

Contains Confidential or Exempt Information	No
Title	Housing Revenue Account (HRA) Business Plan 2024/25
Responsible Officer(s)	Nicky Fiedler (Strategic Director of Housing and Environment) Emily Hill (Strategic Director, Resources)
Author(s)	Jon Maxwell, Yalini Gunarajah, Ajit Kaur
Portfolio(s)	Cllr Bassam Mahfouz - Genuinely Affordable Homes Cllr Shital Manro - Good Growth Cllr Steve Donnelly - Inclusive Economy
For Consideration By	Cabinet
Date to be Considered	February 2024
Implementation Date if Not Called In	March 2024
Affected Wards	All
Keywords/Index	Housing Revenue Account (HRA), 30 Years, Business Plan, Financial Plan, Capital Programme, Asset Management, 2024-25, Budget, Tenants, Leaseholders, Service Charges, Rent Increase

Purpose of the Report

The setting of the 2024/2025 budget for the HRA sets out the income and expenditure expected to deliver services in the financial year and reviews the 30-year HRA Business Plan.

The Council has a very clear objective to deliver safe and genuinely affordable homes for our residents and a regular review of the HRA Business Plan is essential to ensuring that the funding is available to achieve this.

The key focus within the Business Plan is safety, great tenant engagement, and improving services and outcomes for residents. The Business Plan sets out the financial impact of the investment in the stock and the services provided, including residents' safety, providing an effective repairs service, and engaging with tenants on service priorities and improvements.

To fund the continued investment in the homes and services, the Council will apply the rent increase allowed by Central Government. This will help the Council continue improving services and reflect the priorities of tenants in these changes.

The Council has had to raise the income required for the Business Plan to prioritise the funding on the things that matter most to residents, which is the condition of their home and the area they live in. The increased expenditure on repairs and maintenance reflects the needs of the stock and to comply with the revised expectations from the Regulator of Social Housing.

The report provides Cabinet with:

1. The proposed Housing Revenue Account (HRA) budget for 2024/25.
2. An update on the approved planned maintenance capital programme.
3. An update on the approved new homes and regeneration programme.
4. An update on the 30-year Business Plan for the HRA.
5. A proposed Capital Programme for the next five years and proposed indicative capital allocations for the following 25 years.

1 Recommendations

It is recommended that Cabinet:

- 1.1 Approves the HRA revenue budget for the 2024/2025 as set out at paragraph 15.7.
- 1.2 Approves the updated 30-year Business Plan Model for both Revenue and Capital Programmes as set out at paragraph Appendix Two and Three.
- 1.3 Approves the HRA 5-year Capital Programme as set out at paragraph 10.4.
- 1.4 Approves the regeneration programme budget of £246.101m and funding as set out at paragraph 11.4.
- 1.5 Approves an increase to the HRA 5-year total Capital Programme of £87.657m to be funded as set out at paragraph 11.6.
- 1.6 Approves the increase of 7.7% to existing tenants' rents and the formula rent for new tenants for 2024/25.

2 Introduction

- 2.1 Good quality housing and the provision of affordable housing is a vital part of the Council's long-term vision for the borough. The Council Plan identifies Affordable Housing as a key priority with a commitment to delivering the "programme of social rent, council house building, affordable homes and ensuring our tenants are empowered and have ownership of their communities".

- 2.2 The HRA Business Plan sets out the financial implications of plans for existing homes and the provision of new homes funded through the HRA by the Council.
- 2.3 The HRA Business Plan sets out the long-term financial position of the HRA Business Plan for a period of 30 years. The key focus is on the medium-term (i.e., the first five years) where there is greater certainty on costs and pressures, and where the prioritisation of housing investment is needed. The HRA Business Plan does not include the activity financed by the Council's General Fund, such as homelessness.
- 2.4 The Business Plan outlines the broad context for financial planning and investment decisions that support delivery of the Council's strategies for HRA housing. The plan takes account of the known financial information and issues, as well as assumptions made about variable elements impacting on the plan (e.g., inflation and interest rates).
- 2.5 The Council has used a financial planning model employed provided by Savills and this helps comparisons to be made based on the assumptions used, as well as the income and costs incurred.

3 Background

- 3.1 The Council's Housing Service provides services to approximately 15,500 (including c4,500 leasehold) properties across the borough. Most of the properties are general needs homes and there are plans to develop new homes through new build and regeneration schemes.
- 3.2 The properties provide a significant resource to meet local housing needs and has a positive impact on the local economy, supporting economic growth and prosperity.
- 3.3 The HRA is a ring-fenced account showing the income and expenditure incurred on the Council's housing stock. The cost of borrowing and an allowance for depreciation are also included.
- 3.4 The Council has continued to deliver a strong new home development programme at social rent across the borough for local people through the HRA. To date the Council has completed 129 new homes and have a further 1,134 current under construction and a further 911 properties in the pipeline.
- 3.5 The HRA Business Plan has been reviewed and updated to include the latest priorities and financial position of the Housing Service. This includes aligning the HRA Business Plan to the following areas:
 - The Council's Corporate Priorities, including how the housing service can contribute to the net carbon zero targets.
 - The Housing Strategy and how the strategy's delivery plan will be supported by the HRA Business Plan.

- The Asset Management strategy for the HRA is in the process of being updated and the HRA Business Plan will ensure investment supports the effective management of the assets.
- 3.6 The annual investment into existing homes and the new build programme helps ensure we can provide good quality affordable homes for those most in need.
- 3.7 This updated Business Plan starts at in 2023/24, with the budget for 2024/2025 as Year 2 and then extending over the next 28 years. The plan incorporates the latest budgetary forecasts and provision has been made for increased investment in the existing homes and services to meet the challenges facing registered providers of social housing.

