**APPENDIX 1**

**EASTBOURNE BOROUGH COUNCIL - HRA 30-YEAR BUSINESS PLAN 2019/20 - ASSUMPTIONS**

| Cost Type | Assumption | Rationale | Risk | Effect/Mitigation | Different From 2018/19 Plan? |
|---|---|---|---|---|---|
| Stock Numbers and Average Rents | Stock numbers (starting stock 3,440) and average rents and the breakdown have been obtained from the Civica CX system | The rent system is the place where accurate records of both pieces of information would be held | Stock numbers change due to system or increased RTB | The risk is not great, as the numbers being used come from the system used to collect rent. | No |
| Rent Inflation | Consumer Prices Index (CPI) +1% for Years 2-6, then CPI + 0.5% thereafter | The Government has announced the CPI +1% policy, but, after five years, this may change | We have already experienced changes in Government Policy that have had a huge detrimental impact on the HRA Business Plan | Any change in rent uplift policy has a significant and long- term impact on the plan, but, as it will be reviewed annually, this risk will be mitigated as necessary | No, but the years of rent decreases ended in 2019/20 |
| Management, Maintenance and Other Cost Inflation | Retail Prices Index (RPI) for Years 2-6, then RPI is set at the same level as CPI+0.5% | RPI is usually used for cost inflation, but measures will have to be taken to find efficiencies from Year 7 onwards if RPI outstrips CPI+0.5% | If RPI does outstrip rent increases, then services may have to be reduced/cut | If the approach taken in the Business Plan is not sustainable, then the HRA could become unviable, but this will be reviewed as necessary | No |

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|---|---|---|---|---|---|
| Rental Income | Rental Income starts at £13.7m in 2019/20. Service Charge Income is £1m | This figure comes from the rent system | N/A | N/A | No |
| Management and Maintenance Costs | Management and Maintenance Costs in 2019/20 were £8.352m. These were increased in 2019/20 by a one-off £250k for restructuring costs and £384k additions to the EHL Management Fee. From 2020/21 onwards, £424k per annum of the above monies has been treated as ongoing so that enhanced services can be provided | Now that rents will start to increase, the Council wants to improve management services for its tenants | N/A | N/A | Yes – the £400k per year is an addition to the plan |
| Capital Programme – Major Works | For 2019/20 - £4.334m, then £4.3m from 2020/21 onwards (per agreed Capital Programme) | The programme is set at current expenditure levels across the 30 years | This annual allocation may prove to be inadequate to maintain the stock at the required standard (Decent Homes)when the stock survey is completed this year | The impact is currently unknown, but the plan will need to be reviewed if it is significant – otherwise stock may fall into non-decency | Yes – future years' annual allocation has increases from £4m to £4.3m |

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|---|---|---|---|---|---|
| Capital Programme – Estate Renewal and New Build | The plan assumes that the Bedfordwell Road scheme will transfer from the General Fund to the HRA in 2019/20. 47 new builds per annum are assumed from 2023/24 onwards, with occupation assumed 12 months after build. Rents are assumed at LHA rates | The Council has aspirations to increase its HRA stock to address Housing Need. The lifting of the debt cap will allow it to realise its ambition | The Business Plan target may prove to be too ambitious because of cost, staff capacity or land availability – other than Bedfordwell Road, current figures included in the Business Plan are not based on firm projects | As areas are earmarked for Estate Renewal or New Build, schemes will need to be worked up and costed and will not go ahead without Cabinet Approval. The financial assessment of each scheme will include testing its viability and modelling it into the Business Plan to understand its impact | Yes – the previous plan did not include new development on this scale |
| Capital Programme – Acquisition | The plan assumes 13 purchases of street properties in 2020/21, 11 in 2022/23, then 22 per year from 2023/24, with rents assumed at LHA rates | The Council has aspirations to increase its HRA stock to address Housing Need. The lifting of the debt cap will allow it to realise its ambition. Buying street properties allows a quick replacement of stock lost through RTB | The Business Plan target may prove to be too ambitious because of property prices, staff capacity or property availability – maximum purchase prices have been set to ensure viability | If house prices increase significantly, then this programme will need to stop (or be confined to affordable areas) if rents do not keep pace or associated costs cannot be reduced | Yes – the previous plan did not include purchase of street properties |

