

Appendix Three: Housing Revenue Account Business Plan (2016/17 to 2061/62) Assumptions

Assumption	March 2015 Business Plan	March 2016 Business Plan	Explanatory Notes
General Inflation	RPI Estimated per average of independent forecasts in short term (to 2018). Longer term, estimate RPI = CPI + 1 = 3.1%	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.
Rent Increases	CPI + 1% estimated per average of independent forecasts in the short term (to 2016). Long term assume CPI = National target 2%, hence 3%. No rent restructuring for current tenants for 2015/16. Move void properties to target social rent.	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 average about 1% from 2020/21 onwards. Move void properties to target social rent.	The Government has a commitment to reducing the level of inflation. The reduction in fuel prices has helped to keep inflationary pressures below the Government targets.
Bad Debts as a % of	1.84% long term, to be	Bad debt Provision	The Government began to introduce Universal

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Gross Rents	reviewed once Universal Credit is introduced and the effect is more certain.	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.	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 maintained at the current level to allow for the possible impact of changes that can lead to an increase in rent arrears.
Void Rent Loss as a % of Gross Rents	0.7%	0.7%.	Current void rent loss is below this level.
No. of Garages Demolished	128 by 2022/23 (216 total, including 88 already demolished from 2012/13)	As in 2016/17 and review in line with outcome of Housing Futures Project	
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.	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	Staffing costs for future years will be updated on an annual basis as changes become apparent.

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		management costs.	
Revenue Repairs & Maintenance Costs	Savings assumed in previous BP reversed. When homes sold, save 100% of average unit repairs cost Annual cost increases: RPI	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	Savings assumed in previous BP reversed. When homes sold, save 100% of average unit capital maintenance cost. Annual cost increases: 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	1,216 over remaining 47 years.	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.	Right to Buy sales is expected to be in line with previous business plan; no significant changes expected that will escalate the level of sales.

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Income from RTB sales reserved for new build only	£1,000,000	£1,000,000	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.
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	1,253	406	Revised projections due to increased costs of land and construction, and reduced surpluses due to the 1% reduction over 4 years of rental income.
No. of New Homes - total 50 years	2,288	698	Revised projections due to increased costs of land and construction, and reduced surpluses due to the 1% reduction over 4 years of rental income.
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 will be ready for letting in Q3 2016-2017. Great Field Drive includes 16 shared ownership properties, which have been sold during Q3 and Q4 2015-2016.
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	

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Interest Rate on HRA Balances	First 5 years per latest forecasts. 1% long term	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.	
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.