

## **APPENDIX A - HRA BUSINESS PLAN KEY ASSUMPTIONS**

<b>FACTOR</b>	<b>ASSUMPTION</b>
<b>GENERAL INFLATION</b>	
CPI	-0.1% in 2016/17, 1% in 2017/18 and 2% from 2018/19 onwards in line with the government target for CPI
RPI	1% above the CPI in line with experience
<b>INCOME</b>	
Dwelling rents	1% reduction per year over each of the next 4 years and then reverts to previous government formula of CPI + 1% (3%) from 2020/21
Service charges	The general principle underlying service charges is that they should recover the cost of providing services and it is assumed that they will increase in line with CPI + 1%
Garage rents	No increases have been assumed to reflect issues with difficult to let garages
Heating charges	Freeze in 2016/17 and then increase in line with RPI in subsequent years
Void rates	2% in line with historical experience
Interest income	0.5% in 2016/17, and 1% in subsequent years
<b>EXPENDITURE</b>	
Employee related expenses	1% increase per year over each of next 4 years then CPI increases from 2020/21
National Insurance	Increase in NI rate from 10.4% to 13.8% in 2016/17 as a result of Government pension reforms
Pension Costs	Increase of £43,000 in 2016/17 as a result of last actuarial review
Repairs, Maintenance and Energy Costs	Increase in line with RPI
Bad debt provision	0.5% of income in line with historical experience but 1% in 2016/17 to 2018/19 to take into account the implementation of Universal Credit and other welfare reform changes
Funding for capital programme	Contribution based on asset management plan expenditure and resource requirements
Capital Financing	Interest rate on existing borrowing fixed at 3.47% and the rate on any new borrowing assumed to be 4.5%. Principal repayments increase each year by 3% in line with long term RPI assumptions
Other Expenditure	Increase in line with CPI

<b>STOCK NUMBERS</b>	
Right to Buy Sales	30 sales per year in line with current trend
Demolitions	16 demolitions in 2017/18 as part of the Beechtrees Revival project
New Build	42 new properties in 2016/17 as part of the Firbeck Revival project
Changes in stock numbers	Changes in stock numbers will affect the following areas: dwelling rents and service charges, repairs, maintenance and energy costs, and other expenditure
<b>BALANCES</b>	
HRA Balances	Increase in line with RPI

### **AREAS OF UNCERTAINTY WITHIN THE BUSINESS PLAN**

- 1) It is difficult to accurately predict future inflation rates, interest rates and the level of Right to Buy sales. These will be kept under review and updated if required
- 2) The Welfare Reform agenda and the roll out of Universal Credits may potentially have a significant effect on the level of bad debts

### **FACTORS NOT BUILT INTO THE BUSINESS PLAN**

- 1) The effect of the anticipated implementation of the Government's "Pay to Stay" arrangements from 2017/18
- 2) The effect of a new Government initiative requiring local authorities to sell high value properties when they become vacant
- 3) Future potential reductions in Supporting People funding
- 4) For historical reasons some properties are charged rents below the formula target level. However when these properties are re-let they will be charged at the target rent level minus 1%. This will tend to raise rent income but has not been factored into the business plan as it is difficult to accurately assess the pattern of voids