NORTH YORKSHIRE COUNCIL EXECUTIVE

23 JANUARY 2024

HOUSING REVENUE ACCOUNT BUDGET 2024/25 AND MEDIUM-TERM FINANCIAL PLAN

Joint Report of the Corporate Director – Resources & Corporate Director – Community Development

1.0 PURPOSE OF REPORT

1.1 Make recommendation to the Council regarding the Housing Revenue Account (HRA) budget for 2024/25, HRA Medium-term Financial Plan for 2025/26 to 2026/27 and 30-year HRA Business Plan.

1.2 Agree the rent increases to be applied for 2024/25 and recommend them to the Council for approval.

2.0 INTRODUCTION AND CONTEXT

2.1 The Housing Revenue Account is a ring-fenced account within the Council's General Fund (GF). It records the income and expenditure arising from the provision of housing accommodation by local housing authorities.

2.2 On 1 April 2023 North Yorkshire Council (NYC) was formed as a result of Local Government Reorganisation (LGR), which brought together three existing Housing Revenue Accounts from former stock holding District and Borough authorities. In the first year of NYC, 2023/24 a budget for the HRA was approved based on an amalgamation of the three former HRA budgets, with key inflationary issues and any immediate budget pressures taken into account, recognising the need to further develop the Medium-Term Financial plan (MTFP).

2.3 The first Housing Strategy for NYC is currently in progress, recently completing consultation, which sets out the Council's vision to deliver 'good quality, affordable and sustainable homes that meet the needs of all our communities' with specific reference to the Council's role in being an exemplar social landlord, in addition to utilising the combined strength of the unitary authority to accelerate growth in HRA stock.

2.4 To support this aim, in October 2023 NYC appointed Savills Affordable Housing Consultancy to undertake a 'deep dive' review of the combined HRA, covering two overarching workstreams:

- to provide an independent review of the resilience and headroom within, and general financial health of the HRA, and
- to provide a review of the assurance framework, testing how the Council can demonstrate and evidence compliance with the Regulator of Social Housing's (RSH) consumer standards (summarised at **Appendix A**).

Key outcomes of this work will be establishing a baseline position for the consolidated HRA with a 'health check' of current landlord performance, along with assurances that the HRA business and investment planning processes are fit for purpose to achieve this goal.

2.5 Savills' findings and report regarding the HRA business plan financial position have been presented (**Appendix B**), along with benchmarking comparison against a Peer group of similar stock holding authorities, regional and national groups. Whilst the work is still in progress in relation to service transformation to support the on-going development of a comprehensive HRA Business Plan, Savills' findings, along with internal modelling have been used to create a financial framework (this budget and MTFP) in which to develop detailed plans.

3.0 CURRENT POSITION

3.1 The current HRA stock holding is 8,351 homes, with a number of additional properties including hostels and garages. This number is expected to deplete over the course of the 30-year business plan as a result of purchases under right to buy if measures are not put in place to ensure stock is replaced on a 1-1 basis. Reducing stock numbers constrain the longer-term capacity for growth along with reducing operating margins. This is explained further in Section 5.

3.2 Budgets for HRA supervision and management of £9.5m (which covers all aspects of managing the HRA and tenancies), and repairs and maintenance of £11.0m (which covers the cost of maintaining properties), perform well against benchmark groups. Operating margins are also above average at 25.6% against a 20% benchmark for similar social housing providers. Further explanation of performance measures can be found at **Appendix C**.

3.3 Unlike the General Fund, which is required to make minimum revenue provision each year to pay-off debt (MRP), the HRA can chose whether to undertake voluntary revenue provision (VRP), depending on its own financial strategy and approach to debt. The combined HRA has historically made VRP contributions, and no debt re-financing was incorporated into the plan when loans became due for payment. NYC HRA debt is relatively low in comparison to benchmark groups.

3.4 The long-term capital programme set aside the equivalent of approximately £86k per property / £713m over the 30-year plan. This incorporated both major repairs and any assumed build/acquisition programme.

3.5 Currently there is no consistent use of metrics to guide investment decisions or performance. Forecast HRA balances and investment appraisals have typically been used to guide programme affordability and the sustainability of the business plan.

4.0 BUSINESS PLAN CONSIDERATIONS FOR 2024/25 BUDGET AND MTFP

4.1 Bringing together property management information from the three legacy authorities without a clear stock condition survey programme presents some challenges regarding understanding the HRA's need for investment in its stock. Local knowledge of the stock and recent visits to a number of areas gives some assurance around the standard of properties, however it is recognised there is a need to get 100% inspection coverage.

4.2 To allow the HRA Management and Repairs functions to transform, there is a need to invest in the consolidation of existing Housing systems. Developing a single system will improve management information, allow operational teams to support our tenants across all localities and release capacity that is currently constrained.

4.3 As part of the financial review of the 30-year HRA business plan financial model, funding for major repairs is to be separated from investment in additional or replacement stock. Major repairs assumptions will be based on benchmark estimates, which reduces the average spend per property over the 30-year plan from £86k to £52k (still at higher end of benchmark). This creates £220m+ headroom within the plan for investment in new development or alternative business plan priorities. Given the upcoming work programme to inform property condition needs, it is recognised the plan needs to retain capacity to increase this allocation in the early years if required.

4.4 Whilst the review of the Council's landlord function and position in relation to compliance with RSH's consumer standards is still in progress, a risk is recognised within the plan in relation to capacity to deliver, along with meeting potential additional requirements of the standards such as Housing qualifications for key roles.

4.5 As the HRA financial plan is almost entirely dependent on rental income generated, modelling has assumed there are no rent reductions due to the significant impact this would have on capacity within the plan, both in relation to investment in existing stock and growth in stock. Council rents remain cheaper than housing association rents and significantly below market rent.

4.6 Perhaps the most significant feature of the proposed budget and MTFP is the change in financial strategy to release borrowing capacity to support investment in stock growth within the HRA, in line with the proposed Housing Strategy (see paragraph 2.3). The proposal changes the approach in relation to setting aside voluntary repayment of debt (VRP) and assumes any loans that become due for repayment will be re-financed if necessary.

5.0 BUSINESS PLAN MODELLING AND PERFORMANCE METRICS

5.1 To provide the financial framework for the Business Plan and MTFP, three scenarios have been modelled which incorporate the following key points:

- Business Plan key risks (identified in section 4) and additional revenue capacity to deliver;
- Releasing capacity within the financial plan to support growth in new homes and right to buy replacement; and
- Adopting an alternative approach to debt within the HRA and utilising borrowing capacity.

The three scenarios are set out below:

5.1.1 Mid Growth (Base position for budget assumptions)

- Deliver 500 additional new homes within 5 years. Modelled at a total cost of £111m, funded by £72m HRA and £39m grant/S106/Right to Buy 1-1 receipts. HRA funding assumes new borrowing undertaken.
- Assumes Right to buys replaced on 1-1 basis, (estimated at 24 per year) with the same funding mix as new investment.
- Total of 1,220 new homes for the plan period
- Additional £2m revenue investment from 2024/25 for increasing resilience around compliance, repairs and management improvements, building safety and other risks not yet quantified. Application of the additional investment into service base budgets will be subject to business case approval, which are being developed over the coming months and assumes a £500k reduction from 2026/27 as efficiencies generated through service improvements are realised.
- Rent inflation Consumer Price Index (CPI)+1% for year 1 only, reverting to CPI pending new government policy announcement.
- Borrowing and investment position reviewed annually, assuming debt refinancing when loans become due (excluding one existing loan which repays principal instalments annually over the loan term)
- Major repairs investment forecast based on benchmark estimates, starting at £14.5m per year, increasing with inflation to give a total programme over the 30 years of £588m.
- No specific costs assumed for the decarbonisation of existing stock within the plan over and above major repairs, although elements of this work would contribute towards this aim, alongside grant funding. For example, a bid currently in progress for the Social Housing Decarbonisation Fund, which will utilise up to £3m internal match funding from our existing capital programme, to provide a fund of up to £6m, if the grant application is successful.

5.1.2 No Growth

Assumptions per base position, except:

- Assumes existing debt repayment and VRP continues as included in the previous business plan, with no new borrowing.
- No new builds or right to buy replacement programme.

