

# Housing Revenue Account (HRA) Housing O&S Training 14 January 2020

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## Objective

- To describe the components and drivers of the HRA Business Plan to enable you to test the robustness the HRA Business Plan



## Agenda

1. Overview of the HRA Business Plan- recap
2. Key Drivers and Assumptions Overview
3. Applying the Drivers and Assumptions
4. Reserves (Annex 4)



## 1: HRA Business Plan



### 1.0 HRA Business Plan Overview

- Income and Costs
- Statutory and Contractual Costs
- Debt Financing Costs
- Capital Contributions



### 1.1 HRA Operational Income

- Net Dwellings Rent
- Net Garage Rents
- Service Charges
- Costs Recovered
- Other Income
- Interest Income



## 1.2 Principal Expenditure

- Operational Costs include- Stock maintenance, staff, utilities, insurance, grounds maintenance
- Statutory- back funded pension and Corporate and Democratic Costs
- Contractual- debt financing



## 1.2.1 Cost of Operations

Top Ten Cost of Operations Costs	£Ks	
Electricity	231	
Building/premises insurance	214	
Grounds Maintenance HRA Land & Properties	194	
Contracted services	172	
Legal fees	123	
Gas	100	
Staffing (Salaries and Wages)	76	
Water/Sewerage charges	67	
Council Tax	55	
Building Repair/Maint Measured Term	40	
<b>Sub Total</b>	<b>1,272</b>	<b>82%</b>
<b>Overall Total</b>	<b>1,556</b>	



## 1.3 Capital Contribution

- Core Programme
- New Build
- Remodelling



## 2: Drivers and Assumptions affecting the plan



## 2.0 HRA Drivers

- Government policy
- CPI%
- Stock number (RTB, Net Build, Buy Backs)
- Garage number
- Voids
- Demand led repairs
- Tenants
- Staff Resourcing
- Financing

RTB= Right to Buy



## 2.1 HRA Key Assumptions

- Rents increase September CPI + 1% for 5 years
- CPI% to reduced from 2.5% to 2% from 21/22
- Right To Buy average 15 (up 5)
- Dwellings Void remains 1% over 30 years
- Garage voids reduces 30% to 26%
- Garage rents low price elasticity
- Deliverability of the Capital and Revenue Programmes
- Financing



# 3: Applying Drivers and Assumptions





## 3.1.1 Rent Assumptions

**CPI**  
1.7% in 20/21  
2% from 21/22

**Extra increase 1%**  
20/21 for 5 years  
0% from 24/25

If we don't increase in 20/21 as proposed

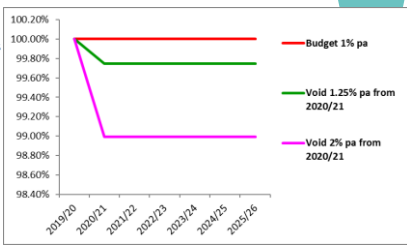
- 0.0% loss £4m over 5 years; £31m over 30 years
- 1.7% loss £1.5m over 5 years; £11m over 30 years
- 2.0% loss £1m over 5 years; £8m over 8 years




## 3.1.2 VOIDS BUDGET is 1%

1.25% (i.e. extra 0.25%) Void means losing £80K pa or nearly £500K by 2025

2% (i.e. extra 1%) means losing £300K pa or nearly £2m by 2025

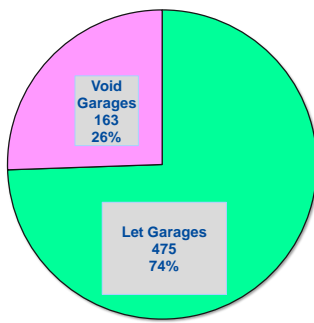


Year	Budget 1% pa	Void 1.25% pa from 2020/21	Void 2% pa from 2020/21
2019/20	100.00%	100.00%	100.00%
2020/21	100.00%	99.75%	99.00%
2021/22	100.00%	99.75%	99.00%
2022/23	100.00%	99.75%	99.00%
2023/24	100.00%	99.75%	99.00%
2024/25	100.00%	99.75%	99.00%
2025/26	100.00%	99.75%	99.00%




## 3.2.1 HRA Garages

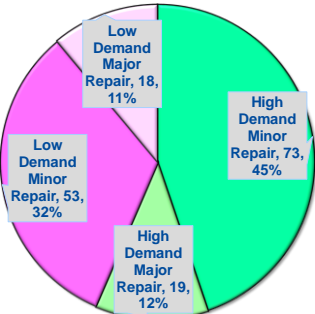
Waiting Lists v. Voids



Category	Count	Percentage
Let Garages	475	74%
Void Garages	163	26%




## 3.2.2 163 Void Garages



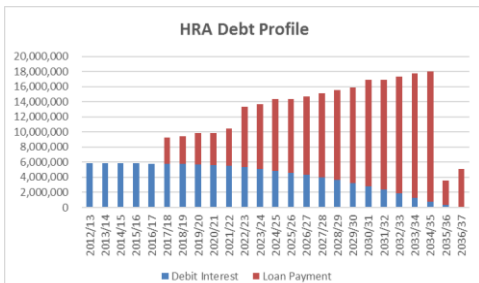
Category	Count	Percentage
High Demand Minor Repair	73	45%
Low Demand Minor Repair	53	32%
High Demand Major Repair	19	12%
Low Demand Major Repair	18	11%

