CAB2423 (HSG)
FOR DECISION
WARD(S): ALL

CABINET (HOUSING) COMMITTEE

10 DECEMBER 2012

THE OVERVIEW AND SCRUTINY COMMITTEE

10 DECEMBER 2012

HOUSING REVENUE ACCOUNT – 2013/14 RENT SETTING AND BUDGET/BUSINESS PLAN OPTIONS

REPORT OF HEAD OF HOUSING SERVICES

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RECENT REFERENCES:

CAB2262 – Housing Revenue Account – 2012/13 Rent Setting and Budget Principles dated 5 December 2011

CAB2288 – Housing Revenue Account Business Plan – 2012-43 dated 1 February 2012.

EXECUTIVE SUMMARY:

This report proposes dwelling rent increases for April 2013. It is proposed to increase rents in line with the Government's Rent Restructuring Policy used in the self-financing settlement which will result in an average increase for City Council tenants of 4.2%.

The report also considers the impact of the rent increase on the HRA business plan, and discusses options for service delivery and enhancements for 2013 and beyond.

Subject to the outcome of the recommendations included in this report, a further report will be prepared for the January 2013 meeting of this committee with detailed HRA Budget proposals for 2013/14 and an updated business plan.

RECOMMENDATIONS:

That the Committee:

1 Consider the options for service enhancements and additional expenditure as detailed in paragraph 6 and approve the preparation of a detailed HRA budget and business plan based on these proposals.

2 Note the assumptions used to prepare the draft business plan

That the Committee recommend to Council:

3 That the Head of Housing Services be authorised to implement the housing rents increase for 2013/14 in line with the Government rent restructuring policy used in the self-financing settlement, as set out in section 3 of the report, resulting in an overall average increase of 4.2%.

4 That garage rents be increased by 2.6% in line with the inflation provision included in the increase for dwelling rents.

5 That all service charges continue to be based on actual costs incurred, but that combined increases for rent and service charges for existing tenants be subject to a maximum increase of 3.1% + £2.17 and the Head of Housing Services be authorised to implement the changes.

That The Overview and Scrutiny Committee:

7. Indicate whether there are any other matters of significance that it wants to draw to the attention of Cabinet, the portfolio holder or Council.

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REPORT OF HEAD OF HOUSING SERVICES

DETAIL:

1 Introduction

1.1 This report sets out proposals for increasing Council house rents from April 2013. It also discusses options for additional services to commence in 2013 and summarises the impact on the HRA Business Plan of these changes.

1.2 The Council is no longer constrained by the Housing Subsidy system and has the freedom to set rents at whatever level it chooses. However, it should be noted that the "Self Financing Settlement", the payment the Council had to make in March 2012 to leave the subsidy system, was calculated on the assumption that national rent policy of annual increase of inflation + 0.5% be continued for the next 30 years. It also assumed that convergence with target rents would be achieved in 2015/16 (see section 3).

1.3 Since April 2012, the Council has been able to invest in new housing and increase investment in maintenance of existing homes. It has a 30 year Business Plan which aims to maintain the Decent Homes standard for existing stock, build approximately 30 new homes every year and provide a good standard of service to tenants. This Plan assumes that rents continue to increase at inflation + 0.5% annually and converge in 2015/16. A decision to change this will require major changes to the Business Plan.

2 Winchester Rents Compared to Other Landlords

2.1 Comparing rents with private landlords is difficult, although based on a 3 bed property, Council rents across the district are on average 35% of the average private sector rent (or 47% of the very cheapest private rents).

2.2 Average figures for the registered provider sector are no longer available as social landlords are implementing the new affordable rent regime, with new properties and many relets being up to 80% of market rents.

3 Current Rent Policy

3.1 The Council's current rent setting policy is in line with national rent policy. Rent is calculated in line with a national formula which takes account of market values, local economic conditions and the number of bedrooms to determine a “target rent”. Rather than immediately move all tenancies to the “target rent”, the increase has been phased with the aim of all tenants being at target rent by 2015/16.