5.1.3 High Growth

Assumptions per base position, except:

- Additional 500 homes in years 6-10.
- Total of 1,720 new homes for the plan period.

5.2 The financial assessment of the three scenarios is supported by key business plan metrics or 'golden rules' which have been developed to assist with managing risk in the context of business planning, focusing on liquidity, resilience and sustainability. As mentioned in paragraph 4.6 a key feature of the refreshed business plan is to create capacity to invest in new stock by reviewing the approach to debt, in addition to using benchmark estimates to forecast future major repairs costs. These metrics or 'golden rules' are complementary measures alongside prudential indicators set out in NYC's Treasury Management Strategy. Results are shown at **Appendix C.**

5.3 Along with financial performance metrics, service delivery indicators will also be developed to demonstrate value for money and stock sustainability. This will be combined with an annual review of the business plan and capital investment, with scenario planning and stress testing to ensure the plan can be flexed as necessary to manage future risks or changing priorities.

5.4 Investment in new build or acquisitions will be appraised using agreed criteria based on industry norms, comparable to those used widely across the social housing sector. The performance output will be based on four main factors:

- Net present value within acceptable range;
- Internal rate of return at cost of borrowing;
- Payback term; and
- Benchmarking of costs.

6.0 HRA REVENUE BUDGET SUMMARY

6.1 The budget that follows has been developed based on the Mid Growth - Base Case scenario above, along with any other known significant budget pressures.

6.2 A pay award of 6% has been included, and inflation where appropriate in line with the Council's General Fund budget. Whilst the Housing service is still in a transitional phase, no other budget restructuring has taken place.

6.3 A summary of the budget for 2024/25 to 2026/27 is set out below in Table 1. Current estimates show a projected surplus in year 2024/25 of £1.307m, with surpluses of £2.590m in 2025/26, and £2.440m in 2026/27. The longer-term financial outlook is attached at **Appendix D**, which shows the 30-year HRA business plan estimates and expected revenue surpluses throughout. This provides a degree of flexibility to meet unexpected risks and uncertainties within the current plan.

Table 1 – Housing Revenue Account Budget

	Current Year 2023/24 (£'000)	Year 1 2024/25 (£'000)	Year 2 2025/26 (£'000)	Year 3 2026/27 (£'000)
Income				
Rents (Council Dwellings & Hostels)	(38,080)	(42,804)	(44,700)	(46,444)
Non-dwelling rents	(423)	(442)	(455)	(466)
Charges for services and facilities	(1,128)	(1,334)	(1,374)	(1,409)
Other income	(638)	(512)	(521)	(528)
Investment Income	(1,114)	(926)	(700)	(712)
Total Income	**(41,382)**	**(46,018)**	**(47,751)**	**(49,559)**
Expenditure				
Repairs and Maintenance	11,038	12,652	13,031	12,857
Supervision, Management and Admin	9,540	11,116	11,449	11,735
Interest Payments	3,794	5,273	4,545	6,061
Debt Repayment (EIP loan)	2,355	1,170	1,200	1,231
Depreciation charge to Major Repairs	8,513	9,084	9,489	9,869
Capital Expenditure funded from revenue	8,301	5,416	5,446	5,365
Total Expenditure	**43,541**	**44,711**	**45,160**	**47,119**
Net (Surplus) / Deficit	**2,159**	**(1,307)**	**(2,590)**	**(2,440)**
Working balance 1 April 2023	(20,862)	(18,703)	(20,010)	(22,601)
Use of working balance in 2023/24	2,159	(1,307)	(2,590)	(2,440)
Working balance 31 March 2024	**(18,703)**	**(20,010)**	**(22,601)**	**(25,041)**

Further details on the main items within the above table are given below.

6.4 Income

6.4.1 The vast majority of HRA income comes from the rent that is charged to tenants. It is utilised to cover the operational running costs of the HRA, along with investing in maintaining the stock and service debt. Therefore, housing rents have a significant role in ensuring the Council has a financially viable Housing Revenue Account and Business Plan.

6.4.2 As expected, as a provider of social housing, approximately one third of rent payments are paid through Housing Benefits, meaning payments are made directly to tenant rent accounts through council systems, therefore reducing the risk of non-payment or delays in payments. As Universal Credit continues to be rolled out, this means the proportion of rents paid through Housing Benefits is reducing over time, and as such there is an increased risk of non-payment or delays in payments and therefore an annual provision of £372k is made for non-payment. That said, the Council currently performs well on rent collection, with rent arrears averaging 1.98% of rent due, versus 2.44% for the top performing quartile in the benchmark group. More details regarding rents can be found in Section 7.

6.4.3 Other sources of income include rental income on non-dwellings (primarily garages), charges to leaseholders and warden services charges. Where it is permissible to do so, fees & charges are applied in accordance with the corporate fees & charges policy.

6.4.4 The HRA is apportioned a share of the Council's investment income managed by the Treasury function. This allocation is based on the HRA's average working balance for the year and the average rate of return achieved in year. This means the HRA is exposed to interest rate risk, the greater the working balance, the bigger impact fluctuations in investment returns will have on income. As investment returns are expected to reduce over the coming years, income to the HRA will reduce from an estimated £0.93m in 2024/25, to £0.71m in 2026/27, as forecast rates drop from 4.95% to 3.15%.

6.5 Expenditure

6.5.1 The repairs and maintenance costs included within the HRA are the reactive and cyclical repairs. Major programmes of planned maintenance are included within the capital programme. Historically, there has been reliance on a large portion of works being carried out by sub-contractors which carries a premium and it is potentially more difficult to control inflationary increases. In addition, as referenced in Section 4, there is an unquantified risk in relation to stock condition. Going forwards, the intention is to create a resilient internal structure to reduce reliance on external contractors and to support the work required around stock condition, whilst over the mid-term it is expected this will generate revenue savings as a result of effective planned maintenance programmes. Therefore, of the £2m additional revenue capacity built into base budget estimates (as referenced in paragraph 5.1.1), £1m has been allocated to repairs and maintenance, with an expectation that there will be a £0.5m reduction from 2026/27. Table 2 below sets out the additional base revenue allocations:

Table 2 – Additional Base Revenue Capacity

	2024/25 £m	**2025/26 £m**	**2026/27 £m**
Repairs & Maintenance	1.0	1.0	0.5
Supervision & Management	1.0	1.0	1.0
Total	**2.0**	**2.0**	**1.5**

6.5.2 Supervision, management and administration includes the costs associated with all aspects of managing the HRA and its tenants, including the costs of providing sheltered housing, running the temporary accommodation hostels, and grounds maintenance. Work is still being undertaken to assess the Council's current performance and position in relation to regulatory landlord requirements and the impact of implementing RSH's consumer standards.

£1m has been allocated to supervision and management from the additional base revenue capacity (see Table 2 above).

6.5.3 In addition to the interest due on existing self-financing loans, the mid-case budget forecast utilises borrowing (modelled at 65% of scheme costs with 35% funded from grants and other funding sources) to support the new homes development programme along with right to buy replacements. Estimates therefore include interest costs to reflect assumed borrowing. As the programme progresses and the business plan develops, borrowing requirements will be kept under continual review to optimise financing options and reflect on future sustainability.

6.5.4 In the proposed budget and business plan, the mid-case scenario is based on funding the repairs and improvement capital programme entirely from annual revenue contributions set aside in the Major Repairs Reserve (MRR). Benchmark estimates have been used as a basis for forecasting, which is based on approximately £52k per property over the 30-year plan, this equates to £14.5m from year 1 and is increased each year with inflation. Within the budget, this revenue set-aside is reflected in two lines, Depreciation charge to major repairs and Capital expenditure funded from revenue. Unlike the General Fund, within the HRA, the depreciation that is charged on the assets held by the service (primarily the dwellings themselves) is a real cost to the HRA budget and this expense is transferred to the MRR. The additional revenue contribution to the MRR required to fund the capital programme over and above depreciation is then budgeted for and charged to Capital expenditure funded from revenue.