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|---|---|---|---|---|---|
| Capital Programme – Other Capital Spend | A one-off sum of £500k has been added to the 2020/21 Capital Programme to be spent on piloting carbon neutral initiatives | The Council has an aspiration to improve its carbon footprint and this amount will provide resources for piloting various initiatives – replacement of gas boilers with heat source pumps, for example | N/A | N/A | Yes – this is a new addition to the plan |
| Depreciation | Currently set just above annual Major Works Spending Levels | This curtails a build-up in the Major Repairs Reserve, instead retaining funds in the Operating Account | A robust method of calculating depreciation would need to be devised for audit purposes, and If the Stock Condition Survey shows that higher spending is required to maintain homes at decency levels, then depreciation will need to increase | The Council needs to agree a depreciation policy and follow it once the Stock Survey is completed. If Major Works investment needs to be higher, then the Business Plan will need to be reviewed | No |
| Right to Buy Sales | 22 per year | Based on previous three years' average | Low risk to the Business Plan unless there is a significant increase | N/A | Yes – the previous figure was 23 per year |

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|---|---|---|---|---|---|
| Operation of the Government's Right to Buy One for One Replacement Scheme (RTB 141) | The plan assumes use of RTB 141 receipts on current schemes (including those promised to Aspiration Homes), the proposed new builds and proposed acquisitions. These will be used up, and no return to Government will be required. All RTB 141 receipts after September 2020 will be used by the HRA | Now that the Council has the resources to match fund RTB 141 receipts within its HRA, it is assumed that this is how it would prefer to use them. | No RTB 141 receipts will be available to give to Aspiration Homes or Housing Associations operating within the Borough, other than those already promised | This new approach should ensure that they are kept and used by Eastbourne to provide additional affordable accommodation | Yes – the operation of this scheme was unclear |
| Interest Rate on Borrowing | Each loan has a fixed interest rate which is reflected in the plan. Replacement and new loans attract an interest rate of 4% | Current loan interest rates are fixed. The 4% interest rate applied to new loans is considered reasonable considering that the current rate is around 2.7% | Interest rates may have gone up at the point when refinancing is required | As the loan portfolio is diverse, additional interest on one loan at a time is likely to be manageable within the Business Plan (unless interest rate increases are significant) | No |
| Interest Rate on Balances | 0.5% | This is the sort of rate that has been received on investments for some considerable time | Low risk to the Business Plan | N/A | No |

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|---|---|---|---|---|---|
| Repayment of Debt | Current loans are repaid when they become due, but a new loan (30-year maturity) is taken out as soon as any current loan matures (at 4% interest rate). New loans are taken out as necessary to fund new build and street property purchase programmes at a 4% interest rate. Debt starts at £42.649m and rises to £408.795m by March 2049 | The value of a housing portfolio should outstrip the debt outstanding and therefore there is no need to repay principal. The current debt of £42.649m equates to £12,500 per property | There is always a risk associated with not repaying principal and it would be preferable to do so. However, debt associated with property assets carries lower risk and the Council's priority is to provide additional homes. | If housing values fall significantly, then there could be a problem with the loans outstanding. These currently stand at £42.649m. The HRA Stock Valuation is currently £337.300m | Yes – later loans were repaid when they became due. The debt reduced from £42.6m to £37.7m |
| Minimum Revenue Balance | £1.7m | Based on £500 per dwelling for unforeseen emergencies | Low risk to the Business Plan | N/A | Yes - Minimum Revenue Balance was £1.5m per year |