3.2 Each year, the “target rent” is increased by the September Retail Price Index (RPI) figure + 0.5%. Tenants actual rents are increased by this amount, plus an additional amount to move them closer to “target”. Those already at their “target rent” are increased only by RPI + 0.5%.

3.3 For April 2013, this will mean an increase of 3.1% (2.6% RPI + 0.5%), plus provision for the move to target rents. This will result in an overall average rent increase of 4.2%. This will mean an average weekly cash increase of £4.12.

3.4 Actual increases will vary from one property to another as all tenants are at different points on the move to target rents. However, when introducing “rent restructuring”, the Government determined that no tenant should face increases greater than RPI + 0.5% + £2 per week. It should be noted that retaining this limit (which has not increased since rent restructuring started in 2001/02) means that rents for nearly 1,500 tenants will not have converged by 2015/16, and that for 279 this will continue into the next decade. Whilst the Council is not formally subject to that restriction now, it is proposed that it continues to be applied. The £2 per week adjusts to £2.17 as City Council rents are paid over a 48 week period.

4 <u>Other Options</u>

4.1 The Council can now consider other options, although the impact of any other options needs to be very carefully considered. For example, options could include:

a) Increase rents at RPI only for one year and revert back to the current policy in future years. This would result in an average rent increase of £3.66 per week rather than £4.12.

b) Increase rents each year by RPI only for the full period of the business plan (30 years). This would have the same impact as option 1 for 2013 but would have an increasing impact on future years.

c) A one year rent freeze but revert to the current policy after that. This would mean no increase in 2013.

4.2 The table below shows how each of these options would impact on the HRA balances cumulatively for the next 10 years.

Year	Option a Impact on Reserves £000's	Option b Impact on Reserves £000's	Option c Impact on Reserves £000's
2013/14	-118	-118	-982
2014/15	-238	-359	-1,947
2015/16	-363	-735	-2,903
2016/17	-493	-1,252	-3,827
2017/18	-627	-1,919	-4,740
2018/19	-765	-2,744	-5,655
201920	-908	-3,734	-6,580
2020/21	-1,056	-4,898	-7,520
2021/22	-1,208	-6,243	-8,482
2022/23	-1,364	-7,780	-9,467

4.3 It is clear that Options a. could only be achieved by corresponding service savings of £136,000 per annum (the average annual cost over 10 years).

4.4 The Option b. column shows how the impact of this option increases over time. Service reductions in excess of £800,000 annually would be required to afford this option with further savings required beyond year 10.

4.5 For option c., savings of approaching £1m per annum would be required to make this approach affordable.

4.6 Option a. achieves an average rent increase of £0.46p per week less than if we keep to the current policy. However, any such decision can only be made at the expense of an existing service, such as the discretionary works programme or less new build or less investment on maintenance. Alternatively, it may be possible not to take forward some of the growth proposals detailed later in this paper. However, all are considered important issues which should take priority over discretionary programmes.

4.7 Options b. and c. could only be considered at the expense of a major policy change such as a significant reduction in new build.

4.8 Operating a business plan which starts with debts of over £160 million brings a number of challenges. The Council's Business Plan is sustainable and provides decent investment in housing services. However, it does rely very much on the consistent application of the current rent policy. Taking a different approach in the first year of a 30 year business plan is not recommended. Despite increasing ahead of inflation, Council rents are significantly lower than other social rents and less than half of market rents. They fall well within housing allowances for benefits and universal credits.

4.9 Therefore, setting a rent increase in line with the current policy is strongly recommended. This will result in an average increase of 4.2% or £4.12 per week.