6.6 Net Budget for 2024/25

6.6.1 The overall net budget position for 2024/25 is a surplus of £1.307m, which will transfer to working balance, as set out in Table 1 above. Looking ahead, it is expected that the HRA revenue budget will continue to operate a surplus position year on year, £2.590m, £2.440m and £3.851m for the years 2025/26 to 2027/28 respectively. Longer term, the trajectory continues however it is important to stress that this is dependent on services maintaining operating efficiency, rent collection rates, and managing costs effectively. Surpluses generated are entirely for the benefit of the HRA which must be self-sustaining and are therefore essential to ensure the sustainability of the business plan and availability of funding to mitigate unforeseen risks (Performance Measure 4 - Working Balance / Reserves, as set out in **Appendix C**).

6.6.2 As the Housing service transforms, it is expected that efficiencies will be identified to further support the ambitions of the business plan and the HRA's role in delivering the Housing Strategy. The budget should therefore be considered an evolving process over the coming years.

7.0 RENT SETTING

7.1 Dwelling rents within the HRA are set based on a government formula methodology that has been in place since 2000/01. An individual 'formula rent' was calculated for each dwelling, based on:

- Number of bedrooms – adjustment factor applied, from 0.8 for bedsit to 1.4 for 6+ bedrooms
- Property value at 1999 values (at individual property level) compared to national average
- National average rent in April 2000
- County average manual earnings 1997-99 compared to national average

These formula rents have then increased (or, at times, decreased) each year since, in line with parameters set by government.

7.2 The intention is that all rents nationally are comparable and set consistently, so that tenants pay a 'fair' rent for the property they occupy, given the location of that property. However, the actual rents charged for each dwelling prior to formula rent setting will have differed and rents were not harmonised when the concept of formula rent was introduced. Instead, there was a period of rent convergence whereby actual rent increases were adjusted (upwards or downwards) each year to bring actual rents closer to the calculated formula rents. However, this national rent convergence policy was abolished before rent convergence was complete. As a result, there are still properties that have rents that differ from the formula rent, although in most cases the difference is small. Furthermore, when a property becomes vacant, it can be re-let to a new tenant at formula rent, irrespective of what the previous tenant's actual rent was.

7.3 HRA rents must be set in line with government policy. In 2019, the government set a rent policy for social housing that permitted rents to increase by up to CPI plus 1% per annum and made it clear that this policy would be in place until 2025. However, in Autumn 2022, due to excessive inflation, the government capped rents at 7%. Had this amendment in policy not been made, rents could have been increased by up to 11.1%.

7.4 For 2024/25 rent setting, the Government has confirmed allowable rent increases of CPI+1%, which results in a maximum rent increase of 7.7% and is therefore the recommended rent increase for NYC HRA rents. Proposed average rents are set out in Table 3 below:

Table 3 – NYC HRA Rent Levels for 2024/25

	2023/24 average weekly rent	**2024/25 average weekly rent after 7.7% increase**	**Average increase in weekly rent**
	£	**£**	**£**
Harrogate	91.08	98.07	6.99
Richmondshire	88.77	95.61	6.84
Selby	89.37	96.25	6.88

7.5 The 7.7% increase would apply to social, affordable and hostel rents. It should be noted that the small number of shared ownership properties held within the HRA will be subject to a 2% increase, in line with the lease agreements that are in place.

8.0 ALTERNATIVE OPTIONS

8.1 The proposed 7.7% increase in rents is the maximum allowable under Government policy but HRA authorities can consider rent increases below this amount.

8.2 Every 1% below the 7.7% proposed would reduce rental yield by an estimated £397k in 2024/25. After 10 years, total rental income collected would be £4.6m less for each 1% below the 7.7%. Given the funding requirements to support ambitious plans to invest in new housing stock, along with risks identified in relation to property condition and regulatory standards it is essential for the HRA to maximise rental income. In addition, as government policy on future rent increases has yet to be announced, it is essential to protect rent levels, particularly when historically rent caps at CPI -1% have been imposed.

8.3 The proposed HRA rents remain cheaper than alternative rental options across the County. As a comparison, Table 4 below highlights the average local housing allowance (LHA) rates across the HRA stock areas, plus an average for North Yorkshire. LHA rates are based on private rents being paid by tenants in a broad rental market area. However, a recent analysis from Zoopla indicated that only 4.1% of new private lets within North Yorkshire were within the LHA rates, and in total only 38% of all private tenants were within the rates.

Table 4 – Local Housing Allowance rates in North Yorkshire

	Shared	1 bed	2 bed	3 bed	4+ bed
Harrogate	£72.79	£114.78	£138.66	£161.96	£216.90
Richmondshire	£70.75	£84.10	£103.56	£125.43	£162.25
Selby	£66.04	£105.86	£124.28	£140.10	£193.03
North Yorkshire	**£69.18**	**£97.77**	**£119.71**	**£138.86**	**£180.73**

9.0 LEGAL IMPLICATIONS

9.1 Pursuant to the Local Government and Housing Act 1989 a local housing authority is obliged to keep a HRA. The HRA is a ring-fenced account within the local housing authority's General Fund. Items that are to be credited and debited to the HRA are prescribed and there are restrictions on the way the account can be operated.

9.2 The Council is required to prepare proposals each year relating to the income from rents and other charges, expenditure in respect of repair, maintenance, supervision and management of HRA property and other prescribed matters. The proposals should be made on the best assumptions and estimates available and designed to ensure that the HRA for the coming year does not show a debit balance. This report sets out the relevant information considered in reaching the Council's proposals for this year. The Council should keep its proposals under review and, where necessary, revise those proposals in order to take all reasonable steps to avoid an end-of-year deficit.

10.0 FINANCIAL IMPLICATIONS

10.1 The nature of this report is largely financial, as you would expect from a budget report. As such the financial implications of the HRA budget are set out throughout this report. As highlighted in section 6 above the proposed budget for 2024/25 results in an in-year surplus of £1.307m, which will transfer to the HRA Working Balance. The surpluses grow over the life of the MTFP and 30-year business plan and consequently so does the Working Balance. Alongside this the assumed HRA debt also grows, as the stock grows by an assumed 500 homes in the first five years and sales through right to buy are replaced. The performance measures at Appendix C illustrate that the business plan is financially sustainable.

10.2 Funding of the HRA capital programme is a key feature of the HRA revenue budget and business plan, as referenced within this report. This budget sets out the forecast revenue resources to support the capital programme for investment and improvements to existing stock, but also the affordability for investment in new stock. However, the development of the detailed programme and monitoring will be reported within the council's capital plan.

11.0 RISKS

11.1 The key risks identified in relation to the HRA budget and business plan are:

- **Cost Pressures** – inflationary increases put financial strain on large parts of the HRA budget, with significant work programmes driven by supply costs for materials and labour. As part of the service transformation for the HRA, one of the mitigating factors will be building our own workforce to reduce reliance on external contractors. In addition, over recent years government policy has allowed rent increases to rise at 1% above CPI, to ensure income keeps pace with cost increases. Going forwards there is uncertainty whether this policy will continue.

- **Stock condition** - there is not a complete picture of the condition of the combined stock. For historic reasons, including age, type and planned maintenance programmes, the quality of the stock may vary. This budget includes provision to support a comprehensive programme to gain full coverage of stock condition within two years. Whilst benchmark estimates have been used to forecast capital expenditure on property major repairs, there is still flexibility within the plan to 'front load' expenditure if required to bring homes up to standard quickly and minimise rent losses through extended void turnaround days.

- **Capacity** – the service already has higher levels of staff turnover and significant levels of vacancies that undermine the ability to deliver work programmes, and this will be compounded by the aim to grow the workforce to deliver the ambitious plans set out in the business plan. Following local government reorganisation, the ability to attract a new workforce has improved as new fit for purpose structures are being implemented. The risk is without the necessary capacity, delivery will be delayed.

- **Rent setting parameters are set by Government** – the government can, and has, changed its policy on how rents can be increased, which can have significant, permanent impacts on the business plan. For example, in 2016 the government announced that it was implementing annual 1% reductions in rents for the four years from 2016/17 to 2019/20. This has permanently reduced the rent levels and reduced income over the medium term by tens of millions of pounds compared to what would have been generated under the previous policy of CPI plus 1%. The next announcement is expected during 2024 to come into force from 2025. For business plan estimates, CPI has been used from 2025 onwards.

