Appendix One: Housing Revenue Account Business Plan Assumptions 2021

Assumption	2020 Business Plan	2021 Business Plan	Explanatory Notes
2012 Self Financing Borrowing	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	No Change to 2020 Assumptions	A 50 Year Maturity Loan from the PWLB originally resulted in the £136m loan being settled in full by 2061/62. The debt profiling of the current PWLB maturity loan capital repayments in 2051/52-2061/62 was 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	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. Prior to 2020 Affordable rents were 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.	No Change to 2020 Assumptions	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 to become an investment partner 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.

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			As this was a change to Rent policy in 2020 this request was included for authorisation in the HRA Rent Setting Report in February 2021 with Existing Tenants paying rents using the Warwick Affordable calculation being able to continue until their tenancy ceases in applicable housing stock.
General Inflation	Inflation for the next year to be set at September 2020 CPI 0.5% +1% = 1.5% Inflation for the following 4 years to be forecast at reduced estimate of September CPI + 1% = 1.5% Inflation estimated over the remaining plan on average to be CPI + 1% = 2% p.a.	Inflation for the next year to be set at September 2021 CPI 3.1% +1% = 4.1% Inflation for the following 4 years to be forecast at reduced estimate of September CPI + 1% = 2% Inflation estimated over the remaining plan on average to be CPI + 1% = 2% p.a.	The economic impact of Covid-19 and Brexit has seen CPI Increase from 0.5 to 3.1 in a 12 month period. This increase is expected to be a result of the fluctuating economic conditions. To ensure Prudence an estimate of future rent increases averaging 2% has been factored into the financial modelling to buffer any impacts of over inflating or negatively impact planned rent increases in line with National Rent Policy. Housing Industry assumptions suggest a fluctuating economic impact with be felt for 5 financial years, in the prior business plan it was anticipated inflation would remain at very low levels and the fundamentals that influence the level of inflation such as fuel and energy prices were expected to put a downward pressure on inflation however we have seen inflation rising and other costs increasing. After this 5-year period the economy is expected to recover and return to similar levels of inflation prior to Covid-19. The impact of Brexit is yet to be quantified.

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Homes England Grant	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. In Prior Business Plans only small or limited schemes have incorporated Homes England Grant subsidy.	No Change to 2020 Assumptions	Homes England are able to now award the Council grant subsidy in the HRA in the form of a recyclable conditional capital 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
Social & Affordable Dwelling Rents	CPI + 1% from 2020/21 onwards. For 2021/22 CPI+1 = 1.5%, based on September 2019 CPI being 0.5% 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.	CPI + 1% from 2021/22 onwards. For 2022/23 CPI+1 = 4.1%, based on September 2019 CPI being 3.1% In line with Covid-19 economic conditions experienced, it is estimated that CPI will be an average of about 2% p.a. 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 reduced CPI from 1.7% in 2019 September to 0.5% in September 2020 and to 3.1% in September 2021 Housing Industry assumptions suggest the negative economic impact with be felt for 3-5 financial years The Previous Rent Policy implemented a 1% rent reduction per year, for four years

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			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 and including 2019/20.
Shared Ownership Dwelling Rents	Shared Ownership Homes rents are inflated by Novembers RPI +0.5% per annum The 2020 RPI in November was 0.9 %+ 0.5% totalling 1.4%	RPI as at October 2021 at the time of writing this report is 6.0% so an estimate of 6.0%+0.5% totalling 6.5% is assumed for 2022/23. An average of 2% is assumed for the remainder of the busines plan	Shared ownership tenancies will continue to adopt lease agreements based on the existing Housing & Communities Agency (HCA) template lease with rents increased by RPI + 0.5% annually The Impact of the Covid-19 pandemic has seen RPI increase from 0.9%+0.5% in November 2020 to an estimate of 6%+0.5% in November 2021 which is a rapid unexpected increase in such a short period of time. These fluctuations have been averaged out at 2% for the remainder of the business plan to reflect the economy recovering and to ensure prudence.
Garage Rents	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. Averaging at 2%	No Change to 2020 Assumptions	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. In 2020 an Increase of 10% per year for 5 years was approved until 2025/26.

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			CPI + 1% averaging at 2% is assumed for the remainder of the business plan after 2025 Historically 2018/19 incurred an Increase of 5% per year and prior to this an average £4 per garage increase was in place until 2017-18.
Rents Other	Increase by assumed long term CPI of 2% per year for the remainder of the business plan.	No Change to 2020 Assumptions	Within the Housing Revenue Account the Council has a number of shops and 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	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 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	In real terms 2020/21 Bad Debts written off cost £350,736 against a total HRA income of £27,070,606 excluding non-rental income which equates to a 1.3% Bad Debt cost. For prudence and in light of current economic instability a 1.8% provision will be estimated for 2022/23. 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 negatively as first anticipated in 2018/19 with a view to assumptions	In light of Covid-19 Housing Industry Experts are expecting Bad debts to Increase initially in year 1 which was not the case in real terms. Arrears did increase but bad debts being written off did not significantly increase. However the current economic instability must be treated with caution so a prudent estimate of 1.8% is adopted and then return to pre-covid-19 levels 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 change with all tenants taking

