Joint report of the Portfolio Holder for Housing and the Portfolio Holder for Resources and Personnel Policy

UPDATE TO HOUSING REVENUE ACCOUNT (HRA) 30-YEAR BUSINESS PLAN MODEL 2023/24

1. Purpose of report

To approve the updated Housing Revenue Account (HRA) 30-year financial model to reflect the current approved and forecast revenue and capital budgets.

2. Recommendation

Cabinet is asked to RESOLVE that the updated financial model for the Housing Revenue Account (HRA) 30-Year Business Plan be approved.

3. Details

In February 2012, the Council approved a HRA 30-Year Business Plan for the period 2012/13 through to 2041/42. The business plan included a detailed financial plan and tables modelling the capital programme and revenue position for the HRA throughout the period. The financial model has subsequently been updated and approved by Council on a regular basis.

This year the modelling has taken place using the services of Keith Finch from Housing Finance Specialists Ltd (HFS). The consultant has worked with the Council on previous HRA Business Plan models and consulted on other housing related matters. The model used for this update is used by a number of other local authority housing providers.

The updated Business Plan has been prepared incorporating projections for revenue and capital expenditure based on the budgets approved for 2023/24 and subsequent budget adjustments approved up to October 2023. This base model does not include any additional expenditure or financing assumptions in relation to new housing provision other than that already approved by the Council.

4. Financial Implications

The comments from the Head of Finance Services are as follows:

The modelling shows that the HRA is projected to be viable for the next 30 years and there is sufficient flexibility to provide the necessary finance for the capital programme and for a substantial development programme. There are several risks present throughout the period, such as pay and price inflation, unexpected compliance costs and the conditions of use for capital receipts, which must be carefully monitored to ensure the sustainability of the HRA. Further details are provided in the appendices.

5. Legal Implications

The comments from the Head of Legal Services were as follows:

The duty to keep a Housing Revenue Account and prevent a debit balance on it and restrictions as to what may be credited or debited to the account ("the ring-fence") are governed by Part VI of the Local Government and Housing Act 1989 (the 1989 Act). The provision of a HRA business plan (the Plan) is a requirement of s.88 of the Local Government Act 2003.The purpose of the Plan is to set out the actions to be taken in line with relevant strategies and budget available to show that the Council will continue to deliver housing services which are fit for purpose. The Council has a legal duty to budget to ensure the account remains solvent and to review the account throughout the year. The Council has a duty to disclose specified information pertaining to the HRA and its operation as set out in The Housing Revenue Account (Accounting Practices) Directions 2016.

6. Human Resources Implications

There are no comments from the Human Resources Manager.

7. Union Comments

The Union comments were as follows:

8. Climate Change Implications

The Council's response to Climate Change is a key consideration as part of the business planning and budget setting process.

9. Data Protection Compliance Implications

This report does not contain any [OFFICIAL(SENSITIVE)] information and there are no Data Protection issues in relation to this report.

10. Equality Impact Assessment

An equality impact assessment is not required.

11. Background Papers

Nil.

APPENDIX

HRA 30-YEAR BUSINESS PLAN 2023 UPDATE

1. Background

In February 2012 the Council approved a HRA 30-Year Business Plan for the period 2012/13 through to 2041/42. The business plan included a detailed financial plan and tables modelling the capital programme and revenue position for the HRA throughout the period. The financial model has subsequently been updated and approved by Council on a regular basis.

This year the modelling has taken place using the services of Keith Finch from Housing Finance Specialists Ltd (HFS). The consultant has worked with the Council on previous HRA Business Plan models and consulted on other housing related matters. The model used for this update is used by a number of other local authority housing providers.