- The significant discounts available to tenants who can exercise their **right to buy** their property mean that council dwellings continue to be sold at prices significantly under market value, reducing the availability of social housing whilst only generating relatively modest capital receipts for the HRA. As well as reducing the availability of housing, right to buy sales also result in an ongoing cost to the HRA, as the rental income that is lost is only partially offset by maintenance cost savings. This budget and business plan has therefore been modelled assuming all right to buy sales will be replaced on a 1-1 basis, utilising borrowing capacity.

- **Regulatory requirements, for example updated RSH Consumer standards –** Referenced within the report, along with mitigating actions.

12.0 ENVIRONMENTAL IMPLICATIONS

12.1 There are positive environmental implications stemming from this report as existing stock benefits from investment in its fabric and components, resulting in improved energy efficiency. In addition, investment in new builds with improved environmental standards will improve the overall stock position. The decarbonisation of the housing stock will be an area of increasing focus. A pilot scheme is underway in Harrogate to quantify the cost of decarbonising the stock and to establish the best method for retro-fitting homes at scale whilst allowing tenants to remain in occupation during the works. At the time of writing, the Council is also in the process of submitting a bid to access up to £3m in match funding to support a wider decarbonisation programme, which would allow works to be completed on 150 properties, if successful.

13.0 CONCLUSION

13.1 The report sets out the budget and medium-term financial plan for North Yorkshire Council's HRA. Whilst there is still service transformation taking place within Housing, this budget sets out a framework in which to develop detailed plans and reconfigure services.

13.2 Following an independent financial 'Health Check' the budget has been modelled taking into consideration the council's ambitions in relation to our role as a landlord within the proposed Housing Strategy, including plans to increase the housing stock within measured affordability indicators. The financial plan also includes provisions to meet up and coming regulatory challenges to ensure the council is able to go beyond compliant and deliver ambitions to act as an exemplary landlord.

13.3 Whilst the financial outlook is positive, this needs to be balanced with external risk factors which impact on the financial plan, therefore over the coming years focus should be geared towards opportunities for savings and efficiencies to ensure the HRA is sustainable in the long-term.

14.0 RECOMMENDATIONS

14.1 That the Executive:

a) Recommends to Council the approval of the HRA budget for 2024/25 as set out in **paragraph 6.3**, being a net surplus of £1.307m which will be transferred to the HRA working balance;

b) Recommends to Council the approval of the HRA Medium term financial plan for 2025/26 and 2026/27 and the 30-year HRA Business Plan, as set out in **paragraph 6.3** and **Appendix D** respectively;

c) Agrees an increase of 7.7% be applied to social, affordable and hostel rents from 1 April 2024 and recommends this to the Council for approval;

d) Agrees an increase of 2% be applied to shared ownership rents from 1 April 2024 and recommends this to the Council for approval.

Regulator of Social Housing – Key points relating to updated Consumer Standards

It has identified six themes the standards will cover: safety, quality, neighbourhood, transparency, engagement and accountability, and tenancies.

- **Safety** — Landlords' safety responsibilities, including safety within the home and communal areas
- **Quality** — Quality of the home, communal spaces and services to tenants
- **Neighbourhood** — Landlords' role, working with other agencies, to contribute to the wellbeing of neighbourhoods in which tenants live
- **Transparency** — Landlords' role in making information accessible to tenants including roles and responsibilities within landlords, so tenants know who is responsible for matters relating to consumer standards
- **Engagement and accountability** — Engagement between landlords and tenants, including how complaints are handled. Landlords' accountability to tenants and treating tenants with fairness and respect
- **Tenancy** — Requirements on landlords in respect to tenancies, including allocations policies and opportunities for tenants to move.

RSH says it "will regulate proactive consumer regulation using the same underlying principles it applies for economic regulation." These being co-regulatory, proportionate, and risk- and assurance-based in approach as well as "focusing on outcomes rather than being prescriptive."

The new consumer regulation role will focus on four key areas:

- Principles and outcomes
- Standards
- Our consumer regulation approach
- Tenant satisfaction measures

And on those areas, they are defined by ten key outcomes:

1. Social housing is well managed
2. Tenants' complaints are dealt with efficiently and effectively.
3. Tenants are treated with fairness and respect and their diverse needs are taken into account.
4. Social housing stock meets the decent homes standard.
5. Landlords ensure social housing meets health and safety requirements and consider safety in the management of housing.
6. Landlords comply with tenancy law and regulations and avoid unnecessary evictions.
7. Tenants have access to information to hold their landlords to account.
8. Tenants have opportunities to influence the decisions and priorities of their landlords with respect to their housing.

9. Landlords take account of the views of tenants in the management of their homes.
10. Landlords work with other agencies to contribute to the safety and well-being of the areas in which the homes they are responsible for are situated.

RSH confirms that, its remit will continue to focus on organisational, rather than individual issues.

To support the new standards, RSH is looking at using the following tools:

- Consumer inspections – either as part of a planned programme of gathering assurance, or where we are responding to information that standards are not being met
- Reactive engagement – responsive follow up on information that indicates a potential breach of the standards (similar to how we currently operate consumer regulation)
- Desk-top reviews – reviewing information about landlords' performance from the tenant satisfaction measures and a range of other sources
- Data returns – we already collect a wide range of information from landlords as part of our economic regulation, and we are considering the data that we might need for our consumer regulation in future to focus our engagement

North Yorkshire Council

Review of HRA and HRA business planning

Executive Summary

December 2023

1 Background

North Yorkshire Council has appointed Savills Affordable Housing Consultancy to provide support, advice and guidance in two areas:

1. A review of the Housing Revenue Account (HRA) and HRA Business Plan following the combination of three former HRAs from the three former constituent district council HRAs into one North Yorkshire HRA from 1/4/23, with a view to both establishing the potential capacity for investment within the business plan, and recommending ways to measure the use of that capacity going forward.

2. A review of the governance and associated arrangements in place within the Council in demonstrating compliance with the Consumer Standards published by the Regulator of Social Housing, and preparing for enhanced regulation being introduced as a result of the passage of the Building Safety Act 2022 and Social Housing (Regulation) Act 2023.

The review of regulatory compliance and governance is the subject of a separate report.

This report provides a headline summary of the findings of our review of the HRA business plan, and follows a series of meetings with officers throughout autumn 2023. This headline summary is accompanied by a detailed financial and associated analysis which is enclosed at appendix 1. A draft version of the attached appendix was shared with officers from housing and finance at a review meeting in November, and has subsequently been updated to reflect feedback from that meeting, and further developments nationally (for example, confirmation of maximum rent increases for April 2024). This summary should be read in conjunction with the appendix.

2 Review of existing business planning framework

We have undertaken a review of the modelling provided by the Council which forms the basis for HRA budgets in 2023.24 and an inaugural business plan commencing in that year.

Whilst the majority of inputs and assumptions are in line with expected values and benchmarks, we have noted the following areas where there are differences to what we see at other similar authorities:

- There are assumptions of real increases in rents (CPI+1% annually) accompanied by assumptions of increases in operating costs (principally management and maintenance costs) which are different – CPI+0.5% for management and CPI+1.25% for maintenance – it is more typical for these to be aligned over the long term.

- Loan repayments are factored into the plan as and when loans become due, and these loans are not refinanced; the portfolio is, as expected, a mix of three legacy treasury policies, and the modelling contains some distortions around average interest rates throughout the course of the plan.

- Right to Buy sales are relatively low (c20 pa) for the size of stock, though it is recognised that in one of the former authorities, there appeared to be an implicit assumption that Right to Buy sales would be matched by re-provision (via development or acquisition).

- There is no explicit programme for development or acquisition included within the plan.

- By far the biggest challenge, however, is the absence of an agreed comprehensive Asset Management Strategy to inform a concrete view of capital expenditure needs over the long term, which in turn arises from an absence of live "on the ground" stock condition data; the plan is, in effect, a combination of three former funding approaches into one, with the primary approach appearing to be one of "base investment on the resources that are available to invest" as opposed to what the stock requires. The absence of an Asset Management Strategy is a significant omission and the Council is not really in a position to plan investment effectively until there is some assurance around the strategy.

