



HFS

Housing Finance Specialists

Tandridge DC:
HRA Business Plan

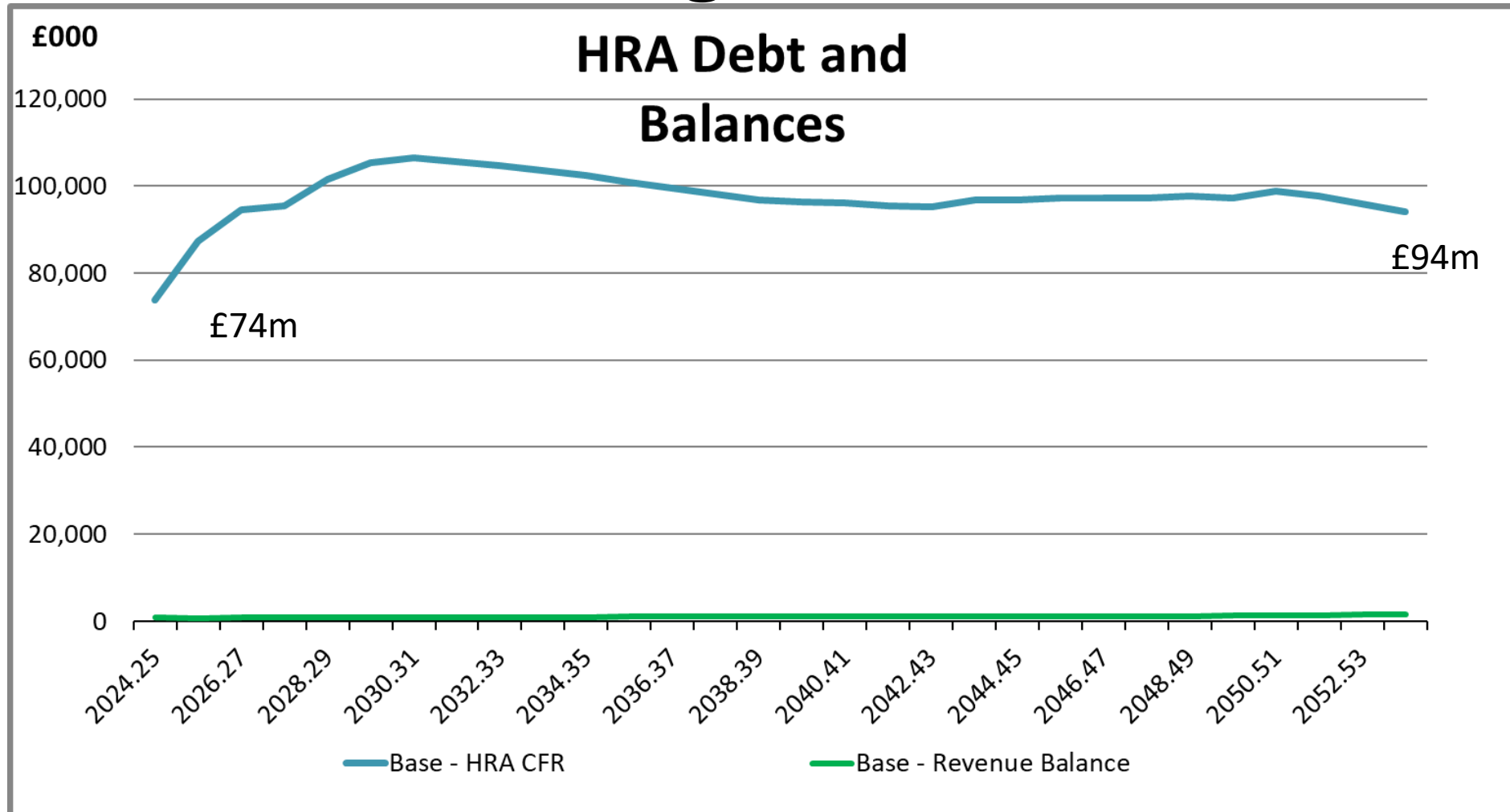


23 January 2024

This 30-year Business Plan provides for:

- HRA Revenue Budgets , including inflation going forwards
- Proposed Capital Programme (2024/25 to 2026/27). Includes £49m for new provision (£29m new borrowing and £20m internal HRA balances and grants).
- Longer term provision for major repairs (similar level to current Capital Programme)
- Funding for decarbonisation costs and/or future new provision.
- 243 new dwellings between 2024/25 and 2031/32
- The following table shows that the minimum sustainable balance of £0.8m is retained, against the level of capital borrowing serviceable across the 30-year period, increasing debt from c.£74m to c.£110m before gradual repayment.