2. Business Plan Update 2023

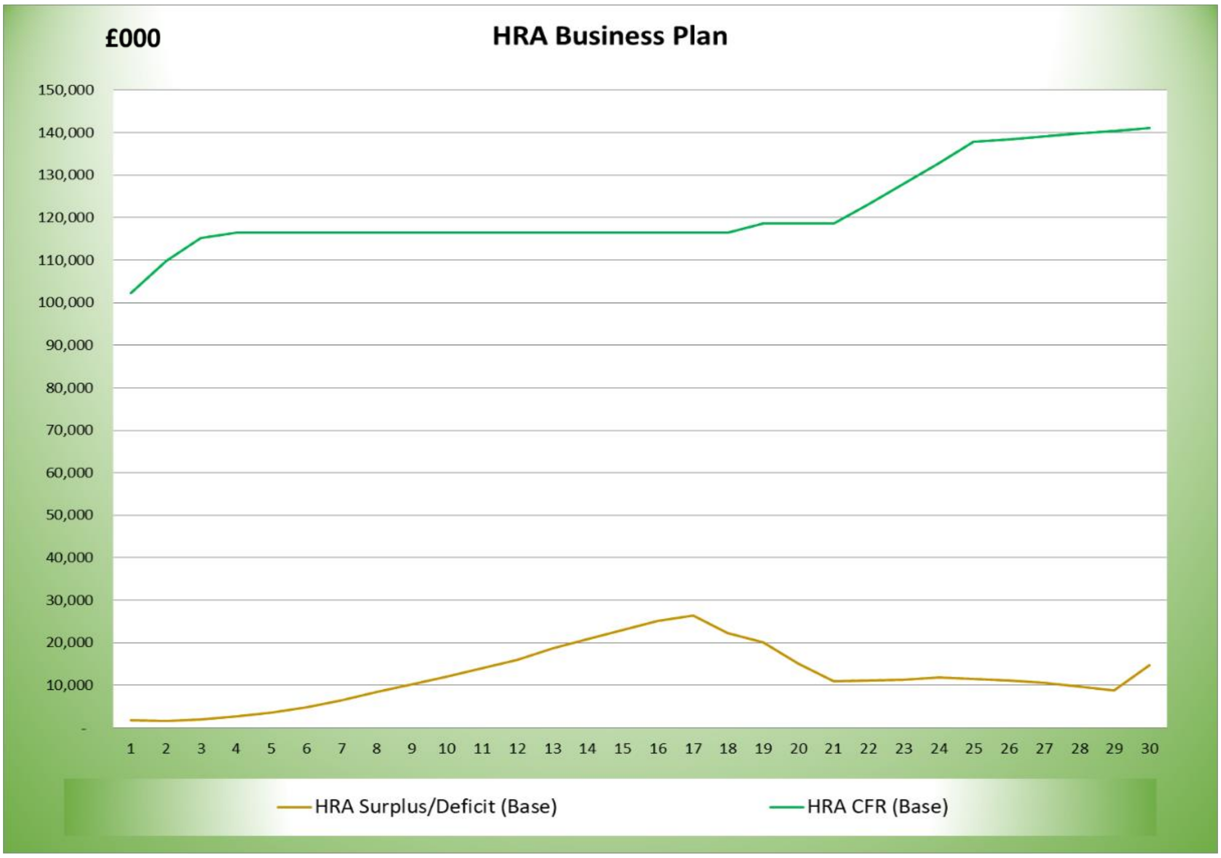
The updated Business Plan model has been prepared incorporating projections for revenue and capital expenditure based on the budgets approved for 2023/24 and budget adjustments approved up to and including October 2023. This is a base model and does not include any additional expenditure or financing assumptions in relation to new housing provision other than that already approved by the Council.

The full HRA 30-Year Business Plan Update 2023 report from HFS includes the key assumptions underpinning the Base Model. This report has been updated by officers since its production to include the latest budget changes for both capital works and housing acquisitions. Any subsequent changes, including the pending Homes England grant applications recently submitted to support housing acquisitions, will be incorporated into future updates to the 30-Year Business Plan.

Figure 1 below shows an overview of the base Business Plan represented by the 30-year projections for HRA revenue balances and the HRA Capital Financing Requirement (CFR) (i.e. capital expenditure financed by both internal and external borrowing).

The green line on the graph projects the HRA Capital Financing Requirement (CFR). The CFRs figure is important as it shows the HRA capital expenditure financed by internal and/or external borrowing. Even where capital spend is initially financed by internal borrowing, it is typical that at least some of this will eventually need to be refinanced by external borrowing. So, as a general rule, the higher the CFR figure is, the higher the HRA external borrowing will be which in turn increases the cost to service the debt (interest payments).