The plan generates significant revenue surpluses over time, but in its current form, these are utilised to support a combination of debt repayments and an extremely high implied assumption of capital investment into the stock (which might also include new build but no properties have been added).

Overall therefore, in its current form, the model does not really allow the Council to sensibly model investment capacity and alternative options for investment.

3 HRA benchmarking

We have compared unit income and costs, together with other key measures, to similar sized authorities, to authorities in the Yorkshire & Humber region and nationally, such as we are able to do so, by combining the three former HRAs as reported in the 2021.22 final accounts.

Noting the caveat that "three into one" may not fully represent what a unified HRA might have looked like in that year, the following are felt to be the key takeaways from this exercise:

- Rents and income are as expected but the cost base is low compared to similar sized authorities and national benchmarks
- This combination provides for comparatively higher operating surpluses and margins than most other authorities
- Debt is lower than average across the country – though in line with other authorities in the region.

Overall therefore, this combination of factors means that the HRA, had it been in place in 2021.22, would have had significantly more capacity for investment than other authorities, and that this position has not changed coming into the first year of the new HRA in 2023.24.

4 Stock investment requirements

For revised modelling purposes, in the absence of an asset strategy and data from the Council, and in order to provide some basis to develop thinking around a framework for investment, Savills has adopted an illustrative stock investment profile based on recent actual surveys at two small authorities which in total have the same stock as North Yorkshire, which share extensive common characteristics with North Yorkshire (market towns and rural setting) and which have similar stock characteristics. We have then benchmarked this against wider stock surveys taking place in the sector (local authorities and housing associations).

Our estimate for a total benchmark investment need is £433miilion (at today's prices), the equivalent of £52,000 per property over a 30 year period, with a profile that has slightly higher investment needs in the first half of the plan (57%) compared to the second half (43%). This total compares to over £700million in the inaugural business plan.

It is stressed that this is illustrative. Officers have indicated to us during this review that the feeling is that the stock is generally in good or reasonable condition. Only through actual surveys can the total be build with any positive assurance; however, at this stage, we consider that this illustration is not unreasonable for planning purposes, and for the Council to be able to consider how it manages investment capacity going forward.

5 Revising the business plan with illustrative asset management profile

Savills has input the illustrative profile above and updated the modelling also to reflect the refinancing of loans as they become due, and to align rent and operating cost increases to CPI-only over the long-term; this provides a more coherent view of the future financial viability of the business plan, and therefore the potential investment capacity available.

The following are the key outcomes:

- The plan generate resources to fully finance a capital programme for the existing stock in all years at the illustrative level set out above, without the need for any recourse to borrowing.
- The plan is able to sustain investment into service delivery at current budgets projected forward.
- There is likely to be significant additional capacity for investment over and above the revenue and capital amounts projected within this revised plan.

6 Developing an approach to measuring investment capacity

Savills has worked extensively with housing providers of all types, and in particular with local authorities since the abolition of the HRA debt cap in 2018, towards the development of standard metrics (in effect, HRA prudential indicators) which express the liquidity, resilience and sustainability of the HRA business plan.

The appendix contains a detailed commentary of options and a suggested framework for ongoing assessment of capacity, including some thoughts on parameters and hurdle rates for new development/acquisitions.

In this summary report, we have focused on two measures - interest cover and operating margin – as a means to illustrate future capacity.

- *Interest cover* measures the extent to which operating surpluses are able to cover debt interest costs; we adopt this as it is readily measurable and comparable to covenants that apply in the housing association sector. We have suggested a "Golden Rule" for interest cover of 1.25, which means that all income less management, maintenance and depreciation costs (i.e. the operating surplus) must be 25% above interest costs in any year of the plan. Where interest cover is higher than 1.25, this means that there is headroom for investment.
- *Operating margin* measures the strength of the underlying revenue cashflows being generated within the plan (operating surplus as above divided by total income); margins above 20% are positive in the HRA sector.

In the revised plan, the outcomes for these metrics are extremely positive:

- Operating margins are above 24% in all years – placing the North Yorkshire HRA in the upper quartile nationally.
- Interest cover is never below 2.50 and almost always above 3.00, ending at 4.50 after 30 years, placing the North Yorkshire HRA in the upper decile of HRAs nationally.

7 Investment scenario planning

Once settled as a "baseline" plan, the HRA business plan should be subject to a series of stress tests and scenarios in order to test resilience to changes in assumptions or in policy/economic conditions. Typical stress tests are "what ifs" such as: What if rent increases are capped? What if cost inflation is higher than rents are allowed to increase? What if interest rates increase?

Whilst these are readily applicable to the revised plan, they have limited utility in this case as there are so many uncertainties around the core asset management, development and service delivery elements of the plan.

We have therefore applied a series of macro scenarios to the revised plan in order to set out the type of modelling that the Council should undertake in future, and in order to illustrate, subject to all the caveats around the assumptions above, the degree of capacity that there may be within the HRA business plan over time.

- *Scenario a*: *to increase investment in service delivery by 10% or £1.9million from 2024.25*
  Whilst this erodes operating margins reducing capacity for investment in capital and development, capacity nonetheless remains very positive throughout; no additional borrowing would be required.
- *Scenario b*: *that the asset management strategy will need £15,000 more per property over 30 years*
  Capacity remains significant as whilst interest cover falls to 2.50 at the end of the plan term, with an implied need to borrow a further c£100million in the middle to later part of the plan, underlying revenue surpluses are not affected and not utilised fully on the existing stock.
- *Scenario c*: *to deliver a programme of 500 homes via development/acquisition in the 10 years from 2024*
  Borrowing of c£60-70million, which is required in the first 10 years, is able to be fully financed and the net addition of stock to the plan boosts operating surpluses, operating margins and significantly increases future investment capacity into the medium-long-term future.

In summary, the plan is able to sustain, in isolation, investment into each of services, higher capital costs, and a significant development and acquisition programme.

When these scenarios are run together, however, this highlights that whilst margins remain high throughout, the business plan consumes capacity for capital investment into the new build and asset management programmes such that interest cover is reduced below the golden rule level of 1.25 by the end of the plan term.

8 Overall summary

The outcome from combining the three investment scenarios is entirely to be expected and simply highlights that the plan has logical maximum investment capacity which requires managing over time. If all of these scenarios were to play out in the short-term, then the Council would have ample headroom to fall back on when making decisions to intervene to redirect investment priorities as the plan develops over time.

There is therefore no reason for the Council not to embark on a programme of development and acquisition at the same time as investing in service delivery to underpin compliance with the Regulator's Consumer Standards.

If as a result of live stock survey data coming back with higher cost needs, the Council would then need to review its development and service investment plans in the light of the findings.

Adopting a series of metrics as set out in the appendix should provide the framework for the Council to make these decisions in a logical and sustainable way over time, with the long-term interests of the business plan in mind and with the mindset of taking advantage of the opportunities for investment that the newly combined HRA brings.

This is a positive position for the Council to be in, as it is almost certain that additional investment will be required both to the existing stock and in services to ensure delivery and compliance against the regulatory standards.

