



Report to: Policy & Performance Improvement Committee – 4 December 2023

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Report Summary	
Report Title	Review of HRA Business Plan Assumptions
Purpose of Report	This report provides Members with an overview of the key assumptions to be made within the production of the 30-year HRA Business Plan.
Recommendations	That Members endorse the assumptions presented, to be utilised in the update of the 30-year HRA Business Plan.

1.0 Background

- 1.1 The Council maintains a 30-year HRA Business Plan to ensure that the HRA is viable and sustainable over a 30-year period.
- 1.2 The Business Plan therefore covers a large time period where many external factors can affect the sustainability of the overall plan.
- 1.3 This report sets out some of the key assumptions which will affect the Business Plan from an external perspective, in order for various scenarios to then be considered looking at the internal factors (such as the setting of rent, capital improvements or revenue services).
- 1.4 The agreed assumptions will then be fed into the overall HRA Business Plan, which will form the basis of the HRA Budget and Rent setting report to be taken to Cabinet on 23 January 2024 and approved at Council on 13 February 2024.

2.0 Proposals

- 2.1 **Appendix A** sets out the various external factors that could affect the Business Plan over the 30-year period. This next section of the report will look at each in turn:
 - Void Allowance – This percentage is set as a proportion of the gross rent receivable and will therefore reduce the total amount of income due to the Council. This figure has been benchmarked against Housemark data to set a stretching target.
 - Bad Debts – This percentage will be generated against the net rent receivable. The balance will be forecast to be maintained at 4% of the net rent, hence where rent

increases, there will be a charge to revenue to increase the bad debt provision. This is just for forecasting purposes, in reality money will be set aside based on actual rent outstanding as at 31 March in any given year together with assumptions over its collectability.

- Right to Buy sales – This assumption sets the amount of right to buy sales in any given year, hence reducing the stock and therefore the total amount of income receivable.
- Borrowing and Interest Rates – These assumptions set the forecast interest rates to be incurred for interest payable on loans taken by the HRA in order to fund capital expenditure where further borrowing is required, but also interest receivable on funds that are held (eg the HRA working balance). These are based on the latest assumptions from the Council’s Treasury Advisors. Should more timely information become available closer to setting the budget, these percentages will be updated.

2.2 Once the assumptions within **Appendix A** have been set, these will be fed into the HRA Business Plan, together with the forecasts of expenditure for both Capital and Revenue over the 30-year period and scenarios can then be modelled to review the effect of different rental values depending on Council’s decision setting the rental charge for 2024/25.

3.0 **Implications**

In writing this report and in putting forward recommendations, officers have considered the following implications: Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding and Sustainability, and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None