Figure 1: HRA Working Balances and Capital Financing Requirement (CFR) for period 2023/24 to 2052/53 (30 Years)



Borrowing Levels and Provision for the Repayment of Debt

The Council had £88.1m of loan debt outstanding as at 31 March 2023, the majority being with the Public Works Loan Board (PWLB). This level of borrowing can be considered in the context of the assets held by the Council. The last valuation used for the Balance Sheet on 31 March 2023 showed that the Council held fixed assets with a total value of £263.3m. This included HRA assets at £224.0m (42% of the 'market valuation' of £533.3m). This compares favourably with the debt portfolio totalling £88.1m as at 31 March 2023.

The model and current HRA budget does not include any provision to repay borrowing. Instead, the Council has focused on investment into its stock rather than paying down debt. It remains essential that this position is closely monitored as this strategy does have its risks in terms of interest rates and refinancing risk i.e. not paying down debt will mean borrowing needing to be refinanced in future.

As seen recently, interest rates can be volatile and the Council could be exposed to refinancing maturing loans at higher interest rates than current loans, resulting in pressure on the HRA revenue working balance. CFR borrowing is forecasted to increase to nearly £140m by year 30 due to two factors:

1. Increased capital expenditure on both the housing delivery programme and major repairs and improvement works to HRA housing stock which will require additional borrowing.

2. No provision currently in the HRA budget to repay debt capital. There is no statutory requirement for the HRA to make a provision for debt repayment (whereas there is a requirement for General Fund debt). The Council has historically taken the decision to use HRA balances to invest in its housing stock rather than to repay debt. This position will be kept under review by the Deputy Chief Executive and Section 151 Officer, in consultation with the Council's treasury advisors and housing finance advisors to ensure the sustainability of the HRA.

Analysis provided by the consultants for 14 of their other local authority client's business plans shows four clients are repaying loans at maturity; three clients are using Major Repairs Reserve (MRR) balances, in part, to address the internal borrowing created by payment of annuity loans; three clients not making any provision or repayments; two clients are using capital receipts; and one client is replacing internal borrowing with external loans. Only one client is making a provision in the HRA.

In addition, analysis of the 21 local authorities in the East Midlands with a HRA shows that the majority are appearing to be making no repayment of HRA debt. Of the others, five are making Voluntary Revenue Provision (VRP) in the HRA; one is using its capital receipts; and another is using contributions from the Major Repairs Reserve. It is evident that although some local authorities have chosen to use various methods to repay HRA related borrowing, this Council is not an outlier in choosing investment in its stock over the repayment of debt.

Whilst it considered that the management of debt in this updated Business Plan remains prudent, affordable and sustainable, this position must continue to be carefully monitored as there are several risks, such as adverse interest rates and re-financing risks, which could impact on HRA working balances.

<u>Revenue Contributions and Prudential Borrowing</u>

Investment in HRA housing stock has seen revenue contributions funding to the capital programme in recent years. This revenue contribution is set to continue until 2025/26 as per the current three-year rolling capital programme.

It has become evident in preparing this Business Plan, that the HRA cannot support this level of revenue contribution and maintain its £1.0m minimum balance, largely due to increased costs and higher interest rates. Revised financing for the current financial year, potentially reducing the level of revenue contribution, will be included as part of the 2023/24 accounts outturn for approval. Revised financing for the forthcoming three financial years will be presented for approval as part of the 2024/25 budget setting process.

Once revenue contributions to the capital programme are discontinued, the HRA balance is projected to increase significantly, providing funds for future investment and protecting the HRA from future risks. Around year 18 (2040/41) it is forecast that revenue contributions to support the financing of the capital programme will once again be required. This is based on the most recent stock condition survey which suggests that major schemes of maintenance and improvement to existing stock will be required. An updated stock condition survey is being undertaken shortly.

A breakdown of the HRA operating account, detailing income and expenditure over the life of the Business Plan, is provided in Figure 2. The table shows that the HRA is capable of maintaining its minimum balance of £1.0m over the next 30 years. This must be carefully monitored as there are several risks, such as interest rate risk, unexpected or higher than expected costs related to repairs and maintenance, and unforeseen events that may negatively affect income.

