



**BRENTWOOD
BOROUGH COUNCIL**

Brentwood Borough Council
Housing Revenue Account
Budget and 30 Year Business
Plan
2023/24

Contents

| | Paragraph |
|------------------------------------|-----------|
| Introduction | 1-10 |
| Rent Policy | 11-26 |
| Service Charges | 27-34 |
| HRA Budget 2023/24 | 35-36 |
| HRA Reserves | 37-42 |
| HRA Capital Programme | 43-55 |
| Treasury Management Strategy (HRA) | 56-64 |
| 30 Year Business Plan | 65-68 |

Housing Revenue Account (HRA) Budget 2023/24

Introduction

1. The HRA is the budget operated by the Council which contains the income and expenditure of services connected with the Council's Housing Landlord role.
2. The main source of income into the HRA is the rental income from the properties let by the Council. These rents are calculated by reference to a Government formula which provides a target rent for the Council's properties to charge.
3. Since April 2012 the HRA has been operating in a system known as Self Financing for local authorities with social housing.
4. Self-Financing changed the way the Council's housing stock is funded. In principle, it gives more local accountability and responsibility for the operation of the Council's housing stock. The key elements of Self Financing are:
 - The Government calculated a level of debt based on a 30-year assessment on expenditure, which was transferred to the authorities to compensate the Government for the end of the subsidy scheme. For Brentwood, this was assessed at approximately £64.4million. The Council has borrowed from PWLB to fund this level of debt
 - Councils have full responsibility for the maintenance and development of the housing stock and also the servicing of the debt.
 - A sum for depreciation of the stock is required to be included in the accounts.
5. The method of setting rents is guided by Government guidelines. From 2020/21 the Government proposed that rents would increase by CPI + 1% for the next 5 years until 2024/25. This proposal was to offer stability and certainty to the HRA to fund investment in existing stock as well as building more homes for the future. However, in light of exceptional circumstances the government has since adjusted this policy in order to protect social housing tenants from very large nominal-terms rent increases that would otherwise have been permitted in 2023-24 due to higher than expected levels of inflation.
6. For rent periods that begin in the 12 months from 1 April 2023 to 31 March 2024, the CPI plus 1 percentage point limit on annual rent increases is replaced by a 7% 'ceiling'. This means that, in that year, registered providers may increase rents by up to 7%. Although, this does not affect the calculation of the maximum initial rent when properties are first let or subsequently re-let.

7. This document looks to provide information on the draft HRA budget for 2023/24 and forward financial forecast through to 2025/26 together with the Housing Capital Programme. It also provides an update on the 30-year business plan.

Table 1 - Outturn 2022/23

| | 2021/22 Outturn £'000 | 2022/23 Budgeted Outturn £'000 | 2022/23 Forecast Outturn £'000 | 2022/23 Variance £'000 |
|-------------------------|-----------------------------|---|---|------------------------------|
| Deficit/(Surplus) | (442) | (34) | (144) | (110) |
| Working Balance bfwd | 1,480 | 1,922 | 1,922 | 0 |
| Working Balance cfwd | 1,922 | (1,956) | 2,066 | (110) |

8. The HRA continues to invest in its stock to ensure all remedies required for compliance work are completed in agreed timeframes. To support the delivery of compliance on the housing stock, the contribution to capital has been decreased to offset the pressure.
9. The Strategic Housing Delivery programme has progressed well, Brookfield Close has been approved for planning, delivering 61 homes. As the programme looks to other sites, further feasibility studies and external support are required to progress. These costs are charged to the HRA revenue account. When the sites are identified as being able to be developed the costs will be capitalised. Therefore, the early part of the programme will see the utilisation of the Housing Development reserve to support the revenue pressure of the programme. As the programme progresses it is expected this reserve will be topped up again when costs can be identified for capitalisation.
10. In recent years, Interest rates have been low. Due to this, Brentwood secured forward funding to protect the capital programme from interest rate risk. As rate were low, it has been financially favourable to borrow to fund the capital programme rather than utilise revenue. Increasing Earmarked Reserves and Working balances is an aspiration to support the HRA in delivering its programme of works whilst mitigating any in year pressures.

