Appendix Two: HRA BP Risk Register

Description of Risk	Cause	Effect	Control/Mitigation	L	S	Risk Score	Action Taken	Risk Owner
Unable to deliver agreed Business Plan commitments.	Government changing the regulations and legal framework that govern the provision of municipal housing.	Business Plan becomes unsustainable.	Keep abreast of policy developments and changes in Government. Any change in the law would affect all councils and in this case we may have collective lobbying power to argue for a change of policy.	2	4	8		Head of Housing & Property Services – Andy Thompson
Unsustainable debt financing leading to Business Plan inefficiencies and breaching of loan covenants.	Inadequate treasury management advice. Significant changes in Business Plan assumptions on the cost of debt.	Sub-optimal Debt Structure	Evaluation of options – supported where necessary by external advice and expertise - to the HRA's debt structure leading to the selection of the most optimal financing strategy. Review of the planned development programme to prioritise the use of funds to meet debt repayment.	2	2	6		Head of Finance – Mike Snow

Description of Risk	Cause	Effect	Control/Mitigation	L	S	Risk Score	Action Taken	Risk Owner
Changes in income that fall below assumptions made in the HRA Business Plan	Significant changes in social security policy (including Housing Benefit) which negatively impact actual income collection versus Business Plan projections. Economic downturn increases unemployment levels and reduces incomes, wages and salaries, resulting in tenants unable to maintain rent payments. Less than effective income collection processes and systems which reduce income collection levels. Increase in void rates due to higher turnover as people vacate properties. Government-led changes in rent	Likely to increase the amount of rent arrears and the cost of collection meaning a need to increase Bad Debt Provision (BDP) and/or increase the resources to be deployed on income recovery. More properties taking longer to re-let will increase void rent loss.	Increased investment in income collection service. Sensitivity analysis shows that the Business Plan would still be sustainable if there was a significant increase in the necessary BDP. Keep abreast of developments and changes in Government. Amendments to the Allocations Policy to better align lettings of properties with the long term ability of tenants to make rent payments. Amend BDP.	3	2	6	The Business Plan has already managed changes announced in 2013 to national rent policy and remains in a strong position. Completion of Housing & Property Service Redesign in 2014/15 has increased the focus on income collection across the service. Future contributions to the BDP are set at 1.84% based on a prudent estimate of the income that may be lost due to introduction of the changes being made to social security.	Sustaining Tenancies Manager– Jacky Oughton

Description of Risk	Cause	Effect	Control/Mitigation	L	S	Risk Score	Action Taken	Risk Owner
Unsustainable Business Plan following higher than projected Right to Buy Sales	Further changes to the national Right to Buy policy (for example higher discounts, lower qualifying period, wider eligibility criteria, less favourable rules around the sue of sales receipts). Increased availability of mortgage finance allowing more people to access funds needed to exercise the Right to Buy	Increased loss of stock available for letting. Reduced income to repay associated debt.	Sensitivity analysis shows that the business plan is able to sustain a substantial increase in Right to Buy, although this reduces capacity to provide new homes or invest in the service. Amend expenditure to reflect reduced income (and reduced management and maintenance liabilities).	2	2	4	The level of sales that the Council has seen since April 2012 is significantly higher than central Government forecasts which were contained within the original HRA Self-financing debt settlement calculations. In December 2013 the Council revised the Business Plan assumption so that the rate of sales from 2014/15 is 50% higher than the 2012 Government forecasts; this remains the current Business Plan projection.	Head of Housing & Property Services – Andy Thompson

Description of Risk	Cause	Effect	Control/Mitigation	L	S	Risk Score	Action Taken	Risk Owner
Unsustainable Business Plan due to higher than projected increase in repairs and maintenance expenditure.	The assumptions made in the Business Plan regarding the condition of stock and the forecast capital expenditure differ from actual costs incurred for the following reasons: Costs increase following survey of all properties Building & contractor costs higher than forecast Inefficient asset management Significant increase in the required repairs standards	Increases cost and therefore reduces Business Plan viability.	The contingency built into repairs and maintenance cost assumptions allow for reasonable variances in cost outturns. The Business Plan forecasts capital expenditure to increase year on year by RPI from 2018/19. The Business Plan will be reviewed on a regular basis to respond to any significant and business critical changes to actual expenditure versus projections. The current asset management strategy and the use of good business practice will continue to assist in efficient decisions on asset management. Stock Condition Surveys are to be commissioned at regular stages throughout the duration of the Business Plan. The first update is scheduled for 2015/16.	2	4	8	The current stock condition survey was completed in 2010. A new Stock Condition Survey will be completed in 2015.The average cost for the Business Plan for years 31 to 50 have been based on the average 30 year cost extrapolated forward. Pre and post-inspections of repairs is being introduced in 2015 to give greater control to the Council over its repairs and maintenance expenditure.	Asset Manager – Matt Jones

