

## Summary of the HRA Business Plan

### **1. Introduction**

- 1.1 This report sets out the HRA rent setting strategy for 2026/27 and provides an update to the Housing Revenue Account (HRA) Business Plan, along with highlighting the key assumptions required to reflect national policies and financial impacts to the HRA. The business plan projections reflect the income and expenditure required to manage the landlord function and, at the same time, work towards the Council's objectives to increase Council housing supply in Brent.
- 1.2 This report does not attempt to summarise all aspects of the HRA business plan but aims to highlight areas where issues should be noted and consider options for future budget strategy.

### **2. National and local policies that can impact the HRA Business Plan**

- 2.1 The HRA self-financing system for Council Housing was implemented in April 2012. Under HRA self-financing, the Council's HRA continues to be a ring-fenced account (income and expenditure) for Council dwellings. HRA self-financing is intended to allow local authority landlords to manage and maintain their own stock from the rental income they generate.
- 2.2 In October 2018, the government announced that the HRA borrowing cap would be lifted, revoking the previous determinations that specified local authorities' limits on indebtedness. This has provided councils with new borrowing powers to increase their housing supply, with a focus on mixed-tenure development including homes for social rent, affordable rent and shared equity products.
- 2.3 The Welfare Reform Act 2012 introduced radical changes to the welfare system, which included a reduction of housing benefits for social tenants if their accommodation is considered larger than required. It also introduced a new universal credit system to be implemented over time, where benefit payments would be made directly to the tenant, rather than the landlord. This change increases the risk of non-collection, which could lead to a rise in rent arrears.
- 2.4 The Welfare Reform Act 2016 imposed a 1% rent reduction a year for 4 years from April 2016 to March 2020. The final financial year of reductions being 2019/20. The resulting loss of rental income for Brent over this period was £23 million when compared to the income that would have been due to the Council if this was not imposed.
- 2.5 It was therefore necessary to make revenue savings within the HRA to compensate for the loss of rental income. A combination of these savings and the use of HRA reserves have helped to achieve a balanced budget during the period of rent reduction, as required by legislation.
- 2.6 In October 2017, the government announced a return to the option of increasing rent by CPI plus 1% for 5 years for all local authorities, starting in April 2020. A return to the CPI plus 1% model has helped to provide some stability and

certainty over planned investment in the current stock, service improvements and new developments, at least in the short to medium-term.

- 2.7 Due to exceptional inflation levels and cost of living crisis experienced during the 2022/23 financial year, the government implemented a 7% rent rise limitation for 2023/24, compared to 11.1% if CPI plus 1% was applied. This ceiling resulted in an estimated £2m reduction of income when compared to the standard policy of CPI plus 1%. Like most other housing providers, difficult decisions were required to reduce costs to close the gap between rental income and the increasing cost of service delivery. Brent Housing Management services identified £3m worth of cost reductions during budget setting for 2023/24. There was then a reversion to the standard rent setting arrangements in 2024/25 and the government extended the current CPI plus 1% rent settlement by one year to cover 2025/26.
- 2.8 Following a consultation, from April 2026, the government has, for the first time, provided a 10-year settlement on social housing rent policy. From 1 April 2026, social housing rents will be allowed to increase by CPI plus 1% each year for 2026 - 2036. For 2026/27, rents are being increased by CPI plus 1%, which equates to a 4.8% rent uplift.
- 2.9 In addition, the government confirmed at the Spending Review that it will implement a rent convergence mechanism as part of the new rent settlement. Convergence would allow rents for Social Rent properties that are currently below 'formula rent' to increase by an additional amount each year, over and above the CPI plus 1% limit, until they 'converge' with formula rent. Formula rent refers to the formula that is used to calculate the rent that may be charged for a given property when it is let to a new tenant. The government has now confirmed that rent will converge at CPI plus 1% and an additional £1 per week in 2027/28 and an additional £2 per week from 2028/29 onwards, until formula rent is achieved. This helps to increase the sustainability of the HRA and over a ten-year period, the additional income from rent convergence is forecast to be £18.6m, an average of £1.86m per year.
- 2.9 In the context of the 30-year business plan, whilst a CPI plus 1% model helps to provide some stability and certainty, it does not entirely mitigate other risks which are present in the current economic climate. Factors such as increases in energy and material costs, repair and maintenance contracts and anticipated wage increases, mean that any decision to set rents at less than the maximum permitted, provides a significant risk to the sustainability of the HRA. Local authorities still need to cover the inflationary pressures within the HRA whilst delivering on their operational requirements and strategic priorities, some of which are additional legislative requirements, from repairs and maintenance, to building safety, fire safety and decarbonisation. A rent cap or lower than a CPI plus 1% increases combined with increasing costs lead to even greater pressures on the HRA and a likely situation of spend exceeding income generated through rent and service charge collection.
- 2.10 The independent review of building regulations and fire safety, also known as the Hackitt Report, was published in 2018. The report set out over 50 recommendations for the delivery of a robust regulatory system. As a result, in