Rent Policy

11. The Government announced that from 1 April 2023 to 31 March 2024, the CPI plus 1 percentage point limit on annual rent increases is replaced by a 7% 'ceiling'. This means that, in that year, registered providers may increase rents by up to 7%. This does not affect the calculation of the maximum initial rent when properties are first let or subsequently re-let.
12. According to the Bank of England's monetary policy report, Inflation was at 10.1% and inflation is expected to remain high until middle of 2023, when it will start to fall. The Bank of England's CPI target for future years is a decline over the next two years reaching a target figure of 2%, thus, for the remaining years of the forecast period rents are modelled on the treasury forecasted CPI targets.

The assumptions, therefore, on rent are:

- that all rents from 2023/24 are increased by 7%
- that all rents from 2024/25 continue to increase by the CPI plus 1%. Below are the assumptions included in the 30-year business plan:

| 2023/24 | 2024/25 | 2025/26 | 2026/27 onwards |
|---------|---------|---------|-----------------|
| 7% | 3.6% | 3.1% | 2.0% |

- that all social housing rents have the formula rent applied when new tenancies begin.

The above assumptions have all been built into the budget forecasts and the 30 year financial forecast.

Social Rents

13. The tables below set out the current overall average rent of secure tenancies (excluding Shared Ownership and Affordable Rents), with the 7% increase applied from April 2023, and provides some examples of rent levels for properties of different sizes.
14. The average rent increase applied to HRA properties is 7%. This results in an average weekly rent of £105.29 and an average weekly increase of £6.89.

Table 2 – Flats Rental Increase

| No of Bedrooms | Average Rent £ | Average increase £ | No of Properties |
|----------------|----------------|-----------------------|------------------|
| 0 | 73.39 | 4.80 | 63 |
| 1 | 89.66 | 5.87 | 506 |
| 2 | 98.53 | 6.45 | 471 |
| 3 | 109.01 | 7.13 | 54 |
| Total | 93.50 | 6.12 | 1094 |

Table 2a – Houses Rental Increase

| No of Bedrooms | Average Rent £ | Average increase £ | No of Properties |
|----------------|----------------|-----------------------|------------------|
| 0 | 81.42 | 5.33 | 28 |
| 1 | 97.43 | 6.37 | 232 |
| 2 | 112.74 | 7.38 | 380 |
| 3 | 125.43 | 8.21 | 607 |
| 4 | 150.26 | 9.83 | 15 |
| Total | 116.07 | 7.59 | 1257 |

Shared Ownership Rents

15. The tables below set out the current overall average rent for Shared Ownership properties, with the 7% increase applied from April 2023, and provides some examples of rent levels for properties of different sizes.

16. The average rent increase applied to Shared ownership properties is 7%. Therefore, the average weekly increase is £3.00 and average weekly rent is £45.79.

Table 2b – Shared Ownership Flats Rental Increase

| No of Bedrooms | Average Rent £ | Average increase £ | No of Properties* |
|----------------|----------------|-----------------------|-------------------|
| 1 | 42.15 | 2.76 | 6.00 |
| 2 | 51.57 | 3.37 | 3.00 |
| Total | 45.29 | 2.96 | 9.00 |

Table 2c – Shared Ownership Houses Rental Increase

| No of Bedrooms | Average Rent £ | Average increase £ | No of Properties* |
|----------------|----------------|-----------------------|-------------------|
| 1 | 45.21 | 2.96 | 4.00 |
| 2 | 51.96 | 3.40 | 1.00 |
| Total | 46.90 | 3.07 | 5.00 |

* The Council share in the 14 Shared Ownership properties is 48%

Affordable Rents

17. The tables below set out the current overall average rent for properties with Affordable Rents, with the 7% increase applied from April 2023, and provides some examples of rent levels for properties of different sizes.

18. The average rent increase applied to affordable rents is 7%. This results in an average weekly rent of £209.81 and an average weekly increase of £13.73.