4.10 The table below shows what the impact of each option would be on tenants for the next year:

Table 2 – Summary of % Increases for 2013/14 only:

Change %	**Current Policy – RPI + 0.5% + move towards “Target Rent”**	**RPI Only + move towards “Target Rent” (Options 1 & 2)**	**One Year Freeze – No increases (Option 3)**
0.01 to 1%	0	0	0
1.01 to 2%	0	0	0
2.01 to 3%	0	1994	0
3.01 to 4%	2354	977	0
4.01 to 5%	1134	1422	0
5.01 to 6%	1490	625	0
6.01 to 7%	42	2	0
7.01 to 8%	0	0	0

Table 3 – Summary of Weekly Increase in £s for 2013/14

Change per week £(x48)	**Current Policy – RPI + 0.5% + move towards “Target Rent”**	**RPI Only + move towards “Target Rent”**	**One Year Freeze – No increases**
£0.00	0	0	0
1p to £1	0	0	0
£1.01 to £2	0	21	0
£2.01 to £3	846	1636	0
£3.01 to £4	1332	1237	0
£4.01 to £5	1751	1734	0
£5.01 to £6	1087	392	0
£6.01 to £7	4	0	0

5 <u>Other Income</u>

5.1 The Council collects in excess of £800,000 annually through garage rents. The HRA Business Plan assumes that garage rents increase in line with RPI each year and it is therefore recommended that garage rents increase by 2.6% with effect from April 2013. Members have raised concerns regarding the condition of garages in previous years. In light of this, provision for garage maintenance has been increased. All garages have been surveyed and an increased programme of maintenance is now underway.

5.2 The Council also covers the cost of specific services that benefit a limited number of tenants through service charges. This includes contract cleaning and grounds maintenance of communal housing schemes, utilities consumption in communal areas, the cost of caretaking staff etc. Service charges are calculated annually based on actual cost of the specific services and aim to recover full costs. It is proposed that service charges continue to be calculated in this way.

6 <u>The HRA Budget for 2013/14</u>

6.1 It is not possible at this stage to prepare a detailed budget for next year. This will be reported to this Committee in January 2013. However, set out below are the options which are recommended to the Cabinet (Housing) Committee for additional investment. Unless indicated otherwise the business plan assumes this investment starts next year and is needed each year over the life of the plan.

6.2 Investment in Maintenance and Repairs and on New Homes will continue at similar levels as will investment in all existing housing services. Areas where costs are likely to increase or where additional investment needs to be considered include:

a) Welfare Reform – £100,000 - If the Council is to properly support tenants who will be adversely affected by the welfare reform changes, additional resources will be needed. It is recommended that two additional posts be recruited and that additional independent support, similar to the existing money advice service, be procured. Provision of £100,000 is required to fund this. However, doing nothing will almost certainly result in an increase in arrears by significantly more than this.

b) Programme to Address Under-Occupation – £100,000 - Freeing up under occupied family housing will be crucial if the Council is to address the ongoing increase in housing need. Previous work on this would suggest that if the Council is to make any impact on this issue, it needs to meet all associated costs of moving, provide intensive support and offer a meaningful cash incentive. Other councils are making serious offers of tens of thousands of pounds. A Winchester scheme may well prove successful by offering say £5000 for downsizing by 2 rooms or £2000 for one room.

c) Animal Welfare - £40,000 – Issues and problems relating to animal welfare, dog fouling and nuisance relating to pets continues to increase. The Council's Animal Welfare Officer is unable to meet demands relating to Council tenants and an additional officer is required.

d) Health and Wellbeing - £50,000 – Indices of deprivation indicate that City Council tenants are subject to very significant inequalities in certain areas of the district. Whilst needs and impacts differ from one area to another, it is clear that as a landlord there is more the Council can do to address this issue, including extending the GP Referral scheme, tenant training, worklessness initiatives and specific projects to target deprivation, promote healthy lifestyles and improve overall health and well being of City Council tenants.

e) Estate Improvements - £100,000 – The 2012 programme totals £550,000 is already oversubscribed. The base budget is £250,000 and it is proposed to increase this to £350,000 to ensure that all housing estates have the opportunity to benefit from this programme.

f) Sheltered Housing Fittings - £30,000 – The quality of furnishings and fittings in all Council sheltered schemes requires improvement. All 14 schemes require attention to communal areas if they are to remain an attractive housing option for older people. This investment will at least make a positive contribution to this.