4 Financial Context of the HRA Business Plan

- 4.1 The HRA Business Plan reflects the Council's plans to maintain a supply of good quality housing and to increase the provision of affordable housing.
- 4.2 Since the introduction of self-financing in 2012, the HRA Business Plan has been developed to enable long term planning. The Business Plan is supported by a financial model that uses budgetary information and projections to outline the expenditure required. The model is supported by Savills and is based on insight gained from other stock holding Local Authorities.
- 4.3 The main sources of income and expenditure include the following:
- **Income** - The main sources of income for the HRA are rents, service charges (tenants and leaseholders) and external grant (e.g., for new development programmes).
 - **Expenditure** - The main areas of financial expenditure are repairs and maintenance, management costs (e.g., staffing and overheads), service charges, depreciation and servicing of HRA debt (i.e., interest payments).
- 4.4 The HRA Business Plan considers the impact of changes on the Council's operational and investment plans and the ability of the Council to respond to external pressures (e.g., inflation and increased cost of living).
- 4.5 The Business Plan is based on a financial model that enables scenarios of investment to be projected and varied based on the decisions that could be taken. For example, this helps the decisions to be made based on an appropriate balance between investment in existing homes and acquiring/building new homes, as well as variations on the operating environment (e.g., interest rates).
- 4.6 The financial model is reviewed on a regular basis to take account of any changes in the assumptions used and any changes in costs that may be experienced. One example is the impact that external legislative changes can have on the availability of revenue, such as the level of rents that can be

charged. Elements such as these can be modelled and help provide an assessment of the impact on the Business Plan.

- 4.7 The current Business Plan is set out in more detail for the first 5 years and there are key areas of activity outlined in this Business Plan that will help to clarify the longer-term position (e.g., an updated stock condition survey). As this information becomes available the Business Plan will be updated on a regular basis to reflect this. The additional information will help provide clarity on when decisions need to be made.
- 4.8 The Business Plan is reviewed in line with the Council's annual budget setting process, along with the changes that are seen across the social housing sector. For example, recently there have been significant cost pressures in maintenance contracts and the price of utilities.
- 4.9 Reviewing the Business Plan on a regular basis will help ensure the Council plans are based on updated information. The reviews will check on the Business Plan's financial assumptions because of the potential impact that variations may have (e.g., interest rates).

5 Governance and Delivery

- 5.1 The HRA Business Plan is a live document, which sets out the medium and long-term strategies for the management, maintenance, improvement of existing stock, and delivery of new homes. The housing and finance teams review the financial position of the service on a regular basis, as well as the HRA Business Plan's financial model. This is to ensure it reflects the changes that occur to the new build programme, the impact of external factors and any changes approved by the Council's Cabinet.
- 5.2 Each year the annual report to residents will publish the top line figures from the HRA Business Plan. This will help to keep our tenants informed about the delivery of the plan and provide information around value for money.
- 5.3 Any significant changes to the HRA Business Plan, either to the expenditure or the activity included, will see stakeholders engaged in these discussions and the appropriate approvals sought.

6 Risk Management

- 6.1 Since 2012 the HRA has operated on a 'self-financing' basis with local authorities funding council housing from the income generated from rents and other charges. Although 'self-financing' has provided the Council with more flexibility, it has also brought additional risk. Risks are collated and monitored via a risk register and are primarily concerned with threats to the income and expenditure that would potentially compromise the viability of the HRA Business Plan. These risks are reviewed and regularly updated.
- 6.2 Along with other Registered Providers of social housing, there are several risks which will impact upon the Council's HRA Business Plan, including:

a) Cost of Living Increases

The potential impact of the increase in the cost of living could be significant on the number of households in arrears and the value of rent arrears could increase leading to the need to increase bad debt provisions and potential increases in write offs. As a result of this, it is likely that additional resources will be required to deal with tenant arrears and support households. Actions are in place to help support tenants such as debt advice and a joined-up approach from the different organisations working locally.

To providing support to the tenants, the Council will be using the data on payments and arrears to help support the early intervention with households. As well as helping to reduce arrears, these mitigations will also help tenants to sustain their tenancies by addressing issues early.

b) The impact of National Housing Policies

The impact of several national policy changes, particularly the new Social Housing Bill, are likely to impact on the service and may require additional resourcing. The changes in the Regulator of Social Housing's (RSH) responsibilities from April 2024 are being responded to.

c) Interest Rate Risk

The HRA's loan portfolio is made up of both fixed rate loans and the requirements for new borrowing will be exposed to interest rate changes. Although this is a risk to the Business Plan, the role of the Council's treasury management team is to help manage the HRA's exposure to interest rate fluctuations and the risk this brings.

d) Inflation Rate Risk

The HRA Business Plan includes assumptions about inflation rates across the life of the plan. In the short-term, the inflation rate reflects the recent changes experienced and mirrors the Bank of England's projections.

e) Repairs and Maintenance

Repairs and Maintenance risks which could impact on the demand for services, include increased voids, disrepair claims, reports of damp and mould, changes in regulations, and changes in maintenance providers. The increased expenditure on the properties reflects the changing expectations and providing homes that meet the required standards. There remains some regulatory risk if the standards (such as the decent homes standard) change and increase the investment required.

f) Responding to Climate Change

In addition to meeting corporate commitments on climate change, changes in building regulations, as well as higher thermal efficiency standards which are not supported by additional external grant funding, would place an additional burden on the HRA Business Plan, as well as the resources available for investment in homes. We will continue to explore the grant options as they are made available.