Although the analysis shows the HRA working balance rising towards £4.9m in year 6 (2028/29) and even higher in the year afterwards up to £26.5m in year 17 2023/40. Whilst the model does not include any provision to repay borrowing at this stage, there will clearly be opportunities to repay some HRA debt once balances start climbing towards £5m. The Deputy Chief Executive and Section 151 Officer, in conjunction with the Finance Service steam and the housing finance advisors, will carefully monitor this position with a view to balancing the needs of capital investment in the Council's housing portfolio and maintaining sustainable HRA working balances.

Figure 2: Detailed HRA Working balance 2023/24 to 2052/53

		Income			**Expenditure**													
	Year	Net rent Income £,000	Other income £,000	Total Income £,000	Manage-ment £,000	Depre-ciation £,000	Respon-sive & Cyclical £,000	Other Revenue spend £,000	Misc Expenses £,000	Total Expenses £,000	Capital Charges £,000	**Net Operating Spend £,000**	Repayment of loans £,000	RCCO £,000	**Surplus/ (Deficit) for the Year £,000**	Opening Surplus/ (Deficit) £,000	Interest Receipts £,000	**Closing Surplus/ (Deficit) £,000**
Y1	2023/24	16,867	1,244	18,111	(5,707)	(4,629)	(4,537)	(160)	(443)	(15,476)	(2,902)	**(268)**	0	(1,002)	**(1,270)**	2,969	41	**1,740**
Y2	2024/25	18,002	1,300	19,302	(5,966)	(4,832)	(4,727)	(168)	(462)	(16,155)	(3,276)	**(129)**	0	0	**(129)**	1,740	42	**1,653**
Y3	2025/26	19,045	1,357	20,402	(6,239)	(5,054)	(4,930)	(175)	(483)	(16,880)	(3,343)	**179**	0	0	**179**	1,653	53	**1,885**
Y4	2026/27	20,246	1,413	21,658	(6,500)	(5,301)	(5,117)	(182)	(502)	(17,603)	(3,356)	**700**	0	0	**700**	1,885	79	**2,664**
Y5	2027/28	20,832	1,455	22,287	(6,685)	(5,430)	(5,235)	(188)	(518)	(18,055)	(3,356)	**877**	0	0	**877**	2,664	120	**3,660**
Y6	2028/29	21,408	1,499	22,906	(6,873)	(5,554)	(5,353)	(193)	(533)	(18,507)	(3,356)	**1,044**	0	0	**1,044**	3,660	193	**4,896**
Y7	2029/30	21,989	1,543	23,532	(7,067)	(5,680)	(5,474)	(199)	(549)	(18,970)	(3,356)	**1,207**	0	0	**1,207**	4,896	280	**6,384**
Y8	2030/31	22,907	1,590	24,496	(7,267)	(5,809)	(5,597)	(205)	(566)	(19,444)	(3,356)	**1,697**	0	0	**1,697**	6,384	364	**8,444**
Y9	2031/32	22,956	1,637	24,593	(7,472)	(5,940)	(5,723)	(211)	(583)	(19,929)	(3,356)	**1,308**	0	(0)	**1,308**	8,444	452	**10,205**
Y10	2032/33	23,441	1,687	25,128	(7,683)	(6,074)	(5,851)	(217)	(600)	(20,426)	(3,356)	**1,346**	0	0	**1,346**	10,205	523	**12,074**
Y11	2033/34	23,928	1,737	25,665	(7,900)	(6,211)	(5,982)	(224)	(618)	(20,935)	(3,356)	**1,375**	0	0	**1,375**	12,074	578	**14,027**