g) New Build Project Officer - £50,000 – The first few months of operating the new build programme have highlighted how labour intensive a development programme can be. The existing team has not been able to take forward a number of schemes that are otherwise ready to proceed and it is proposed that a second project officer be appointed to supplement this team. This will result in bringing forward development and generating additional rental income sooner than planned.

h) One-off community grant - £100,000 – A “one off” provision of £100,000 has been included in the budget for 2013/14 to support the development of community facilities on estates. At this stage, this is not aligned to a specific project but would provide flexibility to support initiatives with a clear and proven benefit to tenants.

6.3 The staff implications arising from these proposed additional investments will be reported to the Personnel committee in January

7 <u>The HRA Business Plan</u>

7.1 All of the above issues have been taken into account when updating the HRA Business Plan for 2013 and beyond. Subject to final approved rent levels, it is possible to prepare a Plan that meets all ongoing priorities, funds the additional growth highlighted above and maintains balances at a reasonable level for the next 30 years. Appendix 1 shows the forecast Operating (revenue) account for this period and Appendix 2 shows the capital investment and funding. The Plan is tight for the first 16 years, largely due to the planned investment on maintaining existing stock throughout this period, paying interest on debt taken on earlier this year and then repaying some of those loans.

7.2 Surpluses are projected to increase significantly later in the Plan. This is due mainly to plans for repaying loans throughout the period thus reducing interest payments on the debt. Potential for reducing rent or for major changes in plans for investing in new services or more homes will be greater in the later years of the plan.

8 Assumptions in the Business Plan

8.1 The base income and expenditure on which future years income and expenditure is based is the revised budget for 2012/13. Any one-off items of income and expenditure are removed to establish a base budget for 2013/14. It is then necessary to make assumptions regarding inflation and other factors e.g. new items of expenditure, in order to arrive at a 30 year business plan. A number of these items are covered in detail in the report but Appendix 5 sets out the other key assumptions used in the compilation of the plan. The main changes since the plan was last prepared are:

a) Income has been adjusted assuming rents and other income increase in line with recommendations in this report

b) Management and service costs have been increased to reflect the options set out in paragraph 6 above.

c) New build investment has been adjusted to reflect the current approved programme and extended throughout the life of the Business Plan (see section 10). A separate provision of £170,000pa is now included for loft conversions.

d) A contingency provision has been included from year 5 of the Plan within the Repairs programme to allow for any potential additional work that could be identified through the Stock Condition Survey to be completed in 2013.

e) It is unlikely that the previously assumed reduction is spending on disabled adaptations can be achieved so the plan now assumes that spending remains at £800,000 pa.

f) The RPI for September 2012 has been published at 2.6%, compared to the 2.5% assumed before.

g) The allowance for income losses from void dwellings has been reduced from 1.5% to 1.1% to reflect improved performance in reletting dwellings.

h) The inflationary allowance for non-repairs revenue spending has been reduced by 1.1% (from 3.0% to 1.9%) in 2013/14 and by 0.5% (from 3.0% to 2.5%) over the rest of the planning period.

i) The inflationary allowance for repairs spending has been reduced by 2.0% (from 3.5% to 1.5%) for the next 2 years to reflect the current buildings inflation indices on which major term contracts are based. For the following 3 years the reduction is between 0.5% and 1.0%. After that it has been assumed that costs will increase by 0.5% above the rate of inflation as this, historically, has been the case. This had not previously been allowed for.

8.2 It should be noted that the plan already assumed a substantial increase in bad debts as a result of Welfare Reform and at this stage there is no evidence to suggest a larger increase is needed. This will be kept under close review and will be reassessed once the results of current pilots are available.

9 Working Balances

9.1 A review has been undertaken of the long term level of the working balance. This has had regard to the potential call on the working balances in any one year and has taken into account in particular, the provisions included in the business plan for matters that had previously been included in the assessment of the working balance. For example, it is proposed that the 30 year business plan should make provision for the possible increase in major works spending arising from the stock condition survey and for the impact of welfare reform.

