Appendix One: Housing Revenue Account Business Plan (2019/20 to 2061/62) Assumptions

Assumption	March 2018 Business Plan	2020 Business Plan	Explanatory Notes
2012 Self Financing Borrowing	A 50 Year Maturity Loan from the PWLB resulting in the £163m loan being settled in full by 2061/62	The 50 Year Maturity Loan Interest payment will continue to be facilitated until 2051/52 with a view to the Capital Repayment being re-financed in line with specialist Treasury Advice over a phased period of 2051/52-2061/62 resulting in the £136.2m Self Financing loan capital repayment fully or partially being profiled over a further Period with a view to the debt being fully repaid at a later date. This will be considered and reviewed in the next 30 years	The debt profiling of the current PWLB maturity loan capital repayments in 2051/52-2061/62 are causing severe restrictions on the HRA Business Plan. Specialist Treasury Management Advice has been sought in relation to refinancing this debt to enable more flexibility in the Business Plan and to enable a further level of flexibility in relation to dealing with the unknown financial impacts of Covid-19 and the ability to continue to deliver the construction and purchase of Social and Affordable housing to meet local housing need during this period.
Warwick Affordable Rents	Affordable rents are set at a Special "Warwick Affordable Rent" which is calculated at a lower rate of affordable rent which is effectively the mid-point between affordable and social rent.	All new Affordable rents to be set at the National Rent Policy Levels of 80% of Market Rents. Existing tenants will not be affected by this change and will continue to pay rents calculated using the "Warwick Affordable Rents" Calculation.	The National Rent Policy States Affordable Rents are to be set at 80% of market rents in line with being granted permission from Homes England Warwick Affordable Rents were historically set at a point where only relatively small levels of stock were given permission from Homes England to charge affordable rents, now that the council has achieved Homes England Investment Partner Status this policy is not deemed effective and reduces the viability of housing construction and acquisition schemes moving forwards. As this is a change to Rent policy this request will be included for authorisation in the HRA Rent Setting Report in February 2021 with Existing Tenants paying rents using the Warwick Affordable calculation

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			being able to continue until their tenancy ceases in applicable housing stock.
General Inflation	Inflation estimated over the remaining life of the plan to be CPI + 1% = 2% p.a.	Inflation for the next year to be set at September 2020 CPI+1% = 1.7% Inflation for the following 4 years to be forecast at reduced estimate of September CPI + 1% = 1.8% Inflation estimated over the remaining plan on average to be CPI + 1% = 2% p.a.	The economic impact of Covid-19 has reduced CPI from 1.7% in 2019 September to 0.3% in September 2020 this reduction will negatively impact planned rent increases in line with National Rent Policy. Housing Industry assumptions suggest the negative economic impact with be felt for 5 financial years with inflation remaining at a very low levels and the fundamentals that influence the level of inflation such as fuel and energy prices are expected to put a downward pressure on inflation. After this 5-year period the economy is expected to recover and return to similar levels of inflation prior to Covid-19.
Homes England Grant	In Prior Business Plans only small or limited schemes have incorporated Homes England Grant subsidy.	The Council is now been awarded Home's England Investment Partner status and is able to bid for Affordable Homes Grant when considering the viability of housing construction and purchase schemes, where deemed viable Homes England Grant will be sought as a preferential means of financing schemes in line with applicable conditions attached.	Homes England are able to now award the Council grant subsidy in the HRA in the form of a recyclable conditional grant which contributes to the cost of construction of Social, Affordable and Shared Ownership Housing which ensures the deliverability of much needed housing in the district and increases the viability of the HRA Business Model