June 2019, the government published the 'Building a Safer Future' consultation detailing proposals to achieve long-term reform of the building safety system. This document sets out the government's proposals for a reformed building safety system covering the performance of all buildings, as well as the management of fire and structural safety risks in new and existing buildings in scope.

- 2.11 A low-rise fire safety programme was developed by Brent Housing Management to address risks in 1,208 converted and purpose-built blocks. With regard to high rise blocks, it was decided to go over and above regulatory standards by carrying out Type 4 Fire Risk Assessments across all tower blocks over 12 storeys, the outcome of which found no fundamental issues or safety concerns.
- 2.12 The Building Safety Act 2022 (BSA 2022) introduces fundamental reforms to the law and regulation of building safety, which seek to secure the safety of people in or about buildings and improve the standard of buildings. The scope and impact of the BSA is far-reaching. Its provisions will affect the design, planning, construction, occupation and alteration of future buildings. The Building Safety Regulator will be responsible for all regulatory decisions during the design, construction, occupation and refurbishment of High-Rise Buildings (HRBs), which has been defined pursuant to the legislation as buildings over 18 meters or has at least 17 storeys.
- 2.13 The Council Housing Asset Management Strategy (AMS) 2022-2026 sets out a vision for responsive repairs, investment in high rise blocks, reform and improvement of the stock and its performance. The AMS consists of a 5-year budget requirement totalling £104m and spend re-profiling for this has been incorporated into the business plan. The Kilburn Square tower block project is scheduled to complete by the end of 25/26. Work on the Windmill Court tower block improvement is expected to start in 26/27, alongside an increased investment in fire safety works (£2.1m) and essential remediation works on Granville New Homes (£5.6m).
- 2.14 Brent's high-rise blocks that are being retained require significant investment in terms of external fabric, internal works, and mechanical and electrical services. These high-rise blocks built in the 1960's and 1970's require major works if they are to achieve a further lifecycle beyond 40 years. The external walls of most of these blocks are in poor condition. Without refurbishment, these will deteriorate further and beyond the point of affordable refurbishment. The dwellings are generously sized and with refurbishment will continue to offer good accommodation to residents. The mechanical and electrical services are nearing the end of their usable life. Officers plan to undertake the major refurbishment and fire safety measures such as installing sprinklers. The business plan incorporates investment starting from 2025/26 on tower block refurbishment programme.
- 2.15 As part of the South Kilburn regeneration programme, the Gloucester House & Durham Court site has been redeveloped to provide 235 new affordable homes to assured social tenants. These have been occupied by Brent's residents in 2021/22. Brent Council owns the freehold and the Council's housing team,

together with the Council's energy team, provide the billing for heat to the residents. The associated costs are funded by service charges and through the HRA asset management strategy, in line with other communal heating networks.