7 Rents

- 7.1 Following the Government's Autumn Statement in November 2023, the government has allowed Registered Providers to increase existing rents by 7.7% based on CPI +1%. The proposal is to apply this increase to help fund the increased level of repairs and maintenance expenditure required to maintain and improve properties.
- 7.2 Due to historical decisions, in general the existing rents in Ealing are approximately 5% less than the formula rent, and tenants have not been charged the property's formula rent. Based on the available data for 2022/23 this means that the rents charged by the Council are lower than neighbouring councils and significantly lower than the rents charged by housing associations in the borough and the amount claimable for housing benefits/universal credit.

Local Authority Name	Local Authority Social Rent		Private Registered Providers Rent (i.e. Housing Associations)	
	Net rent	Number of homes	Net rent	Number of Homes
Ealing	102.53	9,340	136.58	8,350
Brent	121.69	8,729	134.69	17,179
Hammersmith and Fulham	113.21	12,139	138.39	9,461
Hillingdon	117.01	9,033	132.03	5,106
Hounslow	112.05	12,182	132.72	5,884

- 7.3 Currently c18% of social rent tenants are on full Housing Benefit, c17% are on partial Housing Benefit and an estimated 25% are on full or partial Universal Credit. The remaining c40% pay the full amount of the rent charged.
- 7.4 For new tenants, they will be charged the formula rent for the property, which is set using a defined formula for social rent properties.
- 7.5 Rents under social rent arrangement exclude service charges, which are charged separately and are based on actual expenditure and any known increases/decreases. Affordable rent charges are inclusive of service charges.

7.6 It is recognised that during the current cost of living challenges that any rent increases can cause a strain on households; however, the Council continues to ensure that its residents are supported through locally based financial inclusion staff.

7.7 The other rents charged for garages and commercial properties are considered in relation to the local market.

8 Service Charges

8.1 The service charges for 2024/25 have been calculated using estimated costs based on the previous year's actual charges and any known increases or decreases.

8.2 In previous years, the Council has committed to not increasing average service charges by more than 15% in any given year, even if a larger increase is needed to fully recover costs. However, due to the external challenges driven by inflation and in particular the current cost of gas and electricity, the full cost of services charges to tenants now needs to be recouped. This will help to fund the cost of these services to the HRA, better reflect the meeting of costs by those who benefit from them and provide capacity for other areas of expenditure.

8.3 Support will be provided to households to help them with any challenges that the increased service charges and heating costs pose. The service employs dedicated financial inclusion officers and makes referrals to other organisations that can assist households.

9 Leaseholders

9.1 Within the HRA there are approximately 4,500 leaseholders that the Council provides services to. Leaseholders are charged a variable service charge that reflects the actual costs incurred where they live, including a contribution to the major repairs works and cyclical maintenance that are completed.

9.2 The service charges levied to leaseholders are there to cover the cost of the service in accordance with the lease for the building. The charges reflect the actual costs incurred following a reconciliation of actual costs against the estimated costs that sent out to leaseholders.

10 Housing Capital Programme

10.1 To support the investment in the existing homes provided through the HRA, a capital programme is in place to deliver the ongoing investment in the key components within the buildings. This programme of work is to deliver the replacement of items in communal areas (e.g., lifts) as well as within individual homes (e.g., kitchens and bathrooms).

10.2 This capital expenditure responds to the existing decent homes standard. The level of investment needed in the existing stock will be reviewed if the

decent homes standard changes following a planned review by the Regulator of Social Housing (RSH).

10.3 The capital programme will also help support the investment in the stock to meet the Council's net zero carbon targets.

10.4 Budget of the capital programme for Housing Assets and Property works:

Scheme Name	2024-25	2025-26	2026-27	2027-28	2028-29	TOTAL
	£m	£m	£m	£m	£m	£m
CAPITALISED WORKS	2.867	0.700	0.800	1.000	1.000	6.367
ADAPTATIONS FOR THE DISABLED	1.100	1.200	1.200	1.300	1.350	6.150
FIRE REMEDIATION	4.950	4.500	3.000	1.000	1.000	14.450
M&E ACTIVITIES AND RENEWABLES	16.399	22.000	16.000	15.000	14.000	83.399
FABRIC & THERMAL - BLOCKS AND STREETSCENE	10.120	11.000	19.000	24.200	27.500	91.820
INTERNAL UPGRADES	4.796	3.000	4.500	4.000	4.000	20.296
STOCK CONDITION SURVEYS	0.110	0.115	0.120	0.050	0.000	0.395
Total Expenditure	40.347	42.515	44.620	46.550	48.850	222.876
Borrowing	(24.124)	(27.012)	(29.133)	(31.339)	(33.451)	(145.059)
Major Repairs Reserve	(15.717)	(15.003)	(14.987)	(14.711)	(14.899)	(75.317)
Capital Works Recharge - Section 20 Income	(0.500)	(0.500)	(0.500)	(0.500)	(0.500)	(2.500)
Total Financing	(40.341)	(42.515)	(44.620)	(46.550)	(48.850)	(222.876)

11 Development Programme

11.1 Previous reports have outlined the developments funded by the HRA, including the regeneration schemes and the new build sites.

11.2 The funding of the programme is a mixture of grants, capital receipts (income from sale of properties and shared ownership sales) and loans, as well as utilising Right to Buy (RTB) capital receipts and Section 106 funding where possible.

11.3 The removal of the debt cap provided a significant opportunity for Local Authorities to deliver affordable housing although the Council continues to be bound by the Prudential Code which requires any debt to be affordable. Having clarity on the investment needed for the existing stock, the regeneration schemes and new developments will mean that decisions can be taken on the best information available at the time.