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Dwelling Rents	Reduction of 1% over 3 years from 2017-18 in line with Government proposals. This now includes Very Sheltered, Sheltered and designated following a 1 year deferral CPI + 1% assumed over the life of the remainder of the business plan i.e. from 2020/21 onwards. September CPI is 1%. In line with this, it is estimated that CPI will be on be on average about 1% from 2020/21 onwards. Move void properties to target social rent.	CPI + 1% from 2020/21 onwards. For 2021/22 CPI+1 = 1.7%, based on September 2019 CPI being 0.7% In line with Covid-19 economic conditions, it is estimated that CPI will be an average of about 1% p.a. for a further year following the initial 2021/22 Covid-19 period. From year three onwards it is assumed CPI will then increase to 2% returning to Pre-Covid levels and continue at that level for the remainder of the business plan. All void properties rents will be revised to target social rent.	From April 2020 the Government advised a new rents policy stating rents charged are to increase by CPI + 1% per year based on September CPI for a five-year period. For void properties, the Council is able to set the base rent as the Target Social Rent (also known as Formula Rent). The economic impact of Covid-19 has reduced CPI from 1.7% in 2019 September to 0.7% in September 2020 this reduction will negatively impact planned rent increases in line with National Rent Policy. Housing Industry assumptions suggest the negative economic impact with be felt for 3-5 financial years with inflation remaining at a very low levels and the fundamentals that influence the level of inflation such as fuel and energy prices are expected to put a downward pressure on inflation. After this 5-year period the economy is expected to recover and return to similar levels of inflation prior to Covid-19. The Previous Rent Policy implemented a 1% rent reduction per year, for four years which commenced in April 2016. A one-year deferral was introduced for supported housing from the reduction of social rents in England of 1%, allowing the Council to continue to apply a CPI + 1% rent increase in 2016/17. From 2017/18, the rent reduction then applied, with these rents decreasing by 1% a year for 3 years, up to

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			and including 2019/20.
Garage Rents	Average £4 per garage increase in 2017-18. Increase of 5% per year for the remainder of the business plan from 2018-19.	Increase of 10% per year for 5 years from 2020/21. CPI + 1% for the remainder of the business plan following this 5 year period.	Garage rent increases are not governed by national guidance. Any increase that reflects costs of the service, demand, market conditions and the potential for income generation can be considered.
Rents Other	Increase by CPI (September CPI was 1%) per year for the remainder of the business plan.	Increase by assumed long term CPI of 2% per year for the remainder of the business plan.	Within the Housing Revenue Account the Council has a number of shops etc. which whilst still forming part of its Operational non-current assets are leased out on a commercial basis in order to derive rental income.
Bad Debts as a % of Gross Rents	Bad debt Provision reduced to 1.5% in 2017/18 following review of arrears. It is necessary to maintain provision at this level to ensure the HRA is insulated from shocks that can substantially increase the level of arrears or write offs. From 2018/19, it is increased to 2% to coincide with Universal credit being widely introduced in Summer 2018. To be reviewed again once the impact of the	In 2020/21 Bad debt provision set at 2% 2021/22-2025/26 will reduce slightly at 1.8% as the economy starts to recover from Covid-19 The remainder of the business plan will reduce to 1.6% in line with pre-Covid-19 economic conditions. The phased introduction of Universal Credit to only new Claimants has not impacted the Bad Debt % as	In light of Covid-19 Housing Industry Experts are expecting Bad debts to Increase initially in year 1 and then return to pre-covid-19 levels over a 3-5-year economic period. Prior to Covid-19 the Government began to introduce Universal Credit across the county in 2015 with huge delays of roll out to all claimant-types, further delays are expected with full roll out not being compete until at least 2023/24. This Central Government Policy Change was implemented with a view to a culture

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	change is known.	negatively as first anticipated in 2018/19 with a view to assumptions of the continued phasing of the rollout being incorporated in the above assumed percentages	change with all tenants taking responsibility for managing budgets and making rent payments. The ideology was that tenants on housing benefit would transfer directly onto Universal Credit being paid directly to the tenant rather than the landlord, Landlords were expected to support tenants to manage the change, however a number of tenant groups are not able to be paid Universal Credit due to Central Government Technology limitations and remain on Housing Benefits. Initially it was expected that this change to Universal Credit would increase the level of bad debts significantly but the phasing of this roll out seems to have negated this assumption.
Void Rent Loss as a % of Gross Rents	0.7%.	0.7%. for housing rents. 15% for garage rents.	Housing voids of 0.7% are driven by the need to repair and maintain stock in between tenancies, and an increased focus on ensuring tenants are in the most suitable housing stock. On average approximately 15% of garage stock has been vacant per year. Housing Voids have not been negatively affected by the impact of Covid-19 as at September 2020 so this assumption will not change
No. of Garages Demolished	It is assumed no garages will be demolished, pending updates on	42 Garages were demolished in 2017/18. It is currently assumed no	Garage sites are regularly reviewed to assess, where appropriate, sites to be