Y12	2034/35	24,417	1,789	26,207	(8,123)	(6,351)	(6,115)	(231)	(637)	(21,456)	(3,356)	**1,395**	0	0	**1,395**	14,027	634	**16,056**
Y13	2035/36	25,391	1,843	27,234	(8,352)	(6,493)	(6,251)	(238)	(656)	(21,990)	(3,356)	**1,888**	0	0	**1,888**	16,056	697	**18,641**
Y14	2036/37	25,403	1,898	27,301	(8,587)	(6,638)	(6,390)	(245)	(675)	(22,536)	(3,356)	**1,409**	0	0	**1,409**	18,641	761	**20,811**
Y15	2037/38	25,900	1,955	27,855	(8,830)	(6,786)	(6,531)	(252)	(696)	(23,095)	(3,356)	**1,404**	0	0	**1,404**	20,811	818	**23,033**
Y16	2038/39	26,400	2,014	28,414	(9,079)	(6,937)	(6,675)	(260)	(716)	(23,667)	(3,455)	**1,291**	0	0	**1,291**	23,033	807	**25,131**
Y17	2039/40	26,903	2,074	28,978	(9,335)	(7,091)	(6,822)	(267)	(738)	(24,253)	(4,069)	**655**	0	0	**655**	25,131	714	**26,501**
Y18	2040/41	27,411	2,137	29,547	(9,598)	(7,248)	(6,972)	(275)	(760)	(24,853)	(4,121)	**572**	0	(5,325)	**(4,753)**	26,501	607	**22,355**
Y19	2041/42	28,462	2,201	30,663	(9,869)	(7,408)	(7,124)	(284)	(783)	(25,467)	(4,175)	**1,020**	0	(3,782)	**(2,762)**	22,355	524	**20,118**
Y20	2042/43	28,437	2,267	30,703	(10,147)	(7,571)	(7,280)	(292)	(806)	(26,096)	(4,210)	**397**	0	(5,907)	**(5,510)**	20,118	434	**15,042**
Y21	2043/44	28,956	2,335	31,291	(10,433)	(7,737)	(7,438)	(301)	(831)	(26,739)	(4,291)	**260**	0	(4,601)	**(4,341)**	15,042	322	**11,023**
Y22	2044/45	29,480	2,405	31,884	(10,727)	(7,906)	(7,599)	(310)	(855)	(27,398)	(4,422)	**65**	0	(156)	**(91)**	11,023	274	**11,206**
Y23	2045/46	30,008	2,477	32,485	(11,029)	(8,079)	(7,763)	(319)	(881)	(28,071)	(4,558)	**(144)**	0	0	**(144)**	11,206	278	**11,341**
Y24	2046/47	31,132	2,551	33,683	(11,340)	(8,254)	(7,930)	(329)	(908)	(28,761)	(4,696)	**226**	0	0	**226**	11,341	286	**11,853**
Y25	2047/48	31,079	2,628	33,707	(11,660)	(8,433)	(8,101)	(339)	(935)	(29,467)	(4,794)	**(554)**	0	0	**(554)**	11,853	289	**11,588**
Y26	2048/49	31,622	2,707	34,328	(11,988)	(8,615)	(8,274)	(349)	(963)	(30,189)	(4,850)	**(710)**	0	0	**(710)**	11,588	281	**11,158**
Y27	2049/50	32,169	2,788	34,957	(12,326)	(8,801)	(8,450)	(359)	(992)	(30,928)	(4,907)	**(878)**	0	0	**(878)**	11,158	268	**10,548**
Y28	2050/51	32,722	2,871	35,594	(12,673)	(8,990)	(8,630)	(370)	(1,021)	(31,684)	(4,966)	**(1,056)**	0	0	**(1,056)**	10,548	251	**9,743**
Y29	2051/52	33,281	2,957	36,238	(13,030)	(9,182)	(8,813)	(381)	(1,052)	(32,458)	(5,026)	**(1,246)**	0	0	**(1,246)**	9,743	228	**8,725**
Y30	2052/53	34,687	3,046	37,733	(13,247)	(9,378)	(9,000)	(393)	(1,084)	(33,102)	(4,981)	**(350)**	0	0	**(350)**	8,725	215	**8,590**

