

HRA Business Plan Model 2018/19 – 2048/49

The HRA Business Plan model has been built on the proposed budget figures for 2018/19 and future forecasts. Key assumptions used in the base BP are set out below

Item	Importance to BP	BP Assumptions
General		
Stock numbers	Number of homes key to driving forecasts about rental income	Opening stock = as per budget. Reduced by forecast RTB sales / increased by new build (see below).
Inflation	Underpins forecasts for income and expenditure. Rent income uses lower CPI figure, expenditure general goes up by higher RPI.	Treasury forecasts for 4 years then reverting to government long term target (RPI 3.1%, CPI 2.1%)
Borrowing/debt	The level of debt ('mortgage') held in the HRA impacts both: <ul style="list-style-type: none"> - The level of interest the HRA needs to pay on that debt - The amount of any new borrowing possible before reaching the debt cap 	Opening debt of £245m, interest as per budget No additional borrowing assumed and small number of loans that fall due during the BP are assumed to be refinanced.
Balances	Balances brought into the start of the plan help to fund expenditure in the early years of the BP where annual expenditure outstrips annual income	As per budget funding decision.
Income		
Rent income	The vast majority of income is from tenants rents. Assumptions about both rent levels and stock numbers are key to the BP.	Average starting rent for 2018/19 as per budget. Target rent increases as per government policy, i.e. -1% for a further year, CPI+1% for the next 5 years and CPI thereafter.
Service charge income	Charges for specific service (e.g. caretaking, laundries) should cover the cost of these services (year one service charge income = £8.4m)	Charges increase in line with increases in costs. Costs are generally salary/overheads or utility costs and are assumed to rise by 1% p.a. in line with recent pay awards.
Voids	The level of void properties impacts on net rental and services charge income (no tenant = no rent)	IAs per budget (rent loss £1.5m) then in line with Cabinet Member targets (reducing to £1.2m by 2020)

Bad Debts	Lost rental income due to provision for bad or doubtful debts (i.e. the increase in the amount of rent arrears or rent written off)	As per budget but an increase to 2.9% from 2019/20 with the introduction of further welfare changes (Universal Credit)
Sundry income	Relatively limited income from shops, garages, etc. 2017/18 budget = £1.3m	This income is assumed to not rise
Right To Buy	RTB levels have two main impacts on the BP: <ul style="list-style-type: none"> - Loss of stock = loss of rent - Sales mean capital receipts and, with the reinvigoration of RTB and ability to retain additional receipts if they are reinvested in new homes, these receipts have a significant impact on the BP 	Sales forecast to reduce slightly year on year down to 160 sales by year 10. Average valuation as per budget – rising by inflation Split of future receipts as per RTB model and new build budget forecast (for use of Additional receipts at 30% of new build costs)
Other stock losses	A small loss of other stock – previously from sales of high repair acquisitions, now sales are on hold this is due to the lease of these homes to other RPs (homes used ‘in-house’ for temporary accommodation for homeless households will attract a normal rent)	Assumed ‘loss’ of 5 units p.a. leased to partners. N.B. government policy on Higher Value Levy will need to be monitored – assumptions may need to be included about sales of empty homes / payment of levy.
Expenditure		
Management Costs and Service Charge costs	Spending on staffing salaries and overheads to provide the landlord service – direct costs within Housing Delivery plus recharges from other parts of the council.	Management costs assumed to rise by 1% as mostly salaries. Service costs also assumed to rise by 1%.
Repairs and Maintenance (Revenue)	Spend on the day-to-day responsive repairs, relets and maintenance of homes. Most of spend on internal workforce and materials	Budget based on spend required to relet homes to a lower standard plus demand-led responsive repairs and necessary maintenance. BP assumes costs rise by RPI as building cost inflation historically rises above other costs
Capital Programme – Investment in stock	Biggest elements of spend in BP on major repairs and elemental replacement	Budget aimed to maintain homes at Decent Homes Standard Costs are assumed to rise by RPI, again as building costs tend to rise above other costs
New build programme	New homes have two key impacts on the BP: <ul style="list-style-type: none"> - Additional rental income 	Future programme 60 homes / £10.2m

	- Significant building costs	
Debt costs	Annual interest payments on existing debts on the HRA – priority area of spend.	Opening debt of £245m with interest charges of £12m