Table 2d – Affordable Rents Flats

| No of Bedrooms | Average Rent £ | Average increase £ | No of Properties |
|----------------|----------------|--------------------|------------------|
| 1 | 133.93 | 8.76 | 3 |
| 2 | 194.56 | 12.73 | 10 |
| 3 | 250.45 | 16.39 | 2 |
| Total | 189.89 | 12.42 | 15 |

Table 2e – Affordable Rents Houses

| No of Bedrooms | Average Rent £ | Average increase £ | No of Properties |
|----------------|----------------|--------------------|------------------|
| 1 | 168.20 | 11.01 | 4 |
| 2 | 205.23 | 13.43 | 9 |
| 3 | 235.98 | 15.44 | 17 |
| 4 | 240.68 | 15.74 | 2 |
| Total | 219.15 | 14.34 | 32 |

Applying Formula Rent to new Tenancies.

19. Since 2001, rents for properties let at ‘social rent’ (which constitute a majority of rented social housing properties) have been set based on a formula set by government. This creates a ‘formula rent’ for each property, which is calculated based on the relative value of the property, relative local income levels, and the size of the property. An aim of this formula-based approach is to ensure that similar rents are charged for similar social rent properties.

The formula is as follows:

70% of the national average rent x relative county earning x the bedroom weight
plus
30% of the national average rent x relative property value

Relative County Earnings means the average manual earning for the county in which the property is located at 1999 levels for Essex this is £325.90. Relative Property Value

means the individuals property value divided by the national average (£49,750) as at January 1999 values. The national average rent is £54.62.

Bedroom weight to be used in the formula are presented below

Table 3 – Bedroom Weightings

| Number of bedrooms | Bedroom weight |
|--------------------|----------------|
| 0 (i.e bedsits) | 0.80 |
| 1 | 0.90 |
| 2 | 1.00 |
| 3 | 1.10 |
| 4 | 1.20 |
| 5 | 1.30 |
| 6 or more | 1.40 |

20. Putting the relevant information into the above formula will give the formula rent for 2000-01 for the property. This rent must be then uprated for each year using the relevant uplift factor as detailed in the table below:

Table 4 – Rental Uplift

| Year | Inflation | Additional Uplift | Total Uplift |
|---------|-----------|-------------------|--------------|
| 2001-02 | 3.3% | 1.0% | 4.3% |
| 2002-03 | 1.7% | 0.5% | 2.2% |
| 2003-04 | 1.7% | 0.5% | 2.2% |
| 2004-05 | 2.8% | 0.5% | 3.3% |
| 2005-06 | 3.1% | 0.5% | 3.6% |
| 2006-07 | 2.7% | 0.5% | 3.2% |
| 2007-08 | 3.6% | 0.5% | 4.1% |
| 2008-09 | 3.9% | 0.5% | 4.4% |
| 2009-10 | 5.0% | 0.5% | 5.5% |
| 2010-11 | -1.4% | 0.5% | -0.9% |
| 2011-12 | 4.6% | 0.5% | 5.1% |
| 2012-13 | 5.6% | 0.5% | 6.1% |
| 2013-14 | 2.6% | 0.5% | 3.1% |
| 2014-15 | 3.2% | 0.5% | 3.7% |
| 2015-16 | 1.2% | 1% | 2.2% |
| 2016-17 | N/A | N/A | -1.0% |
| 2017-18 | N/A | N/A | -1.0% |
| 2018-19 | N/A | N/A | -1.0% |
| 2019-20 | N/A | N/A | -1.0% |
| 2020-21 | 1.7% | 1.0% | 2.7% |
| 2021-22 | 0.5% | 1.0% | 1.5% |
| 2022-23 | 3.1% | 1.00% | 4.1% |

| | | | |
|---------|--------|-------|--------|
| 2023-24 | 10.10% | 1.00% | 11.10% |
|---------|--------|-------|--------|

21. Formula rent is subject to a rent cap. The rent caps apply as a maximum ceiling on the formula rent and depend on the size of the property (the number of bedrooms it contains). Where the formula rent would be higher than the rent cap for a size of property, the rent cap must be used instead.
22. Registered providers must not allow rents to rise above the rent cap level for the size of property concerned.
23. From 2022-23 onwards, the rent caps will increase by CPI (at September of the previous year) + 1.5 percentage points annually. The rent caps for 2023/24 are as follows.