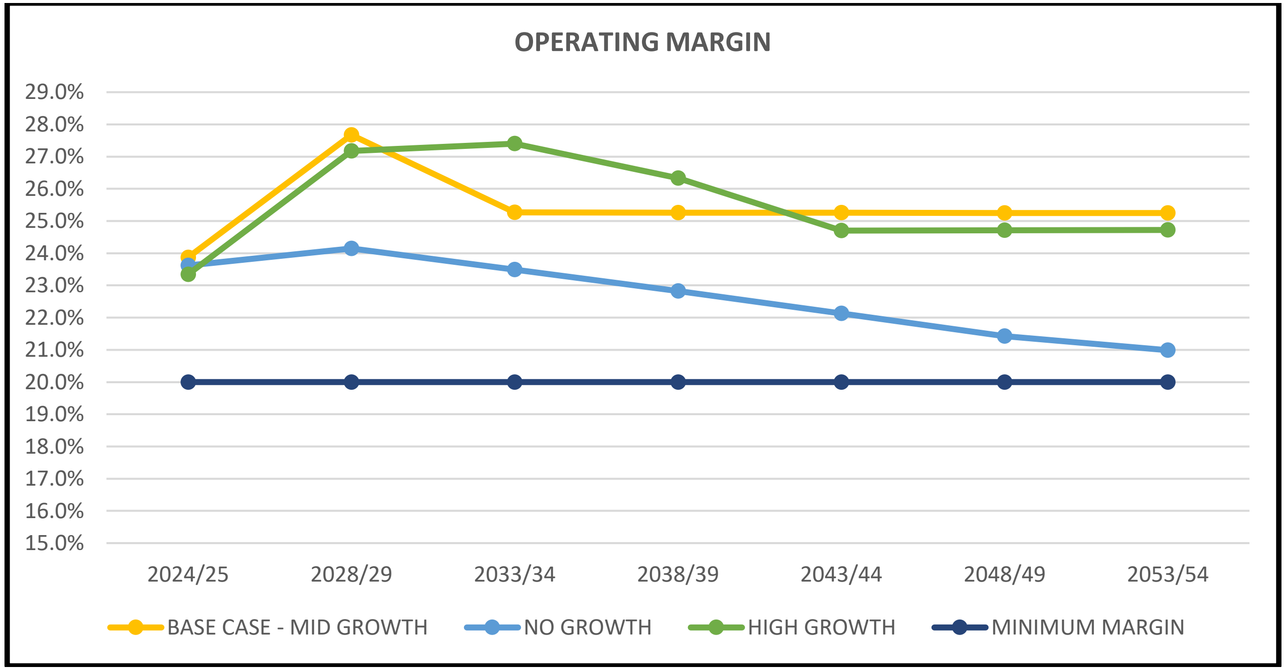
At the same time the Council should be able to bring forward a sensible programme of development and/or acquisitions to achieve net growth in the stock to help meet growing housing need and demand.

PERFORMANCE MEASURE 1 – OPERATING MARGIN

Operating margin is a measure which looks at remaining income after funding operating expenditure, it is an indication of financial efficiency. 20% is considered a comparable benchmark for similar stock holding organisations.

The current HRA position is performing well against the benchmark and results show that in all three scenarios there is headroom above the minimum margin.

No growth shows a steady decline due to reducing income as a result of losing stock through right to buy, with no replacements. Both high growth and mid growth scenarios show a peak as new income is generated through new stock, which levels out as stepped costs associated with repairs and maintenance are introduced.

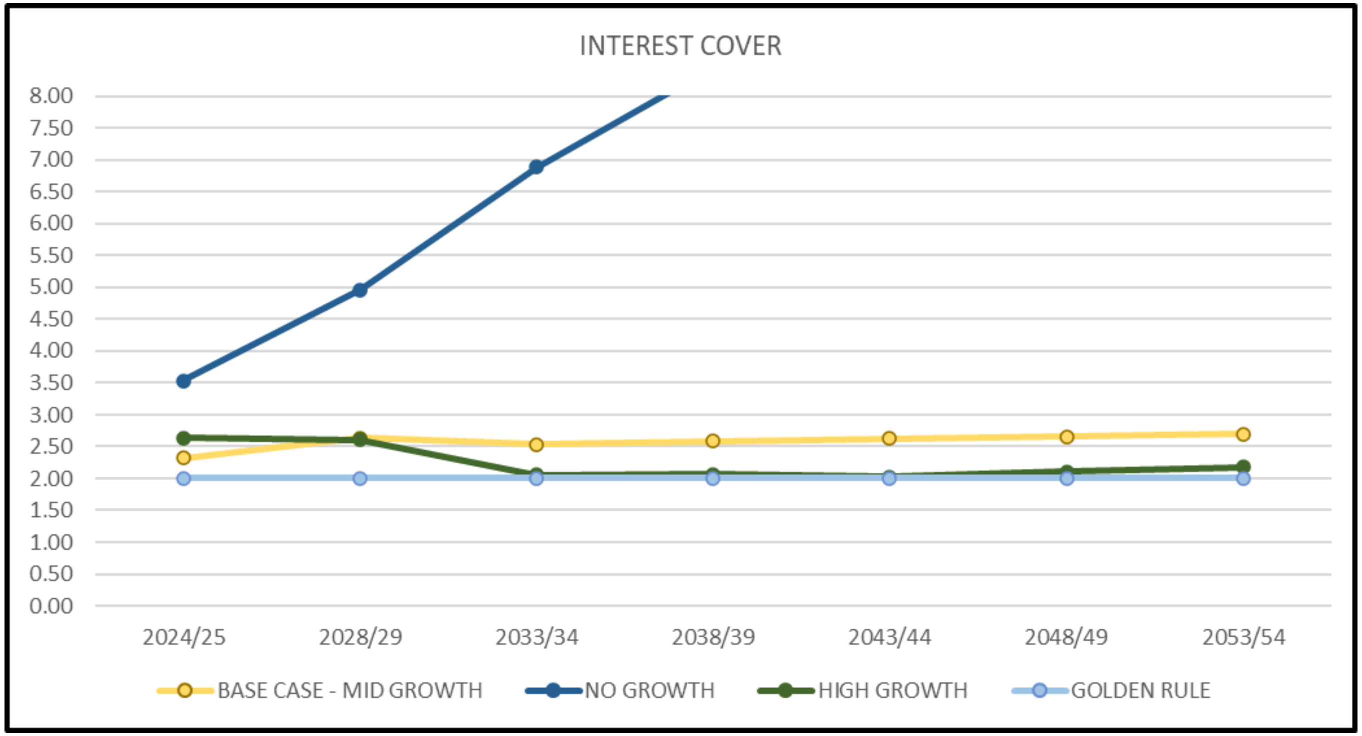


PERFORMANCE MEASURE 2 – INTEREST COVER

Interest cover is used to assess the HRA's ability to service debt interest and is calculated by dividing net operating income by interest costs. It is a standard covenant used by banks for housing providers looking to take new borrowing, usually a cover of 1.10, with a warning trigger at 1.25 deemed acceptable. However, for an additional level of prudence within the Council's plan, a minimum cover of 2.0 has been set as the lower threshold.

As can be seen below, the outlier is the no growth scenario, and this is due to the strategy based on debt repayment. As debt is repaid, interest costs reduce, resulting in an increasing interest cover.

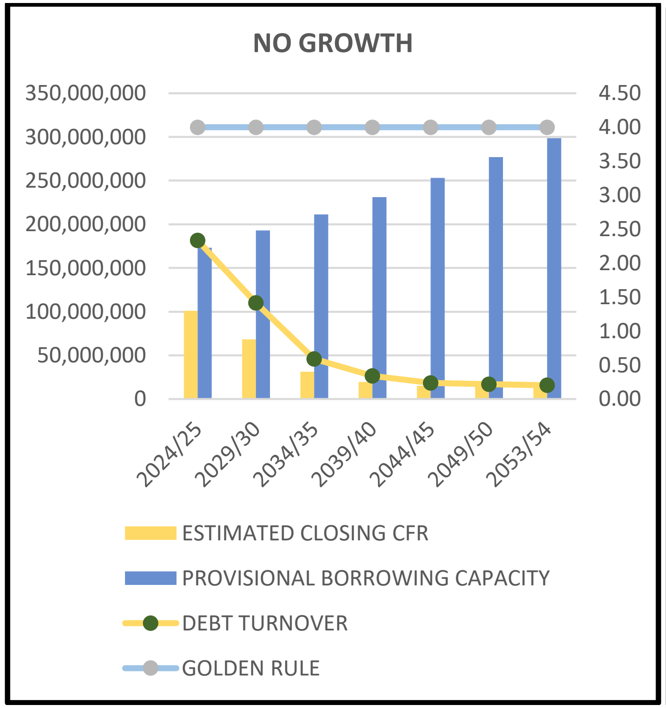
The mid growth scenario maintains interest cover just above the minimum threshold for the duration of the 30-year plan, whilst the high growth model dips to the minimum threshold due to the rapid increase in borrowing costs to support the plan.