11.4 The new homes and regeneration schemes currently approved in the HRA are included in the table below.

Scheme Name	2024-25	2025-26	2026-27	2027-28	2028-29	TOTAL
Council New Build						
GOLFLINKS - Phase 3/ ALNMOUTH & PORTRUSH	24.127	27.906	5.798	0.090	0.935	58.856
LOCAL AUTHORITY HOUSING GRANT - REGISTERED PROVIDERS	0.332	0.000	0.000	0.000	0.000	0.332
Total Expenditure	24.459	27.906	5.798	0.090	0.935	59.188
Borrowing	(24.127)	(27.906)	(1.018)	0.000	(0.935)	(53.986)
Grant	0.000	0.000	(1.665)	0.000	0.000	(1.665)
Capital Receipts - 141 RTB	(0.332)	0.000	0.000	0.000	0.000	(0.332)
Capital Receipts	0.000	0.000	(3.115)	(0.090)	0.000	(3.205)
Total Financing	(24.459)	(27.906)	(5.798)	(0.090)	(0.935)	(59.188)

Scheme Name	2024-25	2025-26	2026-27	2027-28	2028-29	TOTAL
HRA Regeneration Schemes						
DEAN GARDENS	0.000	0.000	0.000	0.000	0.000	0.000
GREENMAN LANE EST REGENERATION	1.000	0.000	0.000	0.000	0.000	1.000
HAVELOCK ESTATE	0.500	0.000	0.000	0.000	0.000	0.500
HIGH LANE ESTATE REGENERATION	4.068	8.513	19.417	15.000	0.000	46.998
LEASEHOLDER ASSISTANCE SCHEME	0.684	0.000	0.000	0.000	0.000	0.684
SOUTH ACTON REGENERATION	7.771	6.354	3.254	0.000	0.000	17.379
Total Expenditure	14.023	14.867	22.671	15.000	0.000	66.561
Borrowing	20.272	(14.867)	(22.671)	0.00	0.000	(32.266)
Capital Receipts	(15.850)	0.000	0.000	0.000	0.000	(15.850)
Grant	(18.445)					(18.445)
Total Financing	(14.023)	(14.867)	(22.671)	(15.000)	0.000	(66.561)

Scheme Name	2024-25	2025-26	2026-27	2027-28	2028-29	TOTAL
Copley Close Regeneration						
- Copley Close	2.181	1.947	1.083	0.328	0.300	5.839
- PHASE 3					0.500	0.500
- PHASE 5	4.500	6.165	1.300	0.200	0.000	12.165
- PHASE 6	0.500	0.250	0.000	0.000	0.000	0.750
- PHASE 7	2.467	1.000	0.000	0.000	0.000	3.467
Total Expenditure	9.648	9.362	2.383	0.528	0.800	22.721
Borrowing	(9.648)	(9.362)	(2.383)	(0.528)	(0.800)	(22.721)
Total Financing	(9.648)	(9.362)	(2.383)	(0.528)	(0.800)	(22.721)

Scheme Name	2024-25	2025-26	2026-27	2027-28	2028-29	TOTAL
New Regeneration Schemes						
LEXDEN ROAD	32.743	26.281	3.396	0.000	0.000	62.420
SUSSEX CRESCENT	5.474	0.023	0.000	0.000	0.000	5.497
NORTHOLT GRANGE COMMUNITY CENTRE	10.410	18.280	1.023	0.000	0.000	29.714
Total Expenditure	48.627	44.584	4.419	0.000	0.000	97.631
Borrowing	(48.237)	(37.031)	19.620	0.000	0.000	(65.647)
Capital Receipts	0.000	(4.110)	(22.866)	0.000	0.000	(26.976)
Grant	(0.390)	(3.443)	(1.175)	0.000	0.000	(5.008)
Total Financing	(48.627)	(44.584)	(4.419)	0.000	0.000	(97.631)

11.5 All homes within the Council's new build programme that have started on site, or have been approved have been included in the Business Plan.

11.6 Net additions and re-profiling changes to the 5-year capital programme as detailed in sections 10.6 and 11.4.

Summary Capital Programme	2024-25	2025-26	2026-27	2027-28	2028-29	TOTAL
HOUSING ASSETS & PROPERTY WORKS	15.979	19.654	22.066	21.342	31.423	110.463
COUNCIL NEW BUILD	5.479	17.233	5.798	0.090	0.935	29.534
HRA REGENERATION SCHEMES	(10.593)	(13.906)	5.872	10.134	0.000	(8.493)
HRA REGENERATION - COPLEY CLOSE REGNERATION	2.328	(3.006)	(8.117)	(11.560)	0.800	(19.554)

NEW HRA REGENERATION SCHEMES	(29.883)	20.505	4.125	(19.039)	0.000	(24.293)
Total Expenditure	(16.690)	40.480	29.743	0.966	33.157	87.657
Borrowing*	38.669	(67.057)	(4.216)	(12.261)	(33.823)	(78.688)
Revenue Contribution*	0.081	1.000	3.000	3.000	0.666	7.747
Capital Receipts*	(13.786)	14.646	(25.981)	4.988	0.000	(20.134)
Capital Receipts - 141 RTB*	4.286	2.889	0.294	3.306	0.000	10.776
Grant*	(12.560)	8.042	(2.840)	0.000	0.000	(7.358)
Total Financing	16.69	(40.480)	(29.743)	(0.9668)	(33.157)	(87.657)

* Funding figures - brackets means an increase in funding.