- 2.16 In May 2019, the UK government declared a climate change emergency, committing to target net zero carbon emissions by 2050. In July 2019, Brent declared a local climate and ecological emergency and has committed to working towards carbon neutrality by the year 2030.
- 2.17 London Councils have included a target of an average EPC Band B rating for London's housing stock by 2030 as part of its joint statement with the London Environment Directors' Network on climate change. Currently, 68% of Brent's Council housing stock has had an energy survey, of which 58% is performing better than the national average of Energy Performance Certificate (EPC) band D. However, 96% falls short of EPC band B. A key feature of the borough-wide climate strategy will be to achieve an average level of EPC band B by retrofitting all housing properties by 2030.
- 2.18 Decarbonisation works to Council homes, including energy efficiency works that reduce demand for heat, is an important part of the AMS. The AMS plays an important role in the delivery of the Brent Climate and Ecological Emergency Strategy. Homes account for 42% of direct carbon emissions in the Borough. The target is to achieve an average EPC band B rating by 2030 for Brent council stock, as it is important that the Council leads by example. Energy efficiency works will be important in helping tenants and leaseholders with the cost of living crisis by helping to reduce fuel costs. Supporting households with the cost of living crisis is a key priority in the Council's Climate and Ecological Emergency Strategy 2021-2030.
- 2.19 Whilst major refurbishment work on tower blocks are undertaken, there are opportunities to decarbonise properties to as high a standard as is practicable and achievable targeting at least an EPC B. The five-year Asset Management Plan therefore includes climate emergency works within the tower block programme now rather than having to return in later years with associated disruption and increased costs. The Council has been awarded £1.3m from the Social Housing Decarbonisation Funding grant. This will provide some contribution towards key energy efficiency measures such as external wall insulation, high performance windows, and renewable energy equipment. £880k of the fund has already been drawn down in the last two financial years.
- 2.20 The Council has a commitment to deliver 5,000 affordable homes in the borough by 2028, of which 1,700 will be delivered directly by the Council. As of November 2025, 1,186 affordable homes have already been delivered by the Council, with an additional 293 expected by the end of 25/26 and 312 in 26/27. The Council is therefore on track to exceed both delivery targets. The projected capital investment for acquiring and constructing new council homes in 2025/26 is £38.8m and a further £31.5m allocated for 2026/27.
- 2.21 Following the identification of urgent remedial works required to Granville New Homes, Cabinet reviewed the proposed options presented in October 2021. It

was agreed to dispose of the blocks at Granville New Homes owned by First Wave Housing (FWH) to the Council's HRA, subject to a consultation with residents. The transfer was finalised on 1 April 2022, which involved the transfer of 84 social housing and 1 leasehold property, along with associated income and expenditures to maintain the stock. Remediation works are currently estimated to cost the HRA £20.1m.

- 2.22 In April 2025, the Council has self-referred to the Regulator of Social Housing due to breaches in building safety compliance. Investigations revealed that a number of fire safety actions were incorrectly marked as completed and there were inconsistencies in asbestos management, water safety, and smoke and carbon monoxide detector data. This led the Regulator to request additional performance information, culminating in a regulatory judgement of C3 issued on 28 May 2025. This represents a significant risk to the HRA and financial pressures associated with addressing the identified compliance issues.
- 2.23 On 2 July 2025 the government has published a five-point plan on delivering A Decade of Renewal for Social and Affordable Housing, an ambitious, long-term plan to address the systemic under provision of social and affordable housing. The plan includes launching a £39bn Social and Affordable Homes Programme (2026–2036), targeting the construction of 300,000 homes, of which at least 60% will be for Social Rent. However, it is recognised that Brent would need changes to the design of affordable housing grants, such as permitting reduced match funding or permitting London Affordable Rent rather than social rent for new social housing to be viable. A modernised regulatory framework is being established to ensure safety, tenant protection, and long-term decency of homes, including Awaab's Law and electrical safety regulations to commence from late 2025, updated Decent Homes Standard and Minimum Energy Efficiency Standards (EPC C by 2030) and professionalisation of staff, with mandatory qualifications from 2026. These additional requirements put further pressures on the HRA.
- 2.24 The government has also proposed some reforms to the Right to Buy (RTB) scheme to address concerns about the depletion of social housing stock and to support the delivery of new homes. Key measures include reverting discounts to pre-2012 levels, extending tenant eligibility from 3 to 10 years, capping discounts at 15%, and restricting repeat use of the scheme. New and market-rent homes will be protected from RTB for 35 years, and ALMOs will be able to use receipts for new affordable housing. Councils will retain 100% of RTB receipts with greater spending flexibilities, alongside extended protections on resales and an indefinite right of first refusal. These reforms should help to reduce premature stock loss and enhance longer-term capacity to maintain and expand the social housing supply. A new long-term rent settlement (CPI+1% for 10 years from 2026), reintroduction of a rent convergence mechanism and renewed partnership with sector are also part of the government's five-point plan.