Table 5 – Rent Caps

| Number of bedrooms | Rent Cap |
|--------------------|----------|
| 1 and bedsits | £173.79 |
| 2 | £184.00 |
| 3 | £194.22 |
| 4 | £204.43 |
| 5 | £214.66 |
| 6 or more | £224.87 |

24. Where a property whose rent has been subject to the rent cap comes up for re-let (and formula rent remains above the rent cap), the new rent may be set at up to the rent cap level. From 2024-25, rent caps will continue to increase by CPI (at September of the previous year) + 1.5 percentage points, each year.
25. The government’s policy recognises that registered providers should have some discretion over the rent set for individual properties, to take account of local factors and concerns, in consultation with tenants.
26. As a result, the policy contains flexibility for registered providers to set rents at up to 5% above formula rent and 10% for supported housing. If applying this flexibility, providers should ensure that there is a clear rationale for doing so which considers local circumstances and affordability.

Service Charges

Tenant Service Charges

27. Historically, the Council has increased tenant service charges through a 'rolling reconciliation'. The 'rolling reconciliation', compares the previous year's actual to the budgeted figure. The under/over recovery is then passed onto the tenant in the following year. This is capped at CPI + 1% (or 7%). This ensures service charges are cost recovered fairly and to keep charges affordable.
28. The proposed rent increases do not include service charges – specific additional charges for tenants primarily of flat blocks, relating to the provision of specific services, such as heating, communal lighting and caretaking.
29. Registered providers are expected to set reasonable and transparent service charges which reflect the service being provided to tenants. Tenants should be supplied with clear information on how service charges are set. In the case of social rent properties, providers are expected to identify service charges separately from the rent charge.
30. Service charges are not governed by the same factors as rent. However, registered providers should endeavour to keep increases for service charges within the limit on rent changes, of CPI + 1 percentage point, to help keep charges affordable.
31. Where new or extended services are introduced, and an additional charge may need to be made, registered providers should consult with tenants.

Leaseholder Service Charges

32. These are levied by the Council, to recover the costs the Council incurs in providing services to a dwelling. The way in which the service charge is organised is set out in the leaseholder's lease or tenancy agreement and therefore they will be calculated accordingly.

Fees and Charges

33. On the 23 September 2015 the Environment and Housing Committee approved the new recharge policy. Previously recharges for Housing services have only been recovered on an ad hoc basis. This has led to the council subsidising some of the costs, at a cost to the revenue account.
34. In addition to reviewing discretionary services, Officers have also reviewed the services the Council pays for, which are deemed rechargeable, that the Council is currently subsidising. It is hoped that the introduction of the re-charging policy, for these services will encourage tenants to be more aware and also more responsible for their property and actions within their property.

Prices have been calculated with the following price mechanism:

- 2018/19 – Cost price less 20%
- 2019/20 – Cost price less 15%
- 2020/21 – Cost price less 10%
- 2021/22 – Cost price less 5%
- 2022/23 – Cost prices
- 2023/24 – Cost prices

Each year the percentage deducted will decrease by 5% until the full cost price is recovered. This is to ensure that the council gets to a position where it is at cost recovery without hiking prices significantly in one year that would be deemed unaffordable to the tenant.

The schedule of the fees and charges are with Appendix D.

Housing Revenue Account Budget 2023/24

35. The policy used in setting the budget is driven from the Council's Corporate Strategy which sets the following priorities:

Improving housing

- Providing decent, safe, and affordable homes for local people
- Supporting tenants through a high quality well managed service
- Support responsible development in the borough.