3. Capital Programme and Housing Development

Figure 3 below shows the five-year capital programme and its proposed financing. Years 1 to 3 are the current rolling three-year programme approved by the Council, including the approved in year adjustments for 2023/24 up to and including October 2023. Years 4 and 5 are projected based on the Housing Delivery Programme and forecast major repairs and improvements required to the stock.

Figure 3: Capital Programme and Financing 2023/24 to 2027/28

		Expenditure					Financing					
	Year	Major Works & Imps.	Decarbon-isation Works	New Build Develop-ment Costs	New Build Major Repairs	Total Expenditure	Borrowing	RTB 141 Receipts	Other	MRR	RCCO	Total Financing
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Y1	2023/24	8,859	2,000	19,489	0	30,348	18,275	3,700	2,665	4,706	1,002	30,348
Y2	2024/25	5,962	0	10,078	0	16,040	7,555	2,088	1,780	4,617	0	16,040
Y3	2025/26	5,896	0	6,363	0	12,259	5,418	1,588	636	4,617	0	12,259
Y4	2026/27	6,084	0	1,400	0	7,484	1,279	475	1,113	4,617	0	7,484
Y5	2027/28	6,084	0	0	0	6,084	0	532	935	4,617	0	6,084

As can be seen the 30-year capital projection in figure 1 below, the HRA is capable of sustaining the capital programme in its current form. However, new external borrowing will be required which will increase the HRA revenue costs in servicing that debt.

The projected investment in the Council's housing stock assumes that debt will not be repaid over the life of the Business Plan. If the Council was to choose to repay some or all of the HRA current debt, funds available to invest in the housing stock would be reduced. This would then mean the Council would have to revise its capital programme with an emphasis on compliance with decent homes standards and other relevant regulations. Any decision to divert funds away from investment in the stock must take into account the impact this may have on meeting regulations. It must also be considered that any unexpected increase in costs and/or reductions in income, such as higher than expected inflation or unexpected government caps on rents increases, may also require the capital programme be reviewed to ensure compliance with regulation is prioritised which in turn may reduce funds available funds for non-compliance works.

Over the life of the Business Plan, it is projected that Right to Buy (RTB) sales will average 30 each year. Although this figure may be lower in the short-term due to higher mortgage rates, over the lifetime of the model this is considered to be a reasonable average. The current new build and acquisitions programme forecasts 112 new build properties and 30 acquisitions (assuming an average of six per year). In addition, the Council is currently in the process of purchasing several blocks of flats on the open market, resulting in a total of 183 new properties in the current programme. Over the 30-year life of the Business Plan this sees a net reduction of 717 properties.

Capital Expenditure and Financing

The model indicates that sufficient capital resources will be available to meet the planned capital spend over the lifetime of the programme. Whilst this will require the HRA to borrow to finance some of this capital expenditure, the model indicates that this level of borrowing is currently sustainable and there will be no issues with the HRA servicing the debt. This is shown in figure 1:

Figure 4: Planned Capital Spending and Financing 2023/24 to 2052/53

		Expenditure					Financing					
	Year	Major Works & Imps.	Decarbon-isation Works	New Build Develop-ment Costs	New Build Major Repairs	Total Expenditure	Borrowing	RTB 141 Receipts	Other	MRR	RCCO	Total Financing
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Y1	2023/24	8,859	2,000	19,489	0	30,348	18,275	3,700	2,665	4,706	1,002	30,348
Y2	2024/25	5,962	0	10,078	0	16,040	7,555	2,088	1,780	4,617	0	16,040
Y3	2025/26	5,896	0	6,363	0	12,259	5,418	1,588	636	4,617	0	12,259
Y4	2026/27	6,084	0	1,400	0	7,484	1,279	475	1,113	4,617	0	7,484
Y5	2027/28	6,084	0	0	0	6,084	0	532	935	4,617	0	6,084
Y6	2028/29	5,232	0	0	0	5,232	0	0	2,550	2,683	0	5,232
Y7	2029/30	5,350	0	0	0	5,350	0	0	1,239	4,111	0	5,350
Y8	2030/31	5,470	0	0	0	5,470	0	0	1,300	4,170	0	5,470
Y9	2031/32	5,592	0	0	0	5,592	0	0	1,363	4,230	0	5,592
Y10	2032/33	5,717	0	0	20	5,737	0	0	25	5,712	0	5,737
Y11	2033/34	5,851	0	0	59	5,910	0	0	(0)	5,910	0	5,910
Y12	2034/35	5,981	0	0	104	6,085	0	0	(0)	6,085	0	6,085
Y13	2035/36	6,114	0	0	180	6,294	0	0	(0)	6,294	0	6,294
Y14	2036/37	6,248	0	0	239	6,487	0	0	(0)	6,487	0	6,487
Y15	2037/38	6,386	0	0	251	6,637	0	0	(0)	6,637	0	6,637
Y16	2038/39	12,098	0	0	258	12,357	0	0	(0)	12,357	0	12,357
Y17	2039/40	12,363	0	0	266	12,629	0	0	(0)	12,629	0	12,629
Y18	2040/41	12,633	0	0	274	12,907	0	0	(0)	7,582	5,325	12,907
Y19	2041/42	12,907	0	0	282	13,190	2,000	0	(0)	7,408	3,782	13,190
Y20	2042/43	13,187	0	0	291	13,478	0	0	(0)	7,571	5,907	13,478
Y21	2043/44	12,038	0	0	300	12,338	0	0	(0)	7,737	4,601	12,338
Y22	2044/45	12,297	0	0	308	12,606	4,544	0	(0)	7,906	156	12,606
Y23	2045/46	12,562	0	0	318	12,879	4,803	0	(0)	8,076	0	12,879
Y24	2046/47	12,830	0	0	327	13,158	4,906	0	(0)	8,252	0	13,158
Y25	2047/48	13,104	0	0	337	13,441	5,011	0	(0)	8,431	0	13,441
Y26	2048/49	8,904	0	0	347	9,252	639	0	(0)	8,613	0	9,252
Y27	2049/50	9,093	0	0	358	9,451	652	0	(0)	8,798	0	9,451
Y28	2050/51	9,285	0	0	368	9,653	666	0	(0)	8,987	0	9,653
Y29	2051/52	9,480	0	0	379	9,860	680	0	(0)	9,179	0	9,860
Y30	2052/53	9,679	0	0	391	10,070	694	0	(0)	9,375	0	10,070