9.2 The purpose of the working balance is therefore to retain a level of resources to cope with unbudgeted events in year to ensure that the HRA is not in deficit at the year end. If such an event did occur, the General Fund would need to make good the deficit. So whilst historically, there have been few instances where the HRA has needed to draw on its balances in year it needs to retain sufficient balances to ensure there is no impact on the General Fund.

9.3 The latest assessment of balances is shown in Appendix 3. In summary, it is proposed that balances be set at £1M for 2013/14 and increased in line with inflation thereafter. A comparison of the proposed minimum level of balances with the proposed business plan is set out graphically in Appendix 4.

10 New Build

10.1 When the business plan was originally drafted provision was made for capital spending for the first 15 years, with the main focus being on the first 10 years. Since then there has been considerable progress with identifying sites etc and there is little doubt about the demand for affordable housing over the long term. It is therefore considered appropriate to extend the annual capital budget provision over the full 30 year period of the plan.

10.2 Experience to date has shown that the initial capital cost of £130,000 per dwelling is unlikely to be adequate and that an allowance of £150,000 per dwelling is more appropriate (including fees). This sum is increased annually by RPI. No allowance has been made for land purchase as it is assumed that all development will be on sites currently owned by the HRA.

10.3 The other major consideration is the rent level for new build dwellings. The Development Strategy provides for rents to be set on a site by site basis assuming 30 year viability period. With a capital cost of £150,000 an affordable rent of £133 pw (or £144 pw on a 48 week basis) is needed to meet the viability criteria and the business plan assumes this rent level is charged. This is 20% to 25% higher than comparable social rent levels and well below the maximum 80% of market rent. It would not be possible to reduce rents to social rent levels without making expenditure reductions as balances would fall below the minimum required levels in some years.

11 Business Plan borrowing assumptions

11.1 The total "debt" outstanding on the HRA is £166.853M. This is made up of fixed term loans from the PWLB of £156.722M and a variable rate "internal loan" from the General Fund of £10.131M. By the end of the 30 year period the PWLB loans will have reduced as planned to £56.722M. There is no provision to repay the loan from the GF. If this money was required by the GF the presumption is that the HRA would need to raise the money from the PWLB. The business plan prudently assumes that this happens on a phased basis over the next 3 years (by increasing provision for the cost of interest on this element of the debt), which means that interest cost moves more in line with predicted long term PWLB rates over this period (see Appendix 5 for details). In reality the HRA may determine to pay off some of this internal debt as soon as possible in order to minimise its interest costs (and to re-borrow internally as and when required).

11.2 The total of the loans outstanding at the end of the current 30 year plan is £66.853M. This is unchanged from the previous plan. The forecast surplus at that time is £141.174M, leaving a net position of approximately £74M.

11.3 Whilst the 30 year position is unchanged it has been necessary to assume some limited short term re-borrowing. This occurs in the period between 2024/25 and 2029/30 as shown in Appendix 6. How this is dealt with can be considered in detail much nearer the time but there is no question of the HRA breeching its debt cap.

12 Conclusion

12.1 The Council's ability to agree rents locally has been very limited for many years. Despite the aim of self financing and HRA Reform to give greater powers locally, the fundamental issue of rent setting remains restricted as a result of the debt levels set by Government. However, the "self financing" approach does mean that some very positive and essential service improvements have been achieved as a result of HRA Reform.

OTHER CONSIDERATIONS:

8 SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

8.1 The proposals accord with the principles of making the best use of all available resources by continued clear financial planning.

