

## APPENDIX A - KEY BUSINESS PLAN ASSUMPTIONS

	2017/18	2018/19	2019/20	2020/21	2021/22
<u>General Factors</u>					
CPI Inflation	1%	2%	2%	2%	2%
RPI Inflation	2%	3%	3%	3%	3%
Stock numbers	-0.9%	-0.6%	-0.8%	-0.8%	-0.9%
<u>Income</u>					
Dwelling rents	-1%	-1%	-1%	3%	3%
General Service Charges (CPI + 1%)	2%	3%	3%	3%	3%
Garage rents	0%	0%	0%	0%	0%
Heating Charges	-2%	3%	3%	3%	3%
Interest income	0.3%	0.3%	0.3%	0.3%	0.3%
Other income (CPI)	1%	2%	2%	2%	2%
<u>Expenditure</u>					
Employee related	1%	1%	1%	2%	2%
Repairs, maintenance & energy (RPI)	2%	3%	3%	3%	3%
Bad debt provision	1%	1%	0.5%	0.5%	0.5%
Interest rate on new borrowing	3%	3%	3%	3%	3%
Other expenditure (CPI)	1%	2%	2%	2%	2%

### Notes

- ✓ (1) As void rates, (currently budgeted at 2%), are not expected to change over the period of this forecast and their impact is built into the starting budgets they have not been included in this analysis
- ✓ (2) The average interest rate on existing borrowing of 3.47% is fixed and will not change over the forecast period and so is not shown above
- ✓ (3) The scale of the investment programme has been based on long term investment profiles and will be reviewed in time for Council in February 2017.
- ✓ (4) For 2017/18 draft budgets the above assumptions have been applied but where there is a contractual obligation for a different rate it has been used instead
- ✓ (5) In addition to the assumed 1% pay uplift in 2017/18, employers pension contributions have been increased from 13.7% to 16.3% as a result of an actuarial review of the pension fund
- ✓ (6) No principal repayments of debt will be made over the next 3 years and then this position will be reassessed in 2020/21

## **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 continuing welfare reform agenda, along with the implementation of the Local Housing Allowance may potentially have a significant effect on the level of bad debts.

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

- 1) Although the High Value Assets Levy has been delayed until April 2018 at the earliest it is still on the horizon. As there remains no information on the size or nature of the levy, no definitive date that the levy will start to be charged, or a formula with which to calculate it, the levy has not been included in the business model.
- 2) Current Government policy requires a 1% reduction in tenant rents until 2019/20. The business plan assumes that after this time rent increases will return to the previous formula of CPI + 1%. If Government extend the rent reduction period or implement any other policies these are not included in the business plan.