12 HRA Reserves

- 12.1 There is a requirement to maintain a HRA General Balance to safeguard against unplanned and unavoidable increases in expenditure, such as legislative or Government policy pressures or losses of income. For several years, the actual HRA General Balance has exceeded the recommended good practice guideline of a minimum of 4%. It is recommended that a minimum reserve balance of £4.925m would be appropriate.
- 12.2 As at 1 April 2023, the HRA Reserve stood at £11.941m (excluding the minimum required General reserve balance). 2023/24 Q3 budget monitoring predicts a drawdown on reserves of £7.8m due to increased financial pressures. The forecast HRA Reserve balance as of 31 March 2024 of £4.109m is shown in the table below. The proposed budget includes a further draw down on reserves in 2024/25 of £1.3m.

HRA Reserves	HRA Reserve	HRA General Balance	Total HRA Reserves
	£m	£m	£m
Opening Balance at 1 April 2023	11.941	4.925	16.866
2023/24 in year movements (Q3 forecast overspend)	(7.832)		(7.832)
Forecast HRA Reserves Balances at 1 April 2024	4.109	4.925	9.034

13 Borrowing and Debt

- 13.1 In line with the budget monitoring in 2023/24, it is estimated that on the 1 April 2024 the HRA opening borrowing/ debt will be £269.791m.
- 13.2 With further borrowing for future phases of the new build and housing purchase programmes the closing debt for year 2024/25 is estimated to be £355.656m, an increase of £85.865m.

14 Financial Assumptions

- 14.1 Financial assumptions used in the Business Plan modelling are included in appendix one of this document in a table of financial assumptions, and includes inflation, interest rates and the number of right to buys.

15 Financial Analysis

- 15.1 Financial analysis within the HRA Business Plan is focussed on the areas which are subject to external factors and can have a significant impact on the budget and Business Plan.
- 15.2 When decisions are made which have a financial impact it is prudent to analyse the impact of this on the Business Plan if these change the balances and expenditure in specific years. This will help to demonstrate the impact of decisions and enables a focus on the long-term planning for the service.
- 15.3 Sensitivity analysis is of particular importance where there are changes in costs in the following areas: maintenance costs, inflation and cost of living increases, rent levels, service charge income, number and cost of new developments, interest rates and the cost of borrowing.
- 15.4 Detailed analysis through the HRA Business Plan's financial model will be used to understand the impact of changes to the above elements and be to demonstrate that this has been tested in the delivery of the presented Business Plan.
- 15.5 The forecast HRA income and expenditure allows the HRA to meet: the cost of day-to-day management and repairs for our housing stock; manage interest charges; the depreciation charge that funds capital works through the major repairs reserve.
- 15.6 The below table shows the 2023/24 budget, Q3 forecast for 2023/24 and the proposed budget for 2024/25. The Q3 forecast has been reported to the same February Cabinet agenda in another report with detailed explanations.
- 15.7 The 2024/25 income includes the recommended rent increase which supports the increased repairs and maintenance costs. The proposed budget takes in to account the change in demand, activities, and price. The detailed assumptions are shown in Appendix 1.

	Budget 2023/24	Q3 Forecast 2023/24	Proposed Budget 2024/25
Total Stock	10,749		10,519
Dwelling Rent	(62.343)	(63.257)	(66.603)
Broadway Living Fee Income	(0.080)	(0.160)	(0.106)
Commercial Rent	(0.539)	(0.539)	(0.692)
Garages	(0.679)	(0.679)	(0.857)
Service Charges	(11.069)	(10.994)	(13.538)
Heating & Hot Water	(3.258)	(3.092)	(5.043)
Rechargeable Repairs	-	-	(0.200)
Interest on Balances	(0.115)	(0.115)	(0.115)
Total Income	(78.085)	(78.837)	(87.153)
Housing Management	24.489	26.342	22.383
Estate Regeneration	2.961	1.280	1.544
Property & Estate Services	13.054	13.371	13.037
Repairs & Maintenance	15.160	20.635	23.647
Interest Payments	7.620	9.635	12.668
Provision for Bad Debts	0.750	0.650	0.645
Depreciation	15.454	14.722	14.517
Revenue Contribution to Capital	0.419	0.000	0.000
Debt Management Expenses	0.035	0.034	0.039
Total Expenditure	79.942	86.669	88.481
Net Budget Deficit/(Surplus)	1.857	7.832	1.327
Opening HRA Reserve	(11.941)	(11.941)	(4.109)
Contribution to in year deficit budget	1.857	7.832	1.327
Closing HRA Reserve	(10.084)	(4.109)	(2.781)
HRA General Balance	(4.925)	(4.925)	(4.925)
Total Reserve	(15.009)	(9.034)	(7.706)

16 Benchmarking

- 16.1 As part of the HRA Business Plan review, benchmarking information has been provided by Savills on the information within the Business Plan and the have been taken into consideration in the development of the Business Plan.

17 Legal

- 17.1. The Local Government and Housing Act 1989 introduced the ring fenced HRA with effect from 1 April 1990, placing a duty on local authorities to formulate proposals which will ensure that the HRA for the year does not show a deficit balance.
- 17.2 The HRA is the account for the Council's housing stock and there is no power to subsidise the HRA from the General Fund or to transfer, surpluses out of the HRA account. In this way the account is 'ring fenced'.

17.3 Local authorities have a responsibility to review the account from time to time, and if a shortfall is projected, to take reasonable practical steps to balance the account.

17.4 The Housing Act 1985 and the Local Government and Housing Act 1989 constrain the budget making process in respect of the Housing Revenue Account in a few ways, including:

- The Council cannot set the HRA budget in such a way which will result in a deficit at the end of the financial year (although if, through circumstances which could not have been foreseen, a deficit was to arise, it can be made good in the following financial year); and
- Rents must be set at a “reasonable level”, and that level must be reviewed from time to time.