### **3. Rent setting proposal for 2026/27**

- 3.1 The table below shows a snapshot of current average rent levels from occupied properties and the proposed increase of 4.8% for 2026/27. All new re-lets are charged at Formula Rent and new builds are charged at Formula or Affordable

Rent that are in line with Greater London Authority (GLA) benchmarks and are adjusted annually in line with rent standards. Updated rent levels are reflected in the current average rent for 2025/26, average rent can change depending on time of reporting. The average proposed rent rate for 2026/27 is £6.97 per week (4.8%) higher than the current financial year.

#### Tenant Rents for 2026/27

Bed Size	Current average rent 2025/26	Proposed average rent 2026/27 (4.8%)	Rent uplift
	£	£	£
Bedsits	109.08	114.32	5.24
1	128.41	134.57	6.16
2	146.52	153.55	7.03
3	161.54	169.29	7.75
4	177.19	185.70	8.51
5	188.66	197.72	9.06
6	206.59	216.51	9.92
7	248.72	260.66	11.94
<b>Average rent</b>	<b>145.28</b>	<b>152.25</b>	<b>6.97</b>

- 3.2 A rent increase of 4.8% is estimated to result in an additional £2.91m of income when compared to current levels of income. This is due to national inflation increasing by 3.8% compared to last year, which reflects the current economic climate.
- 3.3 For tenants in receipt of housing support to help pay their rent, the cost of rent increase will be met by their housing benefit or the housing element of universal credit, unless the level of support is reduced by factors that may apply to individual circumstances such as benefit cap. Brent Housing Management provide support to tenants who are struggling to pay their rent. The primary objective is to ensure that tenants have all the support that they can get, rather than pursuing an eviction. Support options include assessing whether the tenant is claiming all the welfare benefits that they are entitled to, assisting them to claim from the Council's resident support fund and arranging a suitable payment plan. Brent Housing Management endeavour to identify vulnerable tenants and maintain contact with tenants in order to ensure that they continue to get the required support to sustain their tenancy.

- 3.4 The net rent amounts exclude service charges. Service charges are a recharge to tenants and leaseholders based on actual costs incurred in providing specific services, such as estate cleaning.
- 3.5 It is recognised that the current economic environment and increased rental charges can have an adverse impact on the level of rent collections. Approximately 23% of rent charges are covered through housing benefit payments in 2025/26, which is estimated at £13.4m. The remaining 77% of income estimated at £45.5m are paid directly by tenants who are in employment or in receipt of universal credit and would be at risk of non-collection.
- 3.6 Collection rates 2025/26 on average stand at 95%. If this level of rent collection remained consistent for the year, this would result in an additional budget requirement of up to £0.9m to allow for risk of non-payments. The Council's Resident Support Fund helps to alleviate some of financial hardship being faced by tenants. However, collection rates are still expected to continue to be impacted. For every 1% drop in collection, the loss of income is estimated at £0.67m. Bad debts have been assumed at 2.5% in 2026/27 and 2.0% of rental income per annum thereafter. This equates to an average £2.69m rent loss per annum over the course of the business plan.
- 3.7 Supervision and management costs include allowances for pay inflation uplifts in the business plan. The Office for Budget Responsibility (OBR) RPI inflation forecast of 3.20% is estimated to amount to an additional £0.72m budget requirement in 2026/27. Future pay inflations, also based on OBR RPI forecasts, are 3.06% for 2027/28, 2.85% for 2028/29 and 2.84% thereafter.
- 3.8 Repairs, maintenance and general costs include annual inflationary uplifts based on the OBR RPI rates of 3.2% for 2026/27, 3.06% for 2027/28, 2.85% for 2028/29 and 2.84% thereafter.
- 3.9 The HRA business plan aims to set aside appropriate funds and incorporate a voluntary debt repayment policy that mirrors the General Fund approach. Calculations involve profiling debt repayments for new builds over 55 years, and debt repayment for major works over 25 years, based on the rate of borrowing for the debt. The repayment modelling commences from debt incurred from 2019/20 onwards, reflecting the period when HRA borrowing exceeded the previously set debt cap of £199.3m. In practice, repayments will be possible in years where there is capacity within accumulated operating reserve.
- 3.10 The operating reserve as at 31 March 2025 was £4.5m. Due to the anticipated deficit of £2.3m in 2025/26, it is projected that the balance will reduce to £2.2m by the end of 2025/26.
- 3.11 The operating reserve is necessary to manage unexpected deficits, or for smoothing in-year budget pressures due to timing differences between the cost of building new homes and receiving rental income, so that it can offset the increased borrowing costs. In addition, the need for the HRA to balance competing demands, such as investing in supply of new homes, regulatory and legislative pressures, as well as inflation have further stressed the importance of