Description of Risk	Cause	Effect	Control/Mitigation	L	S	Risk Score	Action Taken	Risk Owner
Reduction in income to support housing related support services.	The Government has removed the ring fence for Supporting People (SP) funding, which while overseen by Warwickshire County Council WCC), finances elements of the Council's services to older people and others in need of housing related support. WCC is currently considering changes to the way it funds these services (known as Housing related Support) which may result in a reduction in income to the Council.	Services provided which are currently funded from SP budget will either have to be funded by the HRA, via service charges or some services will no longer be able to be provided, which may impact upon adversely on the ability of some tenants to sustain their tenancies.	A full option appraisal on the impact of the funding reduction and recommendations to manage any reductions in income to the Council will be presented to the Executive approval in the summer of 2015, subject to further details of the changes being agreed by WCC. Research being undertaken on alternative funding and delivery mechanisms for housing related support. The next review of the HRA Business Plan (for 2016/17 onwards) will need to take account of any changes that have or are likely to be made to the funding available for Housing Related Support.	5	3	15	The Council is represented by the Head of Housing and Property Services on the Warwickshire Housing Related Support Working Group which is working with WCC on how the SP funding changes can be sensitively and prudently determined and implemented.	Sustaining Tenancies Manager – Jacky Oughton

Description of Risk	Cause	Effect	Control/Mitigation	L	S	Risk Score	Action Taken	Risk Owner
Rental Income lower than Projections in the Business Plan	The Council takes a decision not to increase rents in line with the rent forecasts set out in the Business Plan.	Rental income not sufficient to cover the costs of the Business Plan.	Consider implementing service charges where appropriate to maximize income. Consider changes to service levels to reduce expenditure Each year the Business Plan will be presented to Members during the rent setting process to enable Full Council to make informed assessments regarding the implications of rent setting decisions.	2	5	10		Members of the Council

Description of Risk	Cause	Effect	Control/Mitigation	L	S	Risk Score	Action Taken	Risk Owner
Rental Income lower than Projections in the Business Plan	Rent increases are set by reference to national inflation data. If those figures are below expectations or there is a prolonged period of deflation, then rents may not be able to increase in line with cost. However, in recent years, inflation within the construction industry – which impacts on repairs and maintenance - has been higher than the national average.	Rental income not sufficient to cover the costs of the Business Plan.	Low inflation likely to also reduce some of the costs in the Business Plan, mitigating some of the effect. National Rent Policy is guidance, not mandatory. If inflation is less than forecast the rent setting process would therefore need to consider the following options: • Rent increases above inflation (within limits) • Reduction in capital and revenue costs • Sale of homes Ring fencing and recycling of Right to Buy receipts (currently used to support private sector housing) into the Business Plan. Consideration given to amending or reducing the level of services offered. Continued use of market testing to secure competitive prices for materials and services.	2	4	8		Head of Housing & Property Services – Andy Thompson

Description of Risk	Cause	Effect	Control/Mitigation	L	S	Risk Score	Action Taken	Risk Owner
Unsustainable Business Plan due to higher than projected increase in supervision and management expenditure.	The actual costs of managing housing and providing services to tenants may differ from the Business Plan assumptions, for example: Increase in support service costs. Building & contractor costs higher than forecast • Increase in staff costs More services required for an ageing population Changes in the services required New legal obligations to deliver new and unforeseen services	Increases cost and therefore reduces Business Plan viability.	Consideration given to amending or reducing the level of services offered. Continued use of market testing to secure competitive prices for materials and services. Review repairs and maintenance arrangements. Review housing management arrangements.	3	3	9	The service redesign has been completed. All staffing structures were reviewed and revised costs have been built into the latest Business Plan. Review of current repairs and maintenance arrangements (planned for 2015/16)	Head of Housing & Property Services – Andy Thompson
Income recovery lower than Projections in the Business Plan	The nationwide roll-out of Universal Credit during 2015 will mean that increasingly social security payments will now include in one payment an amount cover housing costs Universal Credit will be paid monthly in arrears to tenants. to	Reduced revenue Increased collection costs Possible increase in BDP	Increased investment in income collection service. Revised income recovery policy. Consider change from weekly to monthly rent accounting. Increase BDP Amend service levels to match collectable income.	3	3	9		Head of Housing & Property Services – Andy Thompson