The budget includes specific investment in respect of the following:

- £3.368m in delivering repairs and maintenance under the Axis contract.
- £100k in reviewing small sites to develop for housing and support the review of sheltered housing delivered in the Borough.
- Contribution of £2.94m to the major Repairs Reserve to fund the Decent Home Capital Programme

36. The table on the next page sets out the HRA budget for 2023/24 and the forecast for the following 2 years.

Housing Revenue Account Budget 2023/24

Table 6 – HRA Budget 2023/24

| | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 |
|--------------------------------------|------------------|------------------|------------------|------------------|
| Repairs & Maintenance | 3,338 | 3,368 | 3,195 | 3,369 |
| General Management | 2,854 | 2,999 | 2,983 | 3,004 |
| Special Services Management | 1,470 | 1,906 | 1,936 | 1,967 |
| Rents Rates Taxes & Other Charges | 308 | 427 | 427 | 427 |
| Bad Debt Provision | 160 | 160 | 60 | 60 |
| Depreciation (Major Repairs Reserve) | 2,941 | 2,941 | 2,941 | 3,064 |
| Corporate & Democratic Core | 351 | 347 | 347 | 347 |
| Total Expenditure | 11,422 | 12,148 | 11,889 | 12,238 |
| Dwelling Rent | (12,460) | (13,164) | (13,521) | (13,939) |
| Non-Dwelling Rent | (251) | (265) | (273) | (281) |
| Charges for Services & Facilities | (1,056) | (1,018) | (1,047) | (1,078) |
| Total Income | (13,767) | (14,447) | (14,841) | (15,298) |
| Net Cost of Services | (2,345) | (2,299) | (2,952) | (3,060) |
| Interest Payable | 2,071 | 2,335 | 2,481 | 4,053 |
| Pension Contributions | 240 | 0 | 0 | 0 |
| Investment Income | (94) | (62) | (62) | (62) |
| Voluntary MRP | 0 | 0 | 0 | 0 |
| Total Non-Service Expenditure | 2,217 | 2,273 | 2,419 | 3,991 |
| Appropriations | 0 | 0 | 0 | 0 |
| Deficit/(Surplus) | (128) | (26) | (533) | 931 |
| Working Balance b fwd | 1,922 | 2,050 | 2,076 | 2,609 |
| Working Balance c fwd | 2,050 | 2,076 | 2,609 | 1,678 |

HRA Reserves

37. The HRA working balance must continue to be managed so that it provides the flexibility to manage unexpected demands and pressures without destabilising the Council’s overall financial position. The level of the Working Balance should provide a reasonable allowance for unquantifiable risks or one-off exceptional items of expenditure that are not covered within existing budgets. The Working Balance can also be used to act as a source of pump priming investment and/or to deliver “invest to save” projects.
38. General guidance and practice amongst other authorities varies. Options include a percentage of total income, and a set value per Council Dwelling. However, individual risk assessments undertaken at a local level are considered best practice.
39. The Working Balance can be used to correct inflation assumptions, increase capital spend, repay debt early or to fund new HRA capital projects.
40. The following table sets out the estimated reserve levels over the period 2022/23 to 2025/26:

Table 7 – HRA Working Balance

| | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 |
|-----------------|------------------|------------------|------------------|------------------|
| Opening Balance | 2,500 | 2,500 | 2,500 | 2,500 |
| Transfer In/Out | 0 | 0 | 0 | 0 |
| Closing Balance | 2,500 | 2,500 | 2,500 | 2,500 |

41. The Section 151 has taken account the level of risk when advising on the level of balances that should be retained in the HRA.

Earmark Reserves

42. In addition to the HRA Working Balance, the Council keeps HRA Earmarked Reserves on the Balance Sheet. These Reserves are as follows:
- Council Dwellings & Affordable Housing Investment Fund – this reserve is to support future investment in the Council’s housing stock and aiding in delivering the strategic housing development programme. With the reserve being utilized to fund upfront costs that cannot be capitalized until the programme progresses. The anticipated balance in this reserve as at 31 March 2023 is £2.5 million.
 - One assumption of this reserve is that it can also contribute to additional voluntary MRP contributions to repay debt within the HRA that is taken out over the life of the business plan.