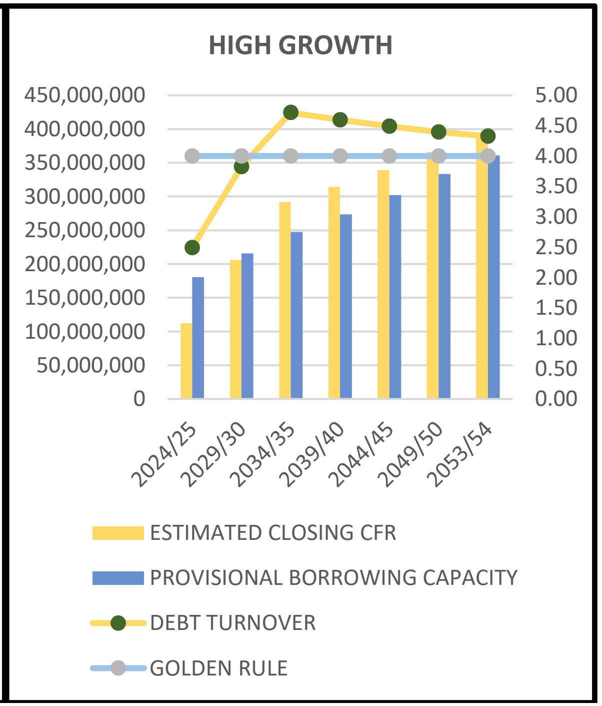


PERFORMANCE MEASURE 3 – DEBT TO TURNOVER AND BORROWING CAPACITY

Debt to turnover in straightforward terms can be understood as 'income multiplier'. It is calculated by taking total debt (measured as HRA capital financing requirement – CFR), divided by gross income. This is not a firm covenant but is readily understood and is a useful guide. A benchmark of 5.5 is considered reasonable, although as with interest cover, for NYC's plan, we have set a lower threshold of 4 to give an additional level of assurance. It is then possible to derive from this calculation the provisional borrowing capacity within the business plan, as 4 times gross income. The charts below show the projected Debt to turnover versus the 'golden rule' of 4, and in the bar chart the forecast debt in comparison to the provisional borrowing capacity.

As expected, the no growth scenario shows the debt to turnover reducing over time as debt is repaid. The mid growth scenario demonstrates that the additional borrowing requirements to support new investment in stock and 500 new homes, plus right to buy replacement would maintain debt to turnover within the required threshold, whereas the high growth scenario would exceed borrowing capacity.



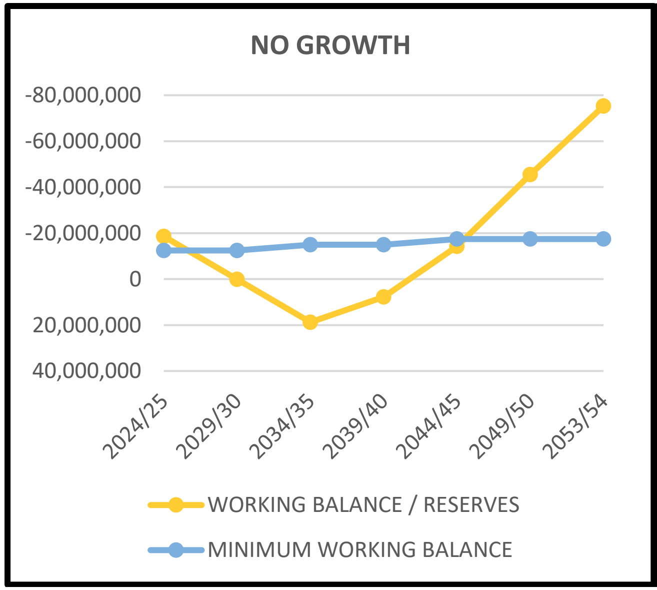


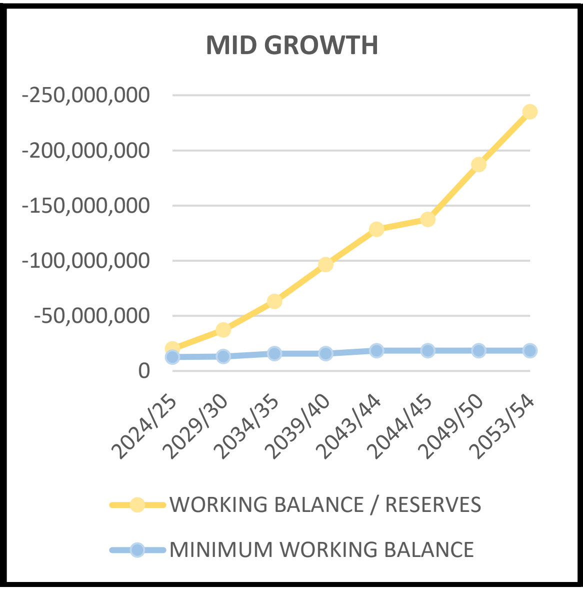
PERFOMANCE MEASURE 4 – WORKING BALANCE / RESERVES

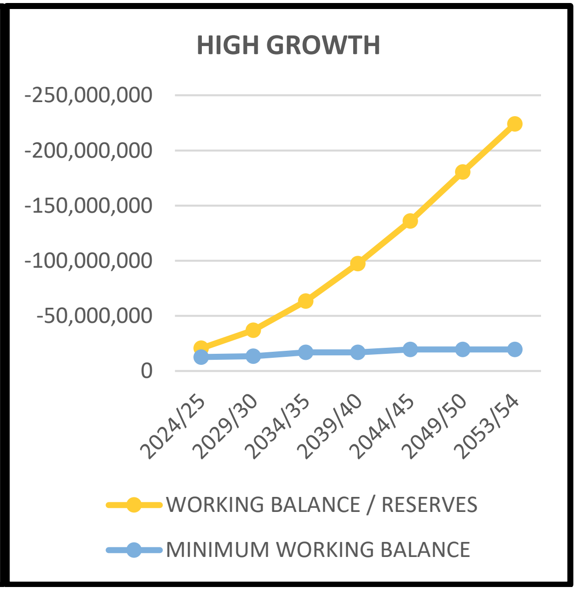
To provide a safety net and provision for unexpected events, a minimum working balance is recommended of £1500 per property. This is three times higher than a suggested figure of £500 included within Savills initial report to give an additional level of prudence given current uncertainties around stock condition and any additional service priorities that may emerge as the service transforms and regulatory requirements are fully understood.

The tables below present forecast working balances, for this year's Business Plan, all surpluses and deficits are assumed to transfer to working balance and no other earmarked reserves have been created. Balances are shown as negative, a positve number represents and overdrawn working balance.

Due to the debt repayment profile, the no growth scenario shows working balances would fall below zero and remedial action would be required – for example re-financing debt. The mid growth and high growth scenarios show working balances gradually increasing year on year as revenue surpluses gradually increase with property growth, this provides opportunities to consider debt repayment but also resillience within the future financial plan for uncertainties.







30-Year Housing Revenue Account Business Plan (Years 1-10)