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		of the continued phasing of the rollout being incorporated in the above assumed percentages	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%. for housing rents. 15% for garage rents.	0.7%. for housing rents. 26% 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. As per the February 2021 Rent Setting Report approximately 26% of garage stock has been vacant which is an increase on previous estimates. Housing Voids have not been negatively affected by the impact of Covid-19 so this assumption will not change
No. of Garages Demolished	42 Garages were demolished in 2017/18. It is currently assumed	No Change to 2020 Assumptions	Garage sites are regularly reviewed to assess, where appropriate, sites to be considered for future redevelopment and

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	no further garages will be demolished in the Business Plan		parking needs. A review is currently being undertaken and developments will be presented to Cabinet for approval.
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.	No changes assumed to business plan other than Salary inflation. Other changes will be fed into Budget Setting. Costs to increase by CPI +1%. When homes sold, assume no saving in management costs. When new dwellings are adopted increase management costs in line with average costs per dwelling	Staffing costs for future years will be updated on an annual basis as changes become apparent including salary inflation estimates.
Revenue Repairs & Maintenance Costs	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.	Annual costs increase of CPI + 1% assumed + additional 0.5% to take account of changes in building materials cost. When dwellings sold, save 100% of average unit repairs cost. When new dwellings are adopted increase using average costs per unit.	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. Dwellings lost through Right to buy sales and acquisitions of Social, affordable, and shared ownership dwellings will be adjusted for.

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Capital Maintenance Costs	In line with previous business plan and annual costs increases assumed at CPI + 1%.	A new 10-year Housing Improvement Plan is in place assessing each of the 10 years independently in line with Stock Condition Survey, Climate Emergency Works and Fire Safety works alongside Grant funded works After this 10-year period annual costs increases assumed at CPI + 1%.	Specialist Capital works such at Fire Safety and Climate Change works are accounted for separately in the business plan using an updated 10-year Housing Investment Plan. Dwellings lost through Right to buy sales and acquisitions of Social, affordable, and shared ownership dwellings will be adjusted for.
No. of Right-To-Buy Sales	350 in Years 1-10 then a further 1,471, 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.	1,734 total RTB sales are estimated over the full 50-year business plan.	Right to Buy sales have reduced in the Covid-19 economic period with only 26 units being sold in 2019/20 and 21 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 2018 business plan review an average of 35 being sold in 2017/18 and 25 in 2018/19.
Income from RTB sales reserved for 1-4-1 replacement	£1.4m in 20-21 RTB receipts.	£1.0m in 21-22 RTB receipts and for 2022/23 Assume an increase to pre-pandemic levels of sales and increase to £1.4m for the remainder of the BP	The Council entered the Right to Buy Capital Receipts Pooling arrangement with MCHLG in 2012 in line with HRA Self Financing. As part of the agreement the Council is only able to retain a predetermined % of the Right to Buy Capital Receipts. The reduction in RTB Sales during the pandemic has resulted in a reduction in the sales receipts retained to support 1-4-1 replacement of sold homes.

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			From 1 April 2021 (MHCLG) changed the rules in the Right to Buy (RTB) Pooling Receipts Retention Agreements. A summary of the changes affecting the HRA BP are: • The timeframe to spend increased from 3 years to 5 years. • The percentage to fund new homes increased from 30% to 40% • Authorities can use receipts for ownership and First Homes, affordable and social rent,
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 Local authority share - calculated to approximate to what authorities General Fund would have retained had the pre-2012 pooling system continued when they retained 25% of all net RTB receipts.
New Homes - Rents	A mix of Warwick Affordable, Social Rent, Shared Ownership.	A mix of Warwick Affordable, National Affordable, Social Rent and 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, and National Affordable and Warwick Affordable Rent will be applicable. Warwick affordable rents are set mid-way between Target Rent and National

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			Affordable rent (80% of market rent) however National levels of Affordable Rents were 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.	Income from Interest generated from HRA Balances This is the current forecast for 2020/21 so therefore used as an average over the remaining 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%)	This is a fixed rate of interest on the HRA Self Financing debt over the life of the loan. Authorisation to refinance the repayment of the loan was ascertained in 2020 but the original loan agreement states the loan is due to be repaid in phases over a 10 year period annually from 2051/52 to 2061/62.
PWLB Borrowing Rates	Average of 1.8%	Actual % rate secured for borrowing Average of 1.8% estimate for future borrowing not yet secured	The Covid-19 pandemic has seen Borrowing rates for the HRA in 2020-2021 drop as low as 0.6% and increase up to 2% after applying the -1% Housing reduction and -0.2% certainty rate reduction. Due to the economic instability and fluctuating rates and the need for high levels of Government borrowing a worst case scenario is adopted for modelling purposes. As at the time of writing this report a 40 year PWLB annuity loan rate is 2.18%, after applying the -1% Housing and -0.2% certainty discounts the % rate equates to

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			0.98% so is still under 1% when borrowing for Housing Land and Housing Buildings but this rate does change on a daily basis For modelling purposes an average of 1.8% PWLB borrowing rate should mitigate any further fluctuations and give a good, estimated average for the length of the business plan when rates begin to increase upon the recovery of the economy. Where new borrowing has already been secured for acquisition and developments the actual PWLB Rate secured on that borrowing is included in the business plan. Any future borrowing for future approved schemes will be estimated at 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.
Depreciation	75 Years	75 Years	The depreciation policy for the life of the Housing Stock will be changed from 50 years to 75 years on 2019 as per consultation from property valuation experts Carter Jonas.