HRA Capital Programme

43. It is essential to ensure that the stock is maintained at a proper standard and to meet the other demands and commitments of the capital programme. The capital programme is a key input into the 30-year business plan, and both are reviewed annually. Modelling the resources available in the 30-year HRA financial forecast demonstrates that the demands of the current and proposed programme can be fully met throughout the 30-year planning period.

Housing Development Programme

44. On 2 April 2012, Ministers confirmed delivering new homes would be through Local Authorities retaining receipts from right to buy sales (RTB), to spend in their area.

45. Brentwood entered into an agreement with the Secretary of State for Communities and Local Government to retain the additional RTB receipts on 26th June 2012.

46. Major changes to the RTB pooling system were made from 1st April 2021. Amended terms of the retention agreement were made between the Secretary of State and authorities under section 11(6) of the Local Government Act 2003. This was to enable authorities to retain RTB receipts, and to comply with the amendments to the Local Authorities (Capital Finance and Accounting) regulations 2003 that came into force on 30 June 2021.

The key changes of the agreement are as follows:

- Pooling of RTB receipts will take place annually rather than quarterly.
- Deadlines for spending retained receipts will also be calculated on an annual basis.
- The timeframe in which local authorities have to spend new and existing right to buy receipts has been extended from 3 years to 5 years. This should make it easier for local authorities to undertake longer-term planning, including remediation of larger plots of land.
- The percentage cost of a new home that local authorities can fund using RTB receipts increases from 30% to 40%. This will make it easier for authorities to fund replacement homes using RTB receipts, as well as making it easier to build homes for social rent.

- Authorities can use receipts to supply shared ownership and First homes, as well as housing at affordable and social rent, to help them build types of homes most needed by their communities.
- An acquisition cap will be implemented from April 2022. This cap is to encourage authorities to build new homes rather than acquire existing homes.
- Brentwood Council agrees to return any unused receipts to the Secretary of State with Interest.

47. To date the Council has provided 46 number of properties let at Affordable Rent. 10 of these properties have been developed and 36 have been acquired from the open market.

48. The Council has begun a pipeline of new affordable homes through the development and regeneration of various Housing Revenue Account (HRA) owned sites. As a reminder, this Strategic Housing Delivery Programme (SHDP) is currently made up of two elements, 1) the regeneration of Brookfield Close, Hutton resulting in a planned 61 zero carbon homes and 2) the development of a range of smaller HRA sites to deliver new homes. All of these new homes will contribute to, and be managed within, the Council's HRA.

49. A review of the HRA Business Plan, and its assumptions and capacity to deliver a sustainable programme of new homes has continued into a further phase and now incorporates the costs and returns from the viability assessments. The revised plan assumes the pursuing of a 5 to 7-year programme funding new homes to a total cost of £60m over that period. This is captured within the 30-year Business Plan.

50. The individual sites and the sites identified are combined into an overall programme. It should be noted that the numbers for the total programme, as for the individual schemes, are very much indicative at this stage. There is still considerable work to do to establish a fully costed deliverable programme. Therefore, as the SHDP develops the HRA Business Plan will be refined and updated to ensure the HRA can afford to deliver all sites and the time period of delivering these sites in line with affordability and financial capacity.

51. Below detail the proposed amounts to be spent on the Strategic Housing Development Programme.

Table 8 - Strategic Housing Delivery Programme

| Year | Programme Amount £'000 |
|--------------|---------------------------|
| 2021/22 | 1,846 |
| 2022/23 | 3,633 |
| 2023/24 | 16,000 |
| 2024/25 | 29,782 |
| 2025/26 | 8,739 |
| Total | 60,000 |

52. Only 40% of the programme total can be funded from right to buy receipts if there is retained right to buy receipts available.

53. The Business Plan assumes use of the following, for funding the Strategic Housing Development Programme:

- Capital Receipts
- Contribution from Council Dwelling Earmark Reserve
- Capital Grants (Homes England Funding)
- Section 106 funds applicable
- Borrowing from the Public Works Loan Board (PWLB)

The need to borrow is reviewed on an annual basis along with the 30-year business plan.

HRA Capital Programme Forecast

54. Combining The Strategic Housing Development Programme alongside the planned Decent Works, the capital programme budget and funding of these workstreams are detailed below.