Appendix Three: HRA Business Plan (2015/16 to 2061/62) Assumptions

Assumption	December 2013 Business Plan	March 2015 Business Plan	Explanatory Notes
General Inflation	RPI Estimated per average of independent forecasts in short term (to 2016). Estimated RPI = CPI target + 1.1% = 3.1%	RPI Estimated per average of independent forecasts in short term (to 2018). Longer term, estimate RPI = CPI target + 1.1% = 3.1%	Inflation remains at historically low levels.
Rent Increases	CPI + 1% CPI estimated per average of independent forecasts in short term (to 2016). Longer term, assume CPI = national target 2%, hence 3%. No rent restructuring for current tenants from 2015/16. Move void properties to target social rent.	CPI + 1% CPI estimated per average of independent forecasts in short term (to 2018). Longer term, assume CPI = national target 2%, hence 3%. No rent restructuring for current tenants. No attempt to catch up for increasing rents less than Government guidance in prior years. Move void properties to target social rent.	The new social rent formula, set by the Government, is intended to apply for ten years from 2015/16. Whilst the formula gives the Business Plan some medium term stability in relation to income, the formula is based upon the Consumer Price Index (CPI) rather than Retail Price Index (RPI), leading to lower rent increases than projected within the Self Financing Debt Settlement.
Bad Debts as a % of Gross Rents	Max 2.84%; 1.84% long term, as per forecasts from latest welfare changes data	1.84% long term, to be reviewed once Universal Credit is introduced and the effect is more certain.	The Government plans to introduce Universal Credit across the country by the end of 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 adjusted accordingly to allow for the possible impact of this change resulting in increases in rent arrears.
Void Rent Loss as a % of Gross Rents	0.7%	0.7%	Current Voids performance.
No. of Garages Demolished	216 by 2022/23	128 by 2022/23 (216 total, including 88 already demolished from 2012/13)	No change in sites identified for possible development.
Management Costs	No inflation to 2016/17 and an additional 10% saving on many budgets by 2016/17 from efficiencies. Afterwards increase by RPI. When homes sold, assume no saving in management costs.	Most savings assumed in previous BP reversed. No inflation to 2016/17. Afterwards increase by RPI. When homes sold, assume no saving in management costs.	Staffing costs updated to reflect Housing and Property services redesign. Potential savings on non-staff budgets to be reviewed in light of new structure.
Revenue Repairs & Maintenance Costs	Reduced per partnership projections; inflation offset by efficiencies for first 4 years. When homes sold save 100% of average unit repairs cost Annual cost increases: RPI	Savings assumed in previous BP reversed. When homes sold, save 100% of average unit repairs cost Annual cost increases: RPI	In 2013/14 – the first year of Open Book contracting – there was a saving on comparable jobs over 2012/13 of £160,000. However over all responsive repairs, costs increased by £615,000 due increased activity. Any significant saving on unit costs is unlikely to be repeated in 2014/15 because the contractor will now have been able to increase overheads and profits because the volume of works has increased. The contractual arrangements for this work are being reviewed in

			the first two quarters of 2015/16. Inflation within the construction industry, as measured by the Government, can vary from the RPI figure. Consideration is being given in the interests of prudent and intelligence-led budget setting to in the future using the construction industry rate for repairs, maintenance and capital investment.
Capital Maintenance Costs	Reduced per partnership projections; inflation offset by efficiencies for first 4 years. When homes sold save 100% of average unit capital maintenance cost. Annual cost increases: RPI	Savings assumed in previous BP reversed. When homes sold, save 100% of average unit capital maintenance cost. Annual cost increases: RPI	Inflation within the construction industry, as measured by the Government, can vary from the RPI figure. Consideration is being given in the interests of prudent and intelligence-led budget setting to in the future using the construction industry rate for repairs, maintenance and capital investment.
No. of Right-To-Buy Sales	1,301 over 50 years; latest 2013/14 forecast, then 50% higher than previous projections due to increased discounts	1,216 over remaining 47 years.	No change in assumptions for future years, small additional changes in RTB discounts unlikely to affect sales. Expected 2014/15 sales were in line with previous assumption.
Income from RTB sales reserved for new build only	£800,000	£1,000,000	Current and projected sales are remain very close to threshold for retaining sales receipts to support '1-4-1' replacement of sold homes. Therefore unless sales increase from the current level, the Council will be able to retain little or no further money.
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.

No. of New Homes - first 10 years	541	394	Due to revised projections - Increased cost of land and construction, reduced surplus from existing homes available to fund homes.
No. of New Homes - total 50 years	3,831	2,288	Due to revised projections - Increased cost of land and construction, reduced surplus from existing homes available to fund homes.
New Homes - Rents	Social	Social, except specific schemes underway where different.	
New Homes - Management	No variable cost, as costs predominantly fixed.	No variable cost, as costs predominantly fixed.	
New Homes - Repairs & Maintenance	Based on revenue and capital maintenance costs for existing homes; reduced maintenance in first 10 years	Based on revenue and capital maintenance costs for existing homes; reduced maintenance in first 10 years	
Interest Rate on HRA Balances	First 5 years per latest forecasts. 1% long term	First 5 years per latest forecasts. 1% long term	
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.