Appendix One: Housing Revenue Account Business Plan (2017/18 to 2061/62) Assumptions

Assumption	March 2016 Business Plan	March 2017 Business Plan	Explanatory Notes
General Inflation	RPI estimated over the life on average to be CPI + 1% = 2%.	RPI estimated over the life on average to be CPI + 1% = 2%.	Inflation remains at a very low level and the fundamentals that influence the level of inflation such as fuel and energy prices are expected to put a downward pressure on inflation.
Dwelling Rents	Reduction of 1% over 4 years from 2016-17 in line with Government proposals. CPI+1% assumed for Very Sheltered, Sheltered and designated in 2016/17. CPI + 1% assumed over the life of the remainder of the business plan i.e. from 2020/21 onwards. September CPI is Negative 0.1%. 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.	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.	In July 2015 the Government announced that from April 2016, the rents charged for existing tenants by local authority housing landlords should be reduced by 1% per year, for four years. In March 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 (at September) + 1% rent increase in 2016/17. From 2017/18, the rent reduction will now apply, with these rents decreasing by 1% a year for 3 years, up to and including 2019/20. For void properties, the Council is able to set the base rent as the Target Social Rent (also known as Formula Rent).
Garage Rents	Increase of 5% per year for the remainder of the business plan.	Average £4 per garage increase in 2017-18. Increase of 5% per year for the remainder of the business plan from 2018-19.	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.

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Rents Other	Increase of 5% per year for the remainder of the business plan.	Increase by CPI (September CPI was 1%) 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 remains at 1.84%. 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.	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 change is known.	The Government began to introduce Universal Credit across the county during 2015 (albeit full roll-out to all claimant-types is expected to take until 2020). However not all tenants on housing benefit will transfer directly onto Universal Credit allowing landlords to support tenants to manage the change, which will in time require all tenants to take responsibility for managing budgets and making rent payments. There is a possibility that there could be an increase in rent arrears as payments will be paid to tenants rather than directly to the landlord and will be paid monthly in arrears. Bad debt provision has been reduced from the current level following a review of arrears, and delays in tenants moving over to Universal Credit.
Void Rent Loss as a % of Gross Rents	0.7%.	0.7%.	
No. of Garages Demolished	As in 2015/16 and review in line with outcome of Housing Futures Project	It is assumed no garages will be demolished, pending updates on Housing Strategy.	Garage sites are regularly reviewed to assess, where appropriate, sites to be considered for future redevelopment

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Management Costs	Most savings assumed in previous BP. No changes to overall structure assumed after 2016/17. Costs to increase by RPI from 2017/18. When homes sold, assume no saving in 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.	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, assume no saving in repairs cost.	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.	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 RPI	This is based on previous business plan with significant changes to costings expected on conclusion of the stock condition survey.
No. of Right-To-Buy Sales	1,193, over remaining 46 years. No account is taking of the potential need to sell high value properties to pay the proposed Government levies as details not known.	1,505, 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.	Right to Buy sales have increased since last BP review. Number revised based on current percentage of sales (0.8% x 90%) to account for reduced pool of housing stock suitable for RTB.
Income from RTB sales reserved for new build only	£1m p.a.	£1.8m in 17-18 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.

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Income from RTB sales available for any purpose, used for new homes	£0	£0	Assume council continues current policy of using such receipts to support Mandatory Disabled Facility Grants and Private Sector Housing Grants.
New Homes - Rents	Social, except specific schemes underway where different.	Social, except specific schemes underway where different	Sayer Court will be let at Warwick Affordable Rent, which is set mid-way between Target Rent and National Affordable rent (80% of market rent). This development was completed for letting in Q3 2016-17. Great Field Drive includes 16 shared ownership properties, which have been sold during Q3 and Q4 2015-2016.
Interest Rate on HRA Balances	0.7% over the life of the BP. This is the current forecast for 2016/17 so therefore used as an average over the remaining 46 years of the BP.	0.7% over the life of the BP. This is the current forecast for 2017/18 so therefore used as an average over the remaining 45 years of the BP.	
Interest Rate on HRA Debt	Actual rates for current debt (average 3.5%)	Actual rates for current debt (average 3.5%)	Debt due to be repaid annually from 2052/53 to 2061/62.