18 Community Safety

18.1 The HRA supports the funding of services by the police and private security firms. This helps to reduce the incidents of crime and anti-social behaviour and helps to support the response where this occurs.

19 Links to the 3 Key Priorities for the Borough

19.1 The Council’s administration has three key priorities for Ealing:

- **Creating good jobs** – rebuilding our economy, returning good well-paid jobs to our borough, and delivering the next generation of genuinely affordable homes.
- **Tackling the climate crisis** – greening our borough, cleaning our air, and ensuring the borough we build is sustainable.
- **Fighting inequality** – relentlessly tackling poverty and inequality that blights too many lives and disproportionately holds back all too many people from achieving their dreams and aspirations.

19.2 The HRA is supporting the three key priorities in a number of ways as set out in the report, including through the Genuinely Affordable Homes (GAH) programme which will provide additional good and genuinely affordable homes.

19.3 The regeneration and development work has also created numerous job opportunities within the borough making Ealing a better place to live. Enhanced partnership working with other functions across the Council such as Social Services and the Police ensures these services are joined up with other agencies to deliver holistic outcomes.

20 Equalities, Human Rights and Community Cohesion

20.1 The Equality Act 2010 introduced a single public sector equality duty. This duty requires the Council to have due regard in its decision-making processes to the need to:

- Eliminate discrimination, harassment, victimisation, or other prohibited conduct.
- Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it, and
- Foster good relations between those who share a relevant characteristic and those that do not share it.

20.2 The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

20.3 The Council is required to act in accordance with the equality duty and have due regard to the duty when carrying out its functions, which includes making new decisions in the current context and in relation to the new strategy.

20.4 It should be noted in respect of the Council's public sector equalities duties where the setting of the capital, revenue, and HRA budget results in new policies or policy change, the relevant service department will carry out an Equality Impact Assessment to secure delivery of that duty, including such consultation as may be required.

20.5 In addition, each of the estate regeneration schemes is subject to an Equalities Impact Assessment to ensure any arising issues are addressed.

20.6 DDA works and disabled adaptations are included as essential works within the capital programme.

21 Staffing/Workforce and Accommodation implications

21.1 There may be staffing implications arising from this report as we refine how the actions are delivered.

22 Property and Assets

22.1 There are no corporate property implications. The report deals throughout with assets and properties held within the HRA.

23 Any other implications

23.1 None.

24 Timetable for Implementation

24.1 The HRA Business Plan covered in this report will be implemented from April 2024 onwards.

25 Appendices –

Appendix One – Assumptions within the HRA Business Plan.

Appendix Two - 30-year HRA Revenue Business Plan.

Appendix Three - 30-year proposed Capital Programme.

Appendix Four - Housing Revenue Account Business Plan and Capacity Summary produced by Savills.

Consultation

Name of consultee	Post held	Date sent to consultee	Date response received	Comments appear in paragraph:
Internal				
Cllr Bassam Mahfouz	Cabinet Member for Genuinely Affordable Homes			
Cllr Shital Manro	Cabinet Member for Good Growth			
Cllr Steve Donnelly	Cabinet Member for Inclusive Economy			
Nicky Fiedler	Strategic Director of Housing and Environment			Throughout report
	Head of Legal Services			8. Legal
Emily Hill	Strategic Director, Resources			Throughout report
Russell Dyer	Head of Accountancy			Throughout report
Adam Towle	Interim Head of New Business, Housing Development			Throughout report
External				

Report History

Decision type:	Urgency item
Key decision	No
Report no.:	Report author and contact for queries:
	Jon Maxwell – MaxwellJ@Ealing.gov.uk

APPENDIX ONE – Assumptions within the HRA Business Plan

<p>The following overarching assumptions are built into the Business Plan. This considers all inflationary factors and risks to be able to sustain a balanced HRA budget year on year. The financial content throughout this report is based on these assumptions.</p>		
	Assumptions	Notes
Dwellings Rent setting	7.7% increase in April 2024 (on the basis of the current final year of the social housing rent policy, applying September 2023 CPI +1%), 2 Years thereafter at CPI +1% (assumption that the current policy will be extended for 2 years), CPI only beyond April 2026 in the absence of any future guidance to be prudent. Average rent for Social rent is £117.03 per week.	
Affordable Rents	Average £194.53 week.	This is on new build properties now operational.
Commercial Rents	Commercial rental income is forecast at £0.692m in 2024/25.	Subject to review each year
Heating Service Charges	Heating service charges are set to fully recover the costs.	These will be reviewed annually to base the service charges on actual costs each year.
Service Charges	Service charges increase in line with rents with the exception of 2025/26 where an additional 10% is modelled as provisional increase on the potential outcome of a forthcoming service charge review.	The costs of all communal services are recovered directly from the tenant and leaseholders.
Salaries	Staff pay award 4% increase for 2024/25 and then increase in line with CPI for the remainder of Business Plan.	
Garage rents	Gross rental income will be achieved by external management company.	Garage refurbishment works planned as part of the garage commercialisation project will be covered by income from management company.

