HRA £,000	HRA Provision to Repay Debt £,000	Closing HRA CFR £,000
2019.20	204,846	12,908	0	0	217,754
2020.21	217,754	48,893	0	0	266,647
2021.22	266,647	75,490	0	0	342,137
2022.23	342,137	0	0	0	342,137
2023.24	342,137	1,597	0	0	343,734
2024.25	343,734	0	0	0	343,734
2025.26	343,734	0	0	0	343,734
2026.27	343,734	0	0	0	343,734
2027.28	343,734	0	0	0	343,734
2028.29	343,734	0	0	0	343,734
2029.30	343,734	3,637	0	0	347,371
2030.31	347,371	14,447	0	0	361,818
2031.32	361,818	16,972	0	0	378,790
2032.33	378,790	17,659	0	0	396,449
2033.34	396,449	18,383	0	0	414,832
2034.35	414,832	0	0	0	414,832
2035.36	414,832	0	0	0	414,832
2036.37	414,832	0	0	0	414,832
2037.38	414,832	0	0	0	414,832
2038.39	414,832	0	0	0	414,832
2039.40	414,832	0	0	0	414,832
2040.41	414,832	0	0	0	414,832
2041.42	414,832	0	0	0	414,832
2042.43	414,832	0	0	0	414,832
2043.44	414,832	0	0	0	414,832
2044.45	414,832	0	0	0	414,832
2045.46	414,832	0	0	0	414,832
2046.47	414,832	0	0	0	414,832
2047.48	414,832	0	0	0	414,832
2048.49	414,832	0	0	0	414,832
2049.50	414,832	0	0	0	414,832
2050.51	414,832	0	0	(4,731)	410,101
2051.52	410,101	0	0	(9,461)	400,640
2052.53	400,640	0	0	(7,096)	393,544
2053.54	393,544	8,117	0	(14,192)	387,470
2054.55	387,470	0	0	(16,557)	370,913
2055.56	370,913	0	0	(9,461)	361,451
2056.57	361,451	0	0	(12,330)	349,122
2057.58	349,122	0	0	(8,279)	340,843
2058.59	340,843	0	0	(9,461)	331,382

Appendix 10 Base New Build Development Scheme Summary

Scheme	Summary
White City Estate	As part of the Building Homes and Communities Strategy, initial feasibility assessments indicate capacity for a significant number of homes in the central, non-residential area of the estate – however this will only be achieved if residents support the proposals and the Council is committed to working with residents on developing the proposals. The Council has now completed the acquisition of the NHS site and, as per condition of sale, NHS are carrying out some remediation works (asbestos removal) ahead of meanwhile use. Officers are working closely with community groups to develop to progress redevelopment options as well as identify potential occupiers for meanwhile use.
Old Laundry Yard	Also, part of the Building Homes and Communities Strategy, this scheme aims to deliver 60 homes half of which will be affordable. The scheme proposals include affordable workspaces. The Council will be undertaking detailed consultation with the traders at the neighbouring Shepherds Bush Market before any planning application can be submitted.
Flora Gardens and Avonmore Schools	Flora Gardens and Avonmore Primary Schools are the first projects within part of the Schools Renewal programme. The objectives of the programme are to re-provide modern, fit for purpose schools and deliver much needed affordable homes. Having undertaken initial viability assessments, architects have been appointed and are progressing detailed design proposals to inform upcoming planning applications.
Education City	The Council and ARK have been working together to plan and co-fund this development to create Education City, a new mixed used education hub on the site of the ARK Swift Primary School. The scheme will deliver a high-quality primary school, new and expanded nursery, new adult education and youth facilities, an office for educational charities and 132 homes - half of which will be affordable. The scheme is currently awaiting approval/feedback from Department of Education.
Commonwealth Avenue	Also, part of the Building Homes and Communities Strategy, the Council is exploring joint development opportunities with the Dioceses of London who own the adjoining site. By working together, the Council and the Church will be able to maximise the amount of housing that can be built, and also provide new community facilities.
Springvale	This is a direct delivery site at the Springvale Estate. A contractor is currently onsite and is on track to complete the development of 10 social rent by the end of 2020/21