Overview of Housing Revenue Account



Assumptions

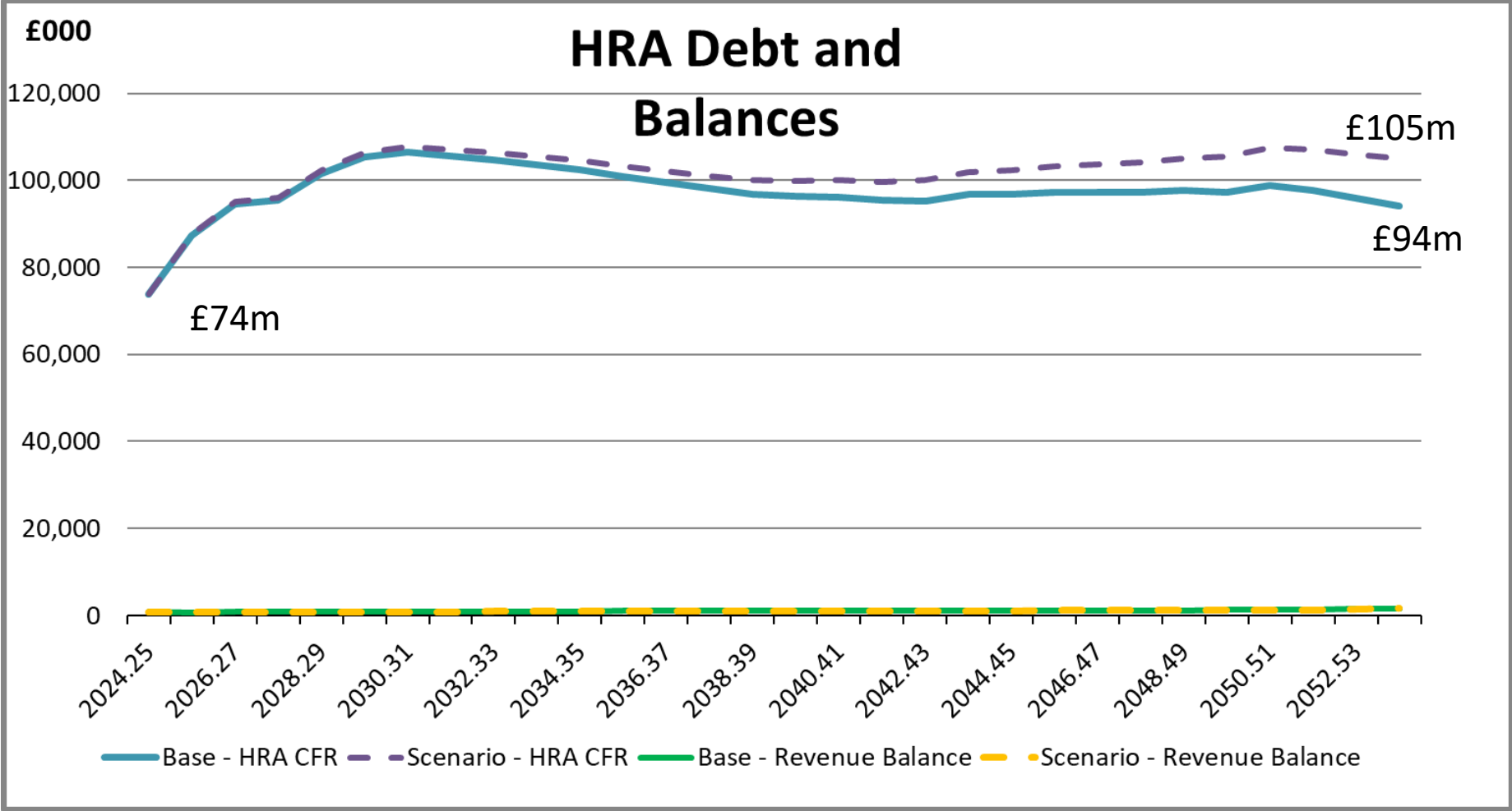
- Rents increase by CPI + 1% in April 2024 (7.7%)
- Rents increase by CPI + 0.5% from 2025/26. Government intention in respect of rental caps is unclear
- Inflation 2025/26 CPI = 3.2%, RPI = 4.7% (reduces to 2% and 3% respectively by 2027/28)
- Interest rate assumption 2024/25 – (4.9% - 0.6% discount) = 4.3%
2025/26 – 4.3%. Thereafter assumed 4.2%
- £39m of new borrowing by 2030/31.

Impact of reduced rental increases:

- *Lower rent increase in 2024/25 – tested 6.7%*
 - *Loss of net rent & service charges in 2024/25* £173k
 - *Loss of net rent & service charges over 30 year business plan* £6.8m

Assumed that each further 1% reduction from the maximum rental increase would reduce available funding by a further £6.8m

Impact of Lower Rent Increase



Conclusion

- The revenue and capital programmes set out in the HRA Budget Report, including provision for 243 new homes, can be contained within the HRA Business Plan
- The business plan assumes that any surplus balances once revenue pressures are met is invested in maintenance, new provision and decarbonization. Annual investment levels will be approved by Committee each year.
- Restricting the April 2024 rent increase to CPI + 0% (6.7%) would reduce income by £173k in 2024/25 and by £6.8m over the term of the Business Plan, with every further 1% reduction having a similar effect.