maintaining adequate level of reserves. The target operating reserve balance is set at 5% of rental income in the business plan, which is approximately £3.6m for 2026/27. The operating reserve balance is currently not projected to reduce below £2.2m. However, due to increased cost pressures in the current economic climate, the 2023/24 rent cap of 7%, along with increased investment to improve high rise blocks, target reserve levels are projected to be achieved by 2027/28 onwards, at an estimated reserve balance of £5.3m.

#### 4. Summary of key assumptions in the HRA Business Plan

4.1 The HRA business plan provides long-term financial forecasts resulting from the implications of the Council's spending, investment and rent-setting decisions, based on the authority's current income, expenditure and investment expectations. The data is combined with key assumptions on how costs and income might change in the future to illustrate what the authority can reasonably expect to happen, using the best available information at the time.

4.2 Regular review of assumptions is important to help the Council to make early decisions that help keep the HRA in balance, whilst also delivering substantial levels of investment in Council housing.

4.3 A summary of the key assumptions that underpin the 30 Year Business Plan are presented below:

<b>Description</b>	<b>How it impacts the Business Plan</b>	<b>Assumptions used in the Business Plan</b>
HRA stock movements	Projected rental income is based on stock numbers at different rent designations (low-cost social/affordable/London affordable rent/other)	Baseline stock numbers in the current year are adjusted for projected RTB sales and new affordable housing supply
Inflation on supplies and services	Income and expenditure are adjusted for inflation to reflect general cost increases. CPI forecast is based on rate in September of previous year.	Rental income uses CPI+1%. All other expenditure is assumed at RPI. CPI 3.8% in year 1, reducing to 2% from year 4 onwards. RPI 3.2% in year 1, reducing gradually to 2.85% from year 3 onwards.
Minimum Working Balance	Target level of minimum reserve for any overspends	Working balance requirements assumed at 5% of income giving circa £3.7m



<b>Description</b>	<b>How it impacts the Business Plan</b>	<b>Assumptions used in the Business Plan</b>
Rental Income	Tenant rent projections are driven by stock numbers and average rent. Tenant rent is the largest source of income for the HRA.	Average rent is currently set at £145.28 per week. Rent is adjusted as per government policy. Assumed CPI+1% for duration of business plan.
Supervision and Management Costs	Rental income is allocated to management costs of providing a landlord service	Cost assumed to increase by RPI each year
Service Charges	Cost of specific services are charged back to tenants and leaseholders	Service charge uplift is in line with anticipated cost increases at RPI
Voids	Level of void properties have an impact on rental income that can be charged	Rent loss through voids estimated at 3.5% of rent for 2026/27 and 3% thereafter
<b>Description</b>	<b>How it impacts the Business Plan</b>	<b>Assumptions used in the Business Plan</b>
Bad Debts	Rent arrears that are not collected results in loss of income	Assumed 2.5% in 2026/27 and 2% thereafter
Repairs and Maintenance Costs	Rental income is allocated to repairs budgets	Expenditure is adjusted in line with RPI and stock movements