55. The HRA capital programme is aligned to achieve the following headlines in the Councils Corporate Strategy:

- Providing decent, safe and affordable homes
- Supporting responsible development in the borough
- Undertaking refurbishment of existing council housing.

Table 9 – HRA Capital Programme

| | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 |
|--|------------------|------------------|------------------|
| HRA Decent Works Programme | 6,008 | 5,834 | 5,944 |
| Strategic Housing Development Programme (SHDP) | 16,000 | 29,782 | 8,739 |
| Total | 22,008 | 35,616 | 14,683 |
| Funded by | | | |
| HRA Capital Receipts | (5,485) | (8,765) | (2,103) |
| Grant Funding | (3,030) | (2,520) | 0 |
| Major Repairs Contribution | (2,941) | (2,941) | (2,941) |
| Borrowing | (10,552) | (21,390) | (9,639) |
| Total | (22,008) | (35,616) | (14,683) |

Treasury Management Strategy (HRA)

56. The current total HRA borrowing is £59.166 million for the self-financing Settlement.
57. Previously the borrowing was capped by the Government at £72.587 million, this cap has now been removed.
58. At present, £46.023 million has been assumed for the HRA capital programme. The interest costs on this borrowing consume a significant proportion of the HRA's resources and the management of these is, therefore, critical to the HRA budget.
59. As the development programme for housing within the borough advances, the borrowing needs will need to be addressed and factored into the financial viability of the scheme developments and the impact on HRA resources.

Self-Financing Settlement

60. On 28 March 2012 the Council borrowed £64.166 million from PWLB (Public Works Loan Board) in order for the HRA to become Self Financing as the subsidy system was being demolished. The Council profiled this borrowing over 6 loans ranging from lengths of 5 years to 30 years.
61. The table below shows the profiles of the loans that the Council holds regarding the Self-Financing Debt

Table 10 – HRA Loan Pool

| Loan Amount | Number of Years Held | Date Repayable | Interest % |
|-------------|----------------------|----------------|------------|
| 5,000,000 | 10 | 28/03/2022 | 2.4 |
| 10,000,000 | 15 | 28/03/2027 | 3.01 |
| 15,000,000 | 20 | 28/03/2032 | 3.3 |
| 15,000,000 | 25 | 28/03/2037 | 3.44 |
| 14,166,000 | 30 | 28/03/2042 | 3.5 |

62. The HRA Business Plan from 2012/13 had been setting aside monies from surplus cash, to repay the loans. As at 31 March 2021 the amount set aside is £2.147 million.
63. The next loan is rescheduled to be paid 28/03/2027 and will require refinancing of £10 million.
64. The Business Plan assumes that the HRA will continue to set aside some money as long as it is affordable to the HRA. From 2024/25 it is expected the HRA can set aside funds to repay the remaining loans.

30 Year Business Plan

65. As with the budget and capital programme the 30-year financial forecast is reviewed annually and amended where appropriate and this is set out below.
66. Following the priorities set out above means the capital required on the stock is funded throughout the term of the 30 years.
67. The Business Plan demonstrates that the HRA is sustainable over a 30-year term, including the capital programme and debt repayment can commence from the financial year 2024/25.
68. When budget proposals are made to the Council, the Section 151 Officer will take these issues into consideration when advising on the level of balances that should be retained within the HRA.