9 RESOURCE IMPLICATIONS:

9.1 These are discussed in the main body of the report. The plan shows that the Council is able to resource a 30 year business plan and repay £167m of HRA debt. The current operating account (Appendix 1) shows a forecast surplus of £141.174M. At this point there are also loans outstanding of £66.853M which means there is a net surplus approximately £74M

10 RISK MANAGEMENT ISSUES

10.1 The key risks considered as part of these proposals included:

a) Not following national rent restructuring policy and having a lower rent increase – This would have an immediate impact on the HRA Business Plan and the Council's ability to service long term debt. It would also restrict the Council's ability to address backlogs in existing programmes and issues highlighted as priorities by tenants.

b) The Impact on Benefits – The proposed increase is significant and will no doubt have an impact on some tenants having to place increasing reliance on housing benefit. The proposals for universal credits have been assessed and all council rents will continue to fall within limits proposed. There is a risk that this could have a negative impact on arrears. The Council is currently reviewing options with the Citizens Advice Bureau for increasing support to vulnerable tenants.

c) Inflation on expenditure higher than expected – The impact of changes to the rent increase have been covered in the body of the report. The other main sensitivity that needs to be considered is the possibility of inflation on management and maintenance costs exceeding the provisions in the business plan. The current assumptions are set out in Appendix 5. The alternative scenario assumes that inflation increases by 0.5% after year 5 of the plan (2017/18). The cumulative effect of these increases shows that by year 30, management expenditure would have increased by £17M and maintenance expenditure by £31M. Whilst the long term effect of this expenditure can be met from the available balances there would be shortfalls in some years which would require some planned spending to be delayed or further borrowing. A more detailed analysis of the sensitivities will be included in the budget report to this Committee in January 2013.

11 TACT COMMENT

11.1 The proposals set out in this paper were presented to TACT at their monthly meeting held on 21 November 2012.

11.2 TACT considered all proposals in this report at its meeting on 21 November 2012. Whilst it is accepted that the Business Plan relies on rents increasing by RPI + 0.5%, TACT is concerned about the impact on tenants. It is good to see that the Council is committed to investing more on services to tenants and on building more Council homes. However, rents increasing above inflation will only make life more difficult for tenants.

11.3 It is good to note the additional resources planned for helping tenants to cope with the Welfare Reform changes – This will be essential as so many tenants will see some massive reductions in their benefits next year.

BACKGROUND PAPERS

HRA Business Plan modelling

APPENDICES:

Appendix 1 - HRA Business Plan Operating account
Appendix 2 - HRA Business Plan Capital account
Appendix 3 - Assessment of minimum HRA Working Balance
Appendix 4 - Comparison of forecast HRA working balances to minimum requirement
Appendix 5 - Statement of assumptions used in preparing the 30 year business plan
Appendix 6 - Graph of PWLB outstanding loan balances