<b>Description</b>	<b>How it impacts the Business Plan</b>	<b>Assumptions used in the Business Plan</b>
Right to Buy Sales	Stock reductions reduce rental income and set a target for the Council to achieve 1-4-1 replacements	Projected 50 sales in 2025/26, 80 sales in 2026/27, and 7 sales per year thereafter
Interest rate on borrowing	Rental income is allocated to financing debt	New debt is assumed at average interest rate of 4.8%.
Capital Programme - Major Works	Investment to maintain housing stock	Profiling over 5 years based on Asset Management Strategy.
HRA Debt Balance	The HRA debt balance as at 31 March 2025 was £348m	Accumulated reserve balances will determine capacity for debt repayments
RTB Receipts	Rolling five year spend targets are set by MHCLG based on RTB sales	It is currently assumed in the business plan that spend targets will be met to achieve 1-4-1 replacement of homes.
<b>Description</b>	<b>How it impacts the Business Plan</b>	<b>Assumptions used in the Business Plan</b>
Affordable Housing Supply	834 affordable homes will have been completed in the financial years 2025/26 and 2026/27.	583 of these homes will complete in 2025/26 and a further 251 will complete in 2026/27. Of these, 594 are at London Affordable Rent and 240 at Low-Cost Social rent.

## 5. Sensitivity Analysis

5.1 Alongside the baseline assumptions, a sensitivity analysis has been undertaken to explore the impact on reserve balances from a range of assumptions. Considering each of these in turn enables to read the baseline financial projections in the context of potential changes and so gives an indication of key risks. The key sensitivities analysed are:

- A) Baseline assumptions
- B) RPI cost inflation plus 0.5%: 3.7% in 2026/27, 3.56% in 2027/28, 3.35% in 2028/29, and 3.34% thereafter.
- C) Voids 0.5% higher than baseline
- D) Bad debt 1% higher than baseline
- E) Rent at CPI from year 11 onwards

5.2 The sensitivity analysis demonstrates that:

- A) Baseline assumptions provide consistently small surpluses over 30 years, with a projected reserve balance of £154.7m in year 30, which could potentially be used to reduce debt.
- B) Cost inflation at RPI plus 0.5% is projected to result in year-on-year deficits from 2034/35, and HRA reserves running out by 2042/43.
- C) Voids 0.5% higher than baseline leads to reduced surpluses, with a reduction of the projected reserve balance to £139.4m in year 30. A net impact of £15.3m over the 30-year period.
- D) Bad debt 1% higher than baseline leads to reduced surpluses, with a net reduction of the projected reserve balance to £113.6m in year 30. A net impact of £41.1m over the 30-year period.
- E) Rent increasing at CPI from year 11 (rather than CPI+1% in the baseline assumptions) results in increasing deficits from year 15 with reserves depleted by 2049/50.

5.3 In summary, if voids run 0.5% higher than baseline, bad debt write off is 1% higher than baseline, and RPI is 0.5% higher than baseline, there will be consistent deficits on the HRA with a negative reserve of £0.9m by 2035/36. The only remaining mitigation would be to reduce the Revenue contribution to capital outlay (RCCO) included in the Depreciation charge.