Note: Other - grants, contributions etc. from other bodies; MRR - Major Repairs Reserve; RCCO - Revenue Contributions

Right to Buy Receipts (RTB)

A further consideration is the use of retained capital receipts. When a housing property is sold under Right to Buy (RTB), a formula is used by central government (DLUHC) to calculate the amount the Council can retain and the amount to be paid over to the Treasury. Various amounts are deducted from the RTB receipt (such as an allowance for transactions costs and debt costs) and the remainder is split between the Council and the Treasury. The Council's share known as a one-for-one receipt. There are various restrictions on the use of these one-for-one receipts, including:

- The Council can fund up to 40% of a new build scheme/acquisitions using these receipts.

- Expenditure must take place within five-years of the receipt. Any receipts not used within this time must be paid to the Treasury with interest.

- The maximum allowable expenditure on acquisitions is 50% of total expenditure within a year. This is set to be reduced to 40% and subsequently 30% over the next five years. However, the first 20 units purchased are excluded from the percentage calculation (although this may change when the percentage allowable is reduced in future years).

- One-for-one receipts cannot be used on schemes where other grants or contributions are used to part-fund the scheme, such as Homes England grants or Section 106 contributions.

The above creates four areas of concern for the Council:

- Depleting housing stock will make it increasingly difficult to provide housing for those who need it.

- Reduced housing stock will reduce total rental income, which creates pressure on the HRA budget that may result in reductions in spend elsewhere and/or force the Council to increase rents more than it would like to (dependant on rent caps set by the government).

- The Council may have to repay one-for-one receipts with interest. The model forecasts that if the Council does not invest in housing development and acquisitions beyond the current programme, with RTB sales at 30 per year, it will have to pay around £46m to the Treasury in repaid receipts and interest over the 30 years of the Business Plan.

- Potential reputational damage to the Council due to a dwindling social housing stock and a lack of investment in replacements.

In order to mitigate these risks, the Council could choose to explore potential sites for new build developments and continue to support the acquisition of former RTB properties and other housing on the open market. It must be noted that, as stated above, only 40% of development costs can be funded by one-for-one receipts and these cannot be used in conjunction with other grants or contributions. Based on the model, the HRA will have insufficient revenue resources to fund the additional costs. As such, the Council would need to increase borrowing in order to finance the 60% of costs. This will increase the HRA revenue cost of servicing the debt, albeit offset by the new stock contributing to through rental income.

4. Conclusion

It is clear that with careful financial management and control, the HRA is capable of maintaining its minimum working balance of £1.0m over the life of its 30-year Business Plan. In addition to maintaining its revenue balances, the HRA is in a position to invest in its housing stock to ensure compliance with regulations; to improve the quality of the stock for residents; and to invest in building and acquiring new stock. There are several risks, such as inflation, unexpected costs and the conditions of use for one-for-one receipts, present throughout the period which must be carefully monitored to ensure the sustainability of the HRA.