Winchester City Council - HRA Business Plan Revenue Account

		Income			Expenditure					Balances	
Year	Year	Net rent Income £,000	Other income £,000	Total income £,000	Management £,000	Repairs and Mtnce £,000	Capital Financing £,000	Funding of capital exp £,000	Total Exp £,000	Annual surplus / (deficit) £,000	Working Balance £,000
1	2012.13	23,728	2,220	25,948	-6,531	-3,860	-5,364	-7,172	-22,927	3,021	4,978
2	2013.14	24,578	2,266	26,844	-6,858	-3,914	-5,465	-11,980	-28,217	-1,373	3,605
3	2014.15	25,588	2,299	27,887	-6,949	-3,986	-5,566	-13,296	-29,797	-1,910	1,695
4	2015.16	26,823	2,342	29,165	-7,123	-4,094	-5,658	-12,834	-29,709	-544	1,151
5	2016.17	27,924	2,382	30,306	-7,301	-4,206	-5,658	-13,104	-30,269	37	1,188
6	2017.18	29,036	2,427	31,463	-7,484	-4,342	-5,658	-13,987	-31,471	-8	1,180
7	2018.19	30,162	2,474	32,636	-7,671	-4,482	-5,658	-14,397	-32,208	428	1,608
8	2019.20	31,310	2,527	33,837	-7,863	-4,627	-5,658	-14,813	-32,961	876	2,484
9	2020.21	32,484	2,585	35,069	-8,059	-4,776	-5,658	-15,253	-33,746	1,323	3,807
10	2021.22	33,692	2,649	36,341	-8,261	-4,930	-5,658	-15,702	-34,551	1,790	5,597
11	2022.23	34,936	2,696	37,632	-8,468	-5,089	-10,656	-15,781	-39,994	-2,362	3,235
12	2023.24	36,212	2,727	38,939	-8,680	-5,252	-10,526	-16,255	-40,713	-1,774	1,461
13	2024.25	37,533	2,773	40,306	-8,897	-5,421	-8,741	-16,741	-39,800	506	1,967
14	2025.26	38,898	2,826	41,724	-9,119	-5,595	-10,350	-17,238	-42,302	-578	1,389
15	2026.27	40,309	2,878	43,187	-9,347	-5,774	-10,254	-17,746	-43,121	66	1,455
16	2027.28	41,766	2,935	44,701	-9,581	-5,959	-12,779	-16,385	-44,704	-3	1,452
17	2028.29	43,272	3,014	46,286	-9,821	-6,150	-9,121	-16,878	-41,970	4,316	5,768
18	2029.30	44,828	3,117	47,945	-10,066	-6,346	-9,744	-17,382	-43,538	4,407	10,175
19	2030.31	46,435	3,201	49,636	-10,318	-6,549	-14,483	-17,899	-49,249	387	10,562
20	2031.32	48,090	3,248	51,338	-10,576	-6,757	-19,152	-18,443	-54,928	-3,590	6,972
21	2032.33	49,799	3,353	53,152	-10,841	-6,973	-3,659	-19,847	-41,320	11,832	18,804
22	2033.34	51,565	3,540	55,105	-11,112	-7,195	-3,659	-20,443	-42,409	12,696	31,500
23	2034.35	53,388	3,663	57,051	-11,390	-7,423	-18,652	-21,051	-58,516	-1,465	30,035
24	2035.36	55,272	3,798	59,070	-11,675	-7,659	-3,145	-21,690	-44,169	14,901	44,936
25	2036.37	57,216	3,972	61,188	-11,967	-7,902	-13,144	-22,343	-55,356	5,832	50,768
26	2037.38	59,224	4,162	63,386	-12,266	-8,153	-2,798	-22,339	-45,556	17,830	68,598
27	2038.39	61,298	4,419	65,717	-12,573	-8,411	-2,798	-23,021	-46,803	18,914	87,512
28	2039.40	63,439	4,688	68,127	-12,887	-8,677	-2,798	-23,721	-48,083	20,044	107,556
29	2040.41	65,650	4,971	70,621	-13,210	-8,952	-2,798	-24,437	-49,397	21,224	128,780
30	2041.42	67,932	5,218	73,150	-13,540	-9,234	-12,797	-25,185	-60,756	12,394	141,174