## 6. Risks

- 6.1 The business plan is based on a set of assumptions, and there will always be an element of risk of significant changes in cashflow projections in the revenue and capital accounts, if any of the assumptions fail to materialise.
- 6.2 The main variables that could affect the long-term viability of the Business Plan are rent levels and long-term major works and repairs. There has already been a change to the Council's power to increase rents annually up to a maximum of CPI plus 1%, with an introduced rent rise limitation of 7% in 2023/24, however the government has now provided a 10-year settlement on social housing rent policy allowing social housing rents to increase by CPI plus 1% each year for 2026 - 2036. However, collection rates remain volatile.
- 6.3 Global conflicts, the long-term impact of pandemic, Brexit, high levels of inflation, labour shortages and rising interest rates present the Council with a volatile and uncertain economic environment. The cost of living crisis will impact residents of Brent and the Council is committed to doing what it can to support those in greatest need. Cost pressures and risk of income collection losses are continuously monitored.
- 6.4 Inflation over the past few years has experienced such high levels that have not been seen since the 1980's. Besides rising energy costs, other goods are also experiencing increases in prices, due to factors such as labour shortages, pay rises, logistic issues and a general trend to increase prices and restore profit margins where previously slumps in demand had suppressed price levels.
- 6.5 In September 2025 CPI stood at 3.8% against a Bank of England target of 2%. The September inflation figures are important as they are used for the following years uplift on formula rent levels, 2023/24 being an exception with a 7% ceiling, as opposed to 11.1%. The gap between inflation on rent levels and inflation on costs is a significant risk to the long-term business plan. Inflation rates assumed in the current business plan is informed by projections from Bank of England, which is currently forecasting CPI inflation to return to the 2% target by the second quarter of 2026.
- 6.6 The impacts of Universal Credit and cost of living crisis can affect the HRA Business Plan, as the number of rent arrears may increase considerably. A number of mitigations are in place to help support tenants on universal credit, along with Council Resident Support Fund to help with financial hardship.
- 6.7 As the Council adds more stock to its portfolio and complexities of new additional requirements to building standards are increasing, such as fire safety works and decarbonisation, the cost of major works are rising. At the moment, there is insufficient government subsidy available to address these changes. The Asset Management Strategy and investment plans must be approached cautiously and allow for flexibility to scale back on schemes where required.

- 6.8 Impacts of national housing policies and any changes proposed in future Government papers can have an adverse impact on the HRA and could require additional resources to address any unexpected changes.
- 6.9 Whilst the Council is confident in its ability to continue delivering affordable homes for Brent residents, there are social and economic factors, which are increasingly placing pressure on both current schemes that are on site and those in the Council's pipeline. Brexit, inflation, shortage of labour, materials and global events such as the Covid-19 pandemic and wars have had an adverse effect on costs and therefore the financial viability of capital schemes. Developing affordable housing remains challenging within the current market which is resulting in the tenure of schemes being revisited and some pipeline schemes pausing. Though cost of materials have recently stabilised, they remain high.
- 6.10 Significant grant funding is essential to pay for new build schemes. The Council has entered into grant agreements with the Greater London Authority governing the award of such funding to include the requirement to deliver specified numbers of new homes with start on site dates specified. Failure to observe grant conditions or achieve specified delivery numbers may lead to a requirement to repay grant funding and therefore efficient and timely delivery approaches are essential to mitigate the risk.
- 6.11 The HRA debt cap has been removed and significant borrowing is required to invest in stock to increase housing supply in Brent. The HRA is exposed to interest rate fluctuations, which can have a significant impact on revenue budgets and the overall business plan. Brent Council operates a one-pool approach to its borrowing, where the HRA receives a proportion of the Council's overall borrowing but with a reduced rate. Having remained at 1% or less since February 2009, base rates began rising in June 2022. The forecast borrowing rate for the HRA is based on the medium to long term PWLB borrowing rate at the discounted value for the HRA, at an average of 4.8%.
- 6.12 Spend targets for 1-4-1 receipts set by Government mean that the Council may need to transfer receipts with compounded interest, if spend targets are not met within 5 years of receiving the receipt. There are currently sufficient schemes in pipeline to be able to utilise receipts towards adding affordable housing in Brent.
- 6.13 There are also demographic changes and a general recognition that there should be better integration of housing, social care and health services. As time goes on, a proportion of the population who are elderly or vulnerable increases and there is an increased need for appropriate housing. However, with limited clarity on the government's funding of supported housing, it is likely that the problem of how to house vulnerable elderly people will intensify.