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	Housing Strategy.	further garages will be demolished in the Business Plan.	considered for future redevelopment and parking needs
Management Costs	No changes to overall structure agreed at Budget Setting. Costs to increase by RPI from 2018/19. When homes sold, assume no saving in management costs.	No changes to overall structure agreed at Budget Setting. Costs to increase by CPI +1%. When homes sold, assume no saving in management costs.	Staffing costs for future years will be updated on an annual basis as changes become apparent.
Revenue Repairs & Maintenance Costs	Annual costs increase of RPI assumed + additional 0.5% to take account of changes in building materials cost. When homes sold, save 100% of average unit repairs cost.	Annual costs increase of CPI + 1% assumed + additional 0.5% to take account of changes in building materials cost. When homes sold, save 100% of average unit repairs cost.	Moving to Schedule of Rates and prices will increase in line with RPI plus a percentage to reflect the increase in the costs of building materials.
Capital Maintenance Costs	In line with previous business plan and annual costs increases assumed at RPI	In line with previous business plan and annual costs increases assumed at CPI + 1%.	This is based on previous business plan with significant changes to costings expected on conclusion of the stock condition survey. Specialist Capital works such at Fire Safety and Climate Change works are accounted for separately in the business plan.
No. of Right-To-Buy Sales	1,505, over remaining 45 years. No account is taking of the potential need to sell high value properties to pay the proposed Government levies as details not known.	1,400, over remaining 41 years. No account is taking of the potential need to sell high value properties to pay the proposed Government levies as this legislation is no longer applicable.	Right to Buy sales have reduced in the Covid-19 economic period with only 26 units being sold in 2019/20 and 11 at Q2 in 2020/21 A reduction to 28 units will be assumed in the next 5 years returning to pre-Covid levels of 35 sales per year after this for the remainder of the business plan. In the last business plan review an average of 35 being sold in 2017/18 and 25 in 2018/19 with A prudent estimate of 1459

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			being sold over the life of the business plan has been based on current percentage of sales (0.8% x 90%) to account for reduced pool of housing stock suitable for RTB which averages at approximately 35 properties per year.
Income from RTB sales reserved for new build only	£1.8m in 17-18 RTB receipts.	£1.4m in 20-21 RTB receipts.	Current and projected sales remain close to threshold for retaining sales receipts to support 1-4-1 replacement of sold homes. This will be available to fund additional homes over that projected to be funded from use of reserves. RTB receipts value based on average historical sales and so dependent on future sales housing mix.
Income from RTB sales available for any purpose	£0	£0	Assume council continues current policy of using such receipts to support General Fund Capital Financing in line with the Right to Buy Receipts Pool Legislation
New Homes - Rents	Social, except specific schemes underway where different.	A mix of Warwick Affordable, Social Rent, Shared Ownership.	New properties will be let as specified in the mix at the time of acquisition or as per the Section 106 specification. A mix of Social Rent, Shared Ownership Rents and Warwick Affordable Rent will be applicable. Warwick affordable rents are set mid-way between Target Rent and National Affordable rent (80% of market rent) however National levels of Affordable Rents will be adopted on new Affordable Housing Stock from 2020 onwards.
Interest Rate on HRA Balances	0.7% over the life of the BP.	0.7% over the life of the BP. This is the current forecast for 2020/21 so therefore used as an average over the remaining years of the BP.	Income from Interest generated from HRA Balances

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Interest Rate on HRA Debt	Actual rates for current debt (average 3.5%)	Actual rates for current debt (average 3.5%)	This is a fixed rate of interest on the HRA Self Financing debt over the life of the loan and is due to be repaid annually from 2051/52 to 2061/62.
PWLB Borrowing Rates	Average of 1.8%	Average of 1.8%	In October 2019 the Public Works Loan Board increased its interest rate by 1% which was a very large and unexpected increase but shortly after this a U Turn to this policy was adopted where the borrowing was linked with Housing related operations. The impact of this increase would have resulted in increased borrowing costs. But the U-turn has returned the borrowing rate to an average of approximately 1.8%
Depreciation	50 Years	75 Years	The depreciation policy for the life of the Housing Stock will be changed from 50 years to 75 years as per consultation from property valuation experts Carter Jonas.