Appendix 1: HRA Business Plan Key Assumptions

	Assumptions	Notes
Inflation	2024/25 – 3% 2025/26 Onwards – 2%	▪ 2024/25 reflects a minor reduction in CPI versus the current level (although a retrospective CPI rate is used for some items within the plan based on contractual mechanisms) ▪ The rates used for 2025/26 reflect OBR and BoE projections for when CPI will return to the 2% target
Dwelling Rents	2024/25 – 7.7% 2025/26 to 2026/27 – CPI+1% 2027/28 Onwards – CPI Only	▪ Maximum rent uplift assumed for 2024/25 (as per national rent policy) ▪ Assumes that the ceiling in the existing rent policy will remain for at least 2 further years (i.e. CPI+1%) ▪ More cautious assumption from 2027/28 onwards (in the absence of any formal announcement on future rent policy)
Voids	2%	Same as previous BP
Bad Debt	0.61% in 2024/25, 1% from 2025/26 onwards	Same as previous BP
Service Charges	£7.48 as the opening average weekly charge (uplifted in line with inflation rates applied to rechargeable costs)	▪ Opening rate based on most recent SC estimates (i.e. 2023/24) ▪ The approach adopted for inflating the service charge estimates is the same as the previous BP
Non-Dwelling Rents	Linked to CPI from 2024/25	Same as previous BP
Repairs and Maintenance Costs	Based on an adjusted CPI estimate to reflect higher inflation in this sector	▪ A higher rate of inflation is assumed for 2024/25 (as contractual mechanisms apply a CPI retrospectively) ▪ The prevailing rate of CPI is applied for 2025/26 onwards
Interest Rates	2.6% on External Borrowing	▪ Same as previous BP ▪ This reflects an expectation that the Council's forward borrowing facility will support investment in the short-term and provide time for interest rate volatility to settle
Pay Award	2024/25 - 3%	Consistent with General Fund (and over-arching CPI assumption)
RtB Sales	15 per annum	Same as previous BP

Appendix 2: HRA Business Plan Risks, Impacts & Mitigations

Risk	Impact	Mitigation
Capital Receipts	Any significant slippage in the timing or value of receipts will create a shortfall in capital financing (temporary or permanent) which would increase the HRA borrowing requirement.	HRA borrowing doesn't hit capacity until Year 12 of the business plan. Up to this point there is sufficient headroom to manage delays to the timing of receipts. In order to manage potential shortfalls, valuations will be regularly undertaken for schemes with units for sale in order to closely monitor projected receipts. Alternative options may be sought to keep schemes viable. A development contingency is also included to cover shortfalls of this kind and keep the capital programme within available funding parameters.
Availability of External Funding	The Climate Works programme is assumed to be 50% externally funded (i.e. government grants). If this is unachievable, the HRA borrowing requirement will increase.	The interest cover in the HRA BP provides an opportunity to generate additional borrowing capacity, if required. However, it is likely that a more permanent mitigation would be required that would require a flattening of capital spend profiles or even exiting from investment activity that is not formally committed (and revising priorities accordingly).
Rent Policy	The existing 5-year Rent Policy period comes to an end in 2024/25. If the revised policy for 2025/26 onwards restricts rent increases by more than the level modelled there will be a reduction in HRA income.	Lobbying, with other RPs, is key to the success of preventing this. However, the level of contingency built into the HRA revenue budget (as interest cover) and the balance on the HRA reserve provides a mitigation to reduce the

Risk	Impact	Mitigation
		potential impact of rent uplifts being lower than modelled (as covered in the sensitivity analysis within the report).
Interest Rates	The rates assumed are 2.6% on new borrowing throughout the plan (based on current forward borrowing arrangements). If interest rates were to rise significantly this would have an adverse impact HRA borrowing capacity.	The revenue budget includes an interest cover ratio of at least 1.20 in any given year. This ensures that the revenue budget can absorb the impact of interest rate increases (up to a point). Stress testing of the business plan indicates that it could potentially absorb the impact of an increase of up to 2.4% over and above the rate assumed (for the first 5 years of the plan when almost half of all new borrowing is committed).
Inflation	If inflation were to be higher than the assumed CPI rates, the resulting cost increase would alter the surplus/deficit position on the revenue account. This would reduce the available revenue contribution and cause a need for additional borrowing to support the capital programme. The cost increases would also impact scheme viability within the capital investment strategy and may result in a need for additional borrowing.	The increase in revenue costs would be partially offset by increased income that is also linked to CPI (e.g. rents and services charges). The level of interest cover on the revenue budget would also provide some means of absorbing cost increases, but ultimately the BP would need to be refreshed and spending plans reviewed accordingly.
Cost of Living Crisis	The increased strain on household incomes undoubtedly increases the likelihood that levels of rent arrears will grow. If this becomes bad debt, available HRA resources will reduce. This	More active/proactive debt management action will undoubtedly be required, mainly to get an early warning on emerging trends.

Risk	Impact	Mitigation
	has yet to materialise to any significant degree but may become more prevalent when government support ceases.	The Council's Rent Support Fund is designed to help tenants that may be experiencing difficulty with rent and will also provide an opportunity for early intervention to prevent arrears from building. This has been extended fort a further 12 months.
Impact of Brexit/Economic uncertainty on construction prices	Price inflation is being experienced within the construction/maintenance sector driven by the availability of materials and labour (arising from global inflation, barriers to supply, additional costs applied to imports, and changes in the value of sterling). This could continue to drive a need for increases to the HRA borrowing requirement or adversely impact delivery profiles within the capital programme.	A detailed review of inflation exposure within the HRA capital programme was undertaken in 2022/23 and mitigating allowances were made in the business plan. Ultimately, the contingency built into the capital programme will continue to be the key mitigation, but where schemes become unviable as a result of cost increases there may be a need to terminate or delay.