	Current Year 2023/24 (£'000)	Year 1 2024/25 (£'000)	Year 2 2025/26 (£'000)	Year 3 2026/27 (£'000)	Year 4 2027/28 (£'000)	Year 5 2028/29 (£'000)	Year 6 2029/30 (£'000)	Year 7 2030/31 (£'000)	Year 8 2031/32 (£'000)	Year 9 2032/33 (£'000)	Year 10 2033/34 (£'000)
Income											
Rents (Council Dwellings & Hostels)	(38,080)	(42,804)	(44,700)	(46,444)	(48,248	(49,869	(50,866	(51,884	(52,921	(53,980	(55,059)
Non-dwelling rents	(423)	(442)	(455)	(466)	(478)	(487)	(497)	(507)	(517)	(528)	(538)
Charges for services and facilities	(1,128)	(1,334)	(1,374)	(1,409)	(1,444)	(1,473)	(1,502)	(1,532)	(1,563)	(1,594)	(1,626)
Other income	(638)	(512)	(521)	(528)	(539)	(549)	(558)	(568)	(578)	(589)	(599)
Investment Income	(1,114)	(926)	(700)	(712)	(789)	(722)	(830)	(928)	(1,031)	(1,140)	(1,290)
Total income	**(41,382)**	**(46,018)**	**(47,751)**	**(49,559)**	**(51,498)**	**(53,100**	**(54,254**	**(55,419)**	**(56,611)**	**(57,830)**	**(59,112)**
Expenditure											
Repairs and Maintenance	11,038	12,652	13,031	12,857	13,178	13,442	14,048	14,329	14,616	14,908	15,572
Supervision, Management and Admin	9,540	11,116	11,449	11,735	12,028	12,269	12,798	13,054	13,315	13,581	14,148
Interest Payments	3,794	5,273	4,545	6,061	5,562	6,087	6,149	6,212	6,276	6,350	6,453
Debt Repayment (EIP loan)	2,355	1,170	1,200	1,231	1,263	1,296	1,329	1,364	1,399	0	0
Depreciation charge to Major Repairs	8,513	9,084	9,489	9,869	10,262	10,614	10,826	11,043	11,264	11,489	11,719
Capital Expenditure funded from revenue	8,301	5,416	5,446	5,365	5,353	5,081	5,183	5,286	5,392	5,500	5,610
Total expenditure	**43,541**	**44,711**	**45,160**	**47,119**	**47,646**	**48,788**	**50,333**	**51,288**	**52,261**	**51,829**	**53,502**
Net (Surplus) / Deficit	**2,159**	**(1,307)**	**(2,590)**	**(2,440)**	**(3,851)**	**(4,311)**	**(3,920)**	**(4,131)**	**(4,350)**	**(6,001)**	**(5,610)**
Opening balance forecast 1 April	(20,862)	(18,703)	(20,010)	(22,601)	(25,041)	(28,892)	(33,204)	(37,124	(41,255)	(45,605)	(51,606)
Use of working balance	2,159	(1,307)	(2,590)	(2,440)	(3,851)	(4,311)	(3,920)	(4,131)	(4,350)	(6,001)	(5,610)
Working balance forecast 31 March	**(18,703)**	**(20,010)**	**(22,601)**	**(25,041)**	**(28,892)**	**(33,204)**	**(37,124)**	**(41,255)**	**(45,605)**	**(51,606)**	**(57,217)**

30-Year Housing Revenue Account Business Plan (Years 11-20)

	Year 11 2034/35 (£'000)	Year 12 2035/36 (£'000)	Year 13 2036/37 (£'000)	Year 14 2037/38 (£'000)	Year 15 2038/39 (£'000)	Year 16 2039/40 (£'000)	Year 17 2040/41 (£'000)	Year 18 2041/42 (£'000)	Year 19 2042/43 (£'000)	Year 20 2043/44 (£'000)
Income										
Rents (Council Dwellings & Hostels)	(56,161)	(57,284)	(58,430)	(59,598)	(60,790)	(62,006)	(63,246)	(64,511)	(65,801)	(67,117)
Non-dwelling rents	(549)	(560)	(571)	(582)	(594)	(606)	(618)	(630)	(643)	(656)
Charges for services and facilities	(1,658)	(1,692)	(1,725)	(1,760)	(1,795)	(1,831)	(1,868)	(1,905)	(1,943)	(1,982)
Other income	(610)	(621)	(632)	(643)	(655)	(666)	(678)	(691)	(703)	(716)
Investment Income	(1,430)	(1,577)	(1,730)	(1,889)	(2,056)	(2,229)	(2,410)	(2,599)	(2,795)	(3,000)
Total income	**(60,408)**	**(61,733)**	**(63,088)**	**(64,473)**	**(65,890)**	**(67,339)**	**(68,821)**	**(70,336)**	**(71,886)**	**(73,471)**
Expenditure										
Repairs and Maintenance	15,884	16,201	16,525	16,856	17,193	17,537	17,888	18,245	18,610	18,982
Supervision, Management and Admin	14,431	14,720	15,014	15,314	15,621	15,933	16,252	16,577	16,908	17,246
Interest Payments	6,558	6,666	6,775	6,887	7,001	7,117	7,236	7,357	7,480	7,606
Debt Repayment (EIP loan)	0	0	0	0	0	0	0	0	0	0
Depreciation charge to Major Repairs	11,953	12,192	12,436	12,685	12,939	13,197	13,461	13,731	14,005	14,285
Capital Expenditure funded from revenue	5,722	5,837	5,953	6,072	6,194	6,318	6,444	6,573	6,704	6,838
Total expenditure	**54,549**	**55,616**	**56,704**	**57,815**	**58,947**	**60,102**	**61,281**	**62,483**	**63,709**	**64,959**
Net (Surplus) / Deficit	**(5,860)**	**(6,117)**	**(6,383)**	**(6,658)**	**(6,943)**	**(7,236)**	**(7,540)**	**(7,853)**	**(8,177)**	**(8,512)**
Opening balance forecast 1 April	(57,217)	(63,076)	(69,193)	(75,576)	(82,235)	(89,177)	(96,414)	(103,954)	(111,807)	(119,984)
Use of working balance	(5,860)	(6,117)	(6,383)	(6,658)	(6,943)	(7,236)	(7,540)	(7,853)	(8,177)	(8,512)
Working balance forecast 31 March	**(63,076)**	**(69,193)**	**(75,576)**	**(82,235)**	**(89,177)**	**(96,414)**	**(103,954)**	**(111,807)**	**(119,984)**	**(128,496)**

30-Year Housing Revenue Account Business Plan (Years 21-30)

	Year 21 2044/45 (£'000)	Year 22 2045/46 (£'000)	Year 23 2046/47 (£'000)	Year 24 2047/48 (£'000)	Year 25 2048/49 (£'000)	Year 26 2049/50 (£'000)	Year 27 2050/51 (£'000)	Year 28 2051/52 (£'000)	Year 29 2052/53 (£'000)	Year 30 2053/24 (£'000)
Income										
Rents (Council Dwellings & Hostels)	(68,460)	(69,829)	(71,225)	(72,650)	(74,103)	(75,585)	(77,096)	(78,638)	(80,211)	(81,815)
Non-dwelling rents	(669)	(682)	(696)	(710)	(724)	(739)	(753)	(768)	(784)	(800)
Charges for services and facilities	(2,022)	(2,062)	(2,103)	(2,145)	(2,188)	(2,232)	(2,277)	(2,322)	(2,369)	(2,416)
Other income	(729)	(742)	(756)	(770)	(784)	(798)	(813)	(828)	(843)	(859)
Investment Income	(3,212)	(3,434)	(3,664)	(3,904)	(4,153)	(4,412)	(4,681)	(4,960)	(5,250)	(5,552)
Total income	**(75,092)**	**(76,749)**	**(78,445)**	**(80,178)**	**(81,952)**	**(83,765)**	**(85,620)**	**(87,517)**	**(89,457)**	**(91,441)**
Expenditure										
Repairs and Maintenance	19,362	19,749	20,144	20,547	20,958	21,377	21,805	22,241	22,686	23,140
Supervision, Management and Admin	17,591	17,943	18,302	18,668	19,042	19,422	19,811	20,207	20,611	21,019
Interest Payments	7,735	7,866	7,999	8,135	8,274	8,416	8,561	8,708	8,859	9,009
Debt Repayment (EIP loan)	0	0	0	0	0	0	0	0	0	0
Depreciation charge to Major Repairs	14,571	14,862	15,160	15,463	15,772	16,088	16,409	16,738	17,072	17,414
Capital Expenditure funded from revenue	6,975	7,115	7,257	7,402	7,550	7,701	7,855	8,012	8,173	7,831
Total expenditure	**66,234**	**67,535**	**68,862**	**70,216**	**71,596**	**73,005**	**74,441**	**75,906**	**77,400**	**78,413**
Net (Surplus) / Deficit	**(8,857)**	**(9,214)**	**(9,582)**	**(9,963)**	**(10,355)**	**(10,761)**	**(11,179)**	**(11,611)**	**(12,057)**	**(13,029)**
Opening balance forecast 1 April	(128,496)	(137,353)	(146,567)	(156,149)	(166,112)	(176,467)	(187,228)	(198,407)	(210,018)	(222,074)
Use of working balance	(8,857)	(9,214)	(9,582)	(9,963)	(10,355)	(10,761)	(11,179)	(11,611)	(12,057)	(13,029)
Working balance forecast 31 March	**(137,353)**	**(146,567)**	**(156,149)**	**(166,112)**	**(176,467)**	**(187,228)**	**(198,407)**	**(210,018)**	**(222,074)**	**(235,103)**