Focus on high demand low repair cost garages




## 3.3 Debt Profile

### HRA Debt Profile



Year	Debit Interest	Loan Payment
2012/13	~5,000,000	~5,000,000
2013/14	~5,000,000	~5,000,000
2014/15	~5,000,000	~5,000,000
2015/16	~5,000,000	~5,000,000
2016/17	~5,000,000	~5,000,000
2017/18	~5,000,000	~5,000,000
2018/19	~5,000,000	~5,000,000
2019/20	~5,000,000	~5,000,000
2020/21	~5,000,000	~5,000,000
2021/22	~5,000,000	~5,000,000
2022/23	~5,000,000	~5,000,000
2023/24	~5,000,000	~5,000,000
2024/25	~5,000,000	~5,000,000
2025/26	~5,000,000	~5,000,000
2026/27	~5,000,000	~5,000,000
2027/28	~5,000,000	~5,000,000
2028/29	~5,000,000	~5,000,000
2029/30	~5,000,000	~5,000,000
2030/31	~5,000,000	~5,000,000
2031/32	~5,000,000	~5,000,000
2032/33	~5,000,000	~5,000,000
2033/34	~5,000,000	~5,000,000
2034/35	~5,000,000	~5,000,000
2035/36	~5,000,000	~5,000,000
2036/37	~5,000,000	~5,000,000



# 4. HRA Reserves




# 4.0 Creating the Reserves

- First 5 years
- Annual Surplus from Business Plan
- Contingency provided for in the Business Plan
- Capital receipts (RTB and other)


RTB is Right to Buy





## 4.1 HRA Reserves

**ANNEX 4**  
**Housing Revenue Account Reserves**

	2019/20	2020/21
<b>Opening Reserves</b>		
Working Balance	7,496,968	5,233,977
Contingency	2,224,000	2,474,000
New Affordable Homes	13,519,062	10,749,062
Stock Re-modelling	6,289,282	1,906,712
Major Repairs Reserve	0	2,100,000
Capital Receipts Unapplied	20,245,266	15,474,266
<b>Total Reserves</b>	<b>49,774,578</b>	<b>37,938,018</b>



- ## 4.2 Annex 4 HRA Reserves Explained
- Opening Reserves
  - Add from In Year Business Plan and cash for capital receipts
  - Movement on Reserves
  - Less use of Reserves
  - Closing reserves
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- ## 4.3 Using The Reserves
- Reserves Created from Revenue for New Build, Remodelling and Core Maintenance Programme
  - Contingency Reserve as required future years
  - RTB receipts for New Build only
  - Capital receipts for New Build, Remodelling.
- Revenue Reserves can be used on revenue and capital spend  
Capital Reserves can be used on capital spend only
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## 4.4 Using Reserves Annex 4

Paragraph 24 Movement on Reserves

Recommendation 10 £200K use of contingency reserve in 20/21

	2019/20	2020/21	2021/22	2022/23	2023/24
<b>Opening Reserves</b>					
Working Balance	7,496,968	5,233,977	5,511,072	5,438,628	5,311,072
Contingency	2,224,000	2,474,000	2,275,000	2,076,000	2,076,000
New Affordable Homes	13,519,062	10,749,062	7,462,137	1,862,132	248,792
Stock Re-modelling	6,289,282	1,906,712	1,906,712	1,288,712	786,712
Major Repairs Reserve	0	2,100,000	1,308,000	687,756	3,851,521
Capital Receipts Unapplied	20,245,266	15,474,266	15,552,181	6,259,256	6,259,256
<b>Total Reserves</b>	<b>49,774,578</b>	<b>37,938,018</b>	<b>29,965,122</b>	<b>16,462,684</b>	<b>6,635,361</b>
<b>ADD/DUE IN YEAR Business Plan and cash for capital receipts</b>					
Working Balance	202,000	200,000	225,000	1,927,000	1,476,000
Contingency	200,000				
New Affordable Homes	4,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Stock Re-modelling	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Major Repairs Reserve	1,000,000	4,700,000	4,700,000	4,700,000	4,700,000
Capital Receipts Unapplied	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
<b>Total Reserves</b>	<b>6,402,000</b>	<b>10,674,000</b>	<b>10,925,000</b>	<b>8,223,480</b>	<b>6,323,480</b>
<b>Movement on Reserves</b>					
Working Balance	1,494,968				
Contingency	1,024,000				
New Affordable Homes	2,274,000				
Stock Re-modelling	4,382,582				
Major Repairs Reserve	2,100,000				
Capital Receipts Unapplied	1,494,968				
<b>Total Reserves</b>	<b>13,769,518</b>				
<b>Less out of Reserves</b>					
Working Balance					
Contingency					
New Affordable Homes					
Stock Re-modelling					
Major Repairs Reserve					
Capital Receipts Unapplied					
<b>Total Reserves</b>					
<b>Working Reserves</b>					
Working Balance	5,233,977	5,233,977	5,438,628	5,511,072	5,311,072
Contingency	2,224,000	2,474,000	2,275,000	2,076,000	2,076,000
New Affordable Homes	13,519,062	10,749,062	7,462,137	1,862,132	248,792
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# Any Questions?



Waverley  
AMBIANCE & WELLNESS