Repairs & Maintenance Costs	Revenue budget increased from £15.159m (2023/24) to £23.647m for 2024/25 budget, an increase of 56%. This includes asset management service salary costs.	Increase is due to an evaluation of the repairs budget and the impact of inflation, damp and mould and disrepair claims. Proposed reductions of 30% have been modelled in 2026/27 to bring repairs costs down to similar levels to the original budgets for 2023/24.
Management Costs	Increase in line with CPI although a 5% reduction in overall costs is modelled in 2025/26 in anticipation of a review of the cost of services and potential efficiencies	These are salaries, rents, rates, support charges, utilities, and other direct costs.
Right to Buy (RTB Sales)	Average 35 sales annually – this reduced rental income in the HRA.	This will continue to be reviewed in line with any government policy changes to social housing.
Use of RTB 1-4-1 Capital Receipts	The Council operates a scheme without returning capital receipts from RTB sales to the government. Ealing Council have also signed the agreement with the GLA to use the Right to Buy Ring-Fence Offer which will allow the Council to have more flexibility on when it decides to use the 1-4-1 RTB capital receipts.	The government requires Registered Providers to match fund 60% of building costs where 40% of 141 RTB capital receipts are used to acquire/build social/affordable/shared ownership homes. These cannot be used alongside GLA grants.
Interest Rate on HRA Borrowings	3.31% average rate on existing debt 4.7% average rate on new debt (use of internal borrowing) 4.45% for market loans	These rates are for 2024/25. The average interest rate for these loans is 4.09% throughout the Business Plan.
Depreciation	Depreciation provision increasing at CPI throughout	Land and Building split has been proposed to be changed to 40:60 from 33:67 subject to audit approval.

APPENDIX TWO - 30-year HRA Revenue Business Plan

LB Faling HRA Business Plan 2023/24+ Base 2023.24 Plan Q2 Updates & 2024.25 Budgets HRA Summary															
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38
HRA 30 YEAR SUMMARY															
Dwelling rents	63,156,517	66,602,670	70,078,962	73,360,703	74,642,866	76,917,683	77,930,342	79,951,402	81,391,321	82,854,356	84,340,804	85,850,966	87,385,330	88,944,210	90,528,116
Non-dwelling rents	1,218,380	1,548,351	1,587,060	1,618,801	1,651,177	1,684,201	1,717,885	1,752,242	1,787,287	1,823,033	1,859,493	1,896,683	1,934,617	1,973,309	2,012,776
Service charge income	14,215,812	18,580,666	20,628,863	21,276,694	21,793,474	22,241,626	22,686,459	23,140,188	23,602,992	24,075,052	24,556,553	25,047,684	25,548,637	26,059,610	26,580,802
Other income and contribution	103,819	306,100	313,753	320,028	326,428	332,957	339,616	346,408	353,336	360,403	367,611	374,963	382,463	390,112	397,914
Total income	78,694,528	87,037,787	92,608,637	96,576,225	98,413,946	101,176,467	102,674,301	105,190,240	107,134,936	109,112,843	111,124,461	113,170,296	115,251,047	117,367,241	119,519,608
Repairs & maintenance	20,836,000	23,647,367	24,539,207	17,525,927	17,834,848	18,092,010	18,410,573	18,770,006	19,155,210	19,492,388	19,835,390	20,184,316	20,539,265	20,900,338	21,267,638
Management (incl FRT)	40,765,000	36,964,817	35,994,491	36,714,380	37,448,668	38,197,641	38,961,594	39,740,826	40,535,643	41,346,355	42,173,283	43,016,748	43,877,083	44,754,625	45,649,717
Bad debts	650,000	644,614	1,243,817	1,278,237	1,300,791	1,323,679	1,346,905	1,370,477	1,394,398	1,418,676	1,443,313	1,468,313	1,493,684	1,519,429	1,545,557
Dwelling Depreciation	14,722,000	14,516,972	14,879,896	15,177,494	15,481,044	15,790,665	16,106,478	16,428,608	16,757,180	17,092,324	17,434,170	17,782,853	18,138,511	18,501,281	18,871,306
Debt management	34,000	38,999	39,974	40,773	41,589	42,421	43,269	44,134	45,017	45,918	46,836	47,773	48,728	49,703	50,697
Total costs	77,007,000	75,812,769	76,697,385	70,736,812	72,106,941	73,446,416	74,868,819	76,354,052	77,887,448	79,395,660	80,932,992	82,500,004	84,097,271	85,725,375	87,384,915
Net income from services	1,687,528	11,225,018	15,911,252	25,839,414	26,307,005	27,730,051	27,805,482	28,836,189	29,247,488	29,717,183	30,191,470	30,670,293	31,153,776	31,641,866	32,134,693
Interest payable	-9,635,000	-12,667,641	-16,502,371	-20,446,348	-21,693,373	-23,087,140	-23,855,883	-23,853,624	-23,809,285	-23,772,255	-23,732,530	-23,709,029	-23,701,904	-23,683,936	-23,671,697
Interest income	115,000	115,360	55,625	44,915	0	0	0	0	0	0	3,656	16,472	38,776	84,796	136,877
Net income/expenditure	-7,832,472	-1,327,263	-535,494	5,437,980	4,613,632	4,642,911	3,949,599	4,982,564	5,438,203	5,948,584	6,475,411	7,000,040	7,536,668	8,094,807	8,657,403
Set aside for debt repayment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue contributions to cap	0	0	0	-7,683,752	-4,613,632	-4,642,911	-3,949,599	-4,982,564	-5,255,397	-5,307,796	-5,360,190	-4,699,044	-4,932,636	-5,218,298	-5,266,423
Allocation to/from other reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other appropriations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net HRA Surplus/Deficit	-7,832,472	-1,327,263	-535,494	-2,245,771	0	0	0	182,806	640,788	1,115,221	2,300,996	2,604,033	2,876,510	3,164,866	3,499,981
HRA Balance brought forward	11,941,000	4,108,528	2,781,265	2,245,771	0	0	0	0	182,806	823,594	1,938,816	4,239,812	6,843,845	9,720,354	13,111,335
HRA surplus/(deficit)	-7,832,472	-1,327,263	-535,494	-2,245,771	0	0	0	182,806	640,788	1,115,221	2,300,996	2,604,033	2,876,510	3,164,866	3,499,981
HRA Balance carried forward	4,108,528	2,781,265	2,245,771	0	0	0	0	182,806	823,594	1,938,816	4,239,812	6,843,845	9,720,354	13,111,335	16,611,316