Table 11 – HRA 30-year Business Plan

| ©Housing Finance Associates | HRA Business Planning Model | | | | | | | | | |
|----------------------------------|-----------------------------|----------------|----------------|----------------|----------------|-----------------|------------------|------------------|------------------|--------------------|
| Description | 1 2022.23 | 2 2023.24 | 3 2024.25 | 4 2025.26 | 5 2026.27 | 6-10 2027/32 | 11-15 2032/37 | 16-20 2038/42 | 21-25 2042/47 | 26 - 30 2047/52 |
| Income | | | | | | | | | | |
| Gross Rental Income | £12,665 | £13,395 | £13,759 | £14,186 | £15,278 | £81,224 | £89,113 | £97,538 | £106,130 | £116,140 |
| Void Losses | -£205 | -£231 | -£238 | -£245 | -£103 | -£545 | -£598 | -£655 | -£712 | -£780 |
| Tenanted Service Charges | £870 | £949 | £978 | £1,008 | £967 | £5,130 | £5,664 | £6,254 | £6,905 | £7,624 |
| Non-Dwelling Income | £251 | £264 | £273 | £281 | £357 | £1,894 | £2,091 | £2,309 | £2,549 | £2,815 |
| Other Income | £187 | £70 | £70 | £70 | £73 | £387 | £427 | £471 | £520 | £574 |
| Total income | £13,768 | £14,447 | £14,841 | £15,299 | £16,572 | £88,090 | £96,697 | £105,918 | £115,392 | £126,373 |
| Expenditure | | | | | | | | | | |
| General Management | -£2,854 | -£2,998 | -£2,983 | -£3,004 | -£3,774 | -£20,034 | -£22,119 | -£24,421 | -£26,963 | -£29,769 |
| Special Management | -£1,470 | -£1,906 | -£1,936 | -£1,967 | -£1,288 | -£6,837 | -£7,549 | -£8,334 | -£9,202 | -£10,159 |
| Other Management | -£659 | -£774 | -£774 | -£774 | -£739 | -£3,921 | -£4,329 | -£4,780 | -£5,277 | -£5,826 |
| Bad Debt Provision | -£160 | -£160 | -£60 | -£60 | -£63 | -£333 | -£365 | -£399 | -£435 | -£476 |
| Responsive & Cyclical Repairs | -£3,338 | -£3,368 | -£3,195 | -£3,369 | -£3,452 | -£18,334 | -£20,260 | -£22,389 | -£24,742 | -£27,345 |
| Other revenue expenditure | -£240 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| Total expenditure | -£8,721 | -£9,207 | -£8,948 | -£9,175 | -£9,316 | -£49,458 | -£54,621 | -£60,323 | -£66,619 | -£73,576 |
| Capital financing costs | | | | | | | | | | |
| Interest paid on debt | -£2,071 | -£2,335 | -£2,481 | -£4,053 | -£4,210 | -£21,259 | -£21,578 | -£22,273 | -£22,131 | -£21,639 |
| Interest paid on 141 receipts | -£1 | £0 | £0 | £0 | -£168 | -£159 | -£968 | -£4,157 | -£5,603 | -£4,224 |
| Interest Received | £94 | £62 | £62 | £62 | £0 | £0 | £0 | £0 | £0 | £0 |
| Depreciation | -£2,941 | -£2,941 | -£2,941 | -£3,064 | -£3,079 | -£16,180 | -£17,570 | -£19,074 | -£20,701 | -£22,460 |
| Capital financing costs | -£4,919 | -£5,214 | -£5,360 | -£7,055 | -£7,456 | -£37,598 | -£40,116 | -£45,504 | -£48,434 | -£48,323 |
| Appropriations | | | | | | | | | | |
| Revenue provision (HRA CFR) | £0 | £0 | £0 | £0 | -£118 | -£1,073 | -£1,960 | -£76 | -£77 | -£4,474 |
| Other appropriations | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| Appropriations | £0 | £0 | £0 | £0 | -£118 | -£1,073 | -£1,960 | -£76 | -£77 | -£4,474 |
| Net income/ (expenditure) | £128 | £26 | £533 | -£931 | -£318 | -£39 | £0 | £15 | £262 | £0 |
| HRA Balance | | | | | | | | | | |
| Opening Balance | £1,922 | £2,050 | £2,076 | £2,609 | £1,678 | £7,320 | £7,719 | £5,286 | £6,280 | £7,996 |
| Generated in year | £128 | £26 | £533 | -£931 | -£318 | -£39 | £0 | £15 | £262 | £0 |
| Appropriated in | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| Appropriated out | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| Closing Balance | £2,050 | £2,076 | £2,609 | £1,678 | £1,361 | £7,281 | £7,719 | £5,302 | £6,542 | £7,996 |