	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	2038.39	2039.40	2040.41	2041.42	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.50	2050.51	2051.52	2052.53
HRA 30 YEAR SUMMARY															
Dwelling rents	92,137,576	93,772,733	95,434,126	97,122,315	98,837,449	100,580,102	102,350,643	104,149,446	105,977,118	107,834,288	109,721,364	111,638,517	113,586,400	115,565,689	117,576,825
Non-dwelling rents	2,053,031	2,094,092	2,135,974	2,178,693	2,222,267	2,266,712	2,312,046	2,358,287	2,405,453	2,453,562	2,502,633	2,552,686	2,603,740	2,655,815	2,708,931
Service charge income	27,112,418	27,654,667	28,207,760	28,771,915	29,347,354	29,934,301	30,532,987	31,143,646	31,766,519	32,401,850	33,049,887	33,710,884	34,385,102	35,072,804	35,774,260
Other income and contribution	405,872	413,990	422,270	430,715	439,329	448,116	457,078	466,220	475,544	485,055	494,756	504,651	514,744	525,039	535,540
Total income	121,708,898	123,935,481	126,200,129	128,503,638	130,846,399	133,229,230	135,652,754	138,117,600	140,624,635	143,174,754	145,821,641	148,469,739	151,219,989	154,073,347	156,935,125
Repairs & maintenance	21,641,270	22,021,340	22,407,957	22,801,229	23,201,270	23,608,191	24,022,109	24,443,140	24,871,404	25,307,021	25,750,114	26,200,808	26,659,230	27,125,508	27,599,774
Management (incl FRT)	46,562,712	47,493,966	48,443,845	49,412,722	50,400,977	51,408,596	52,437,176	53,485,920	54,555,638	55,646,751	56,759,686	57,894,879	59,052,777	60,333,833	61,637,509
Bad debts	1,572,074	1,599,882	1,626,287	1,654,000	1,682,119	1,710,653	1,739,607	1,768,985	1,798,796	1,829,049	1,859,749	1,890,897	1,922,502	1,954,574	1,987,116
Dwelling Depreciation	19,248,733	19,633,707	20,026,381	20,426,909	20,835,447	21,252,156	21,677,199	22,110,743	22,552,958	23,004,017	23,464,098	23,933,379	24,412,047	24,900,288	25,398,294
Debt management	51,711	52,745	53,800	54,876	55,973	57,093	58,235	59,399	60,587	61,799	63,035	64,296	65,582	66,893	68,231
Total costs	89,076,499	90,800,740	92,558,270	94,349,736	96,175,785	98,037,089	99,934,325	101,868,187	103,839,383	105,848,637	107,896,682	109,984,260	112,112,138	114,281,096	116,491,926
Net income from services	32,632,399	33,134,741	33,641,859	34,153,902	34,670,613	35,192,142	35,718,429	36,249,413	36,785,252	37,326,118	37,871,959	38,422,479	38,977,849	39,538,251	40,103,631
Interest payable	-23,670,097	-23,698,654	-23,640,819	-23,608,012	-23,590,034	-23,549,574	-23,493,186	-23,518,283	-23,521,989	-23,502,525	-23,461,574	-23,380,101	-23,376,387	-23,365,201	-23,325,894
Interest income	262,227	338,122	422,920	518,482	625,814	744,952	876,682	1,020,257	1,175,776	1,344,009	1,525,781	1,721,899	1,939,451	2,171,628	2,418,984
Net income/expenditure	9,224,529	9,774,209	10,423,961	11,064,371	11,706,394	12,387,520	13,101,926	13,751,387	14,439,039	15,167,602	15,936,166	16,764,277	17,540,912	18,344,679	19,196,721
Set aside for debt repayment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue contributions to cap	-5,429,743	-5,534,320	-5,645,880	-5,697,777	-5,749,491	-5,800,994	-5,923,201	-5,975,427	-6,027,373	-6,079,006	-6,130,294	-5,886,663	-5,932,050	-5,976,897	-6,021,165
Allocation to/from other reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other appropriations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net HRA Surplus/Deficit	3,794,786	4,239,890	4,778,080	5,366,595	5,956,903	6,586,526	7,178,725	7,775,960	8,411,667	9,088,596	9,805,872	10,571,613	11,389,863	12,260,782	13,175,556
HRA Balance brought forward	13,111,335	16,906,121	21,146,010	25,924,090	31,290,685	37,247,588	43,834,113	51,012,838	58,788,798	67,200,465	76,289,061	86,094,933	96,972,546	108,581,409	120,949,191
HRA surplus/(deficit)	3,794,786	4,239,890	4,778,080	5,366,595	5,956,903	6,586,526	7,178,725	7,775,960	8,411,667	9,088,596	9,805,872	10,571,613	11,389,863	12,260,782	13,175,556
HRA Balance carried forward	16,906,121	21,146,010	25,924,090	31,290,685	37,247,588	43,834,113	51,012,838	58,788,798	67,200,465	76,289,061	86,094,933	96,972,546	108,581,409	120,949,191	134,124,747

APPENDIX FOUR - Housing Revenue Account Business Plan and Capacity Summary produced by Savills.