Winchester City Council - HRA Business Plan Capital Account

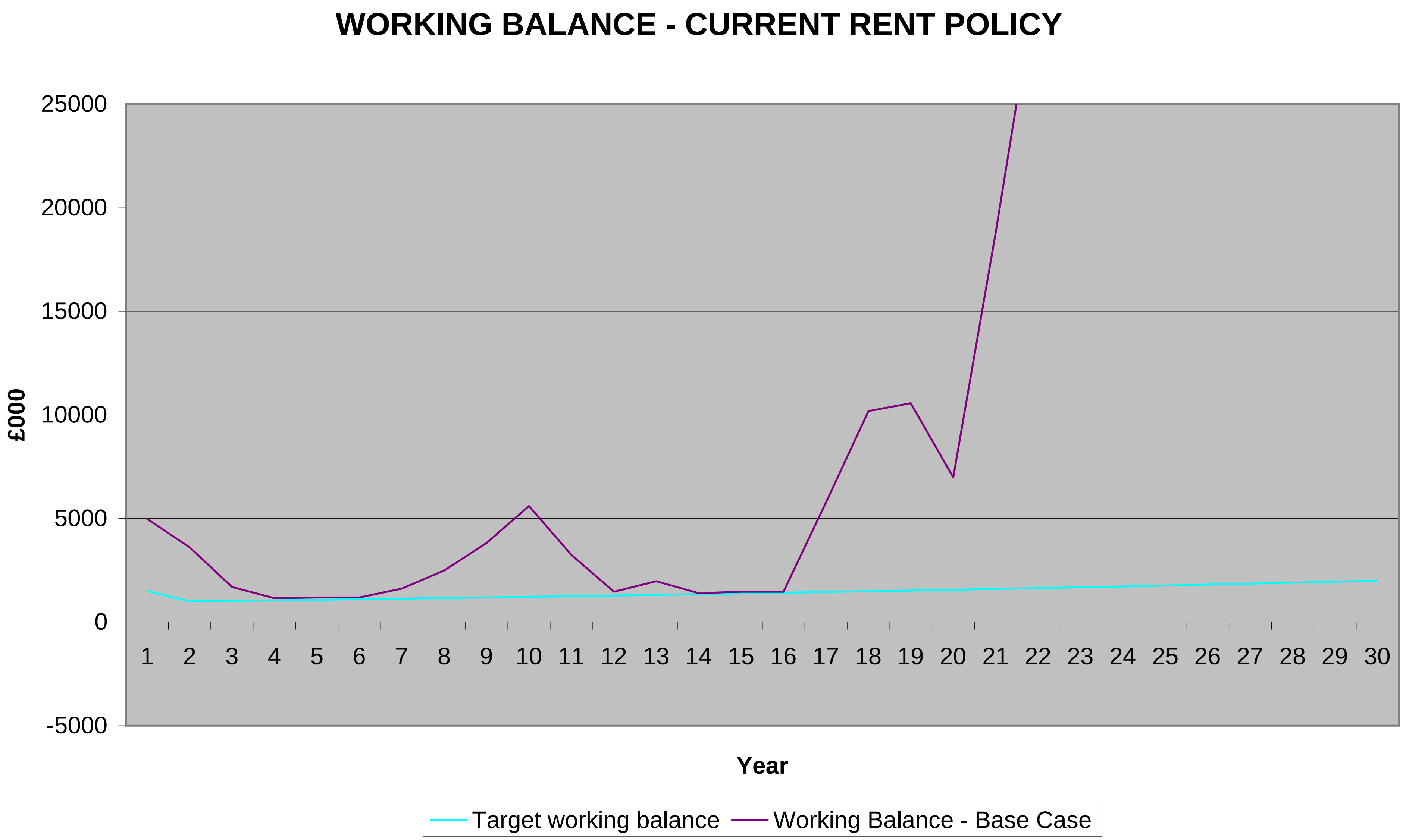
		Expenditure							Funding		
Year	Year	Contingency for stock survey	Future Major Repairs	Improve-ments and loft conversions	Disabled Adaptations	New Build Development Costs	Other	Total Expenditure	Capital grants and reserves	From Revenue	Total Funding
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
1	2012.13	0	5,800	750	800	657	191	8,198	1,026	7,172	8,198
2	2013.14	0	6,140	630	813	4,294	103	11,980	0	11,980	11,980
3	2014.15	0	6,227	639	825	5,500	105	13,296	0	13,296	13,296
4	2015.16	0	6,378	655	846	4,847	108	12,834	0	12,834	12,834
5	2016.17	0	6,535	672	867	4,920	110	13,104	0	13,104	13,104
6	2017.18	1,175	6,041	725	893	5,040	113	13,987	0	13,987	13,987
7	2018.19	1,209	6,245	747	920	5,160	116	14,397	0	14,397	14,397
8	2019.20	1,245	6,452	770	947	5,280	119	14,813	0	14,813	14,813
9	2020.21	1,281	6,666	793	976	5,415	122	15,253	0	15,253	15,253
10	2021.22	1,318	6,888	816	1,005	5,550	125	15,702	0	15,702	15,702
11	2022.23	2,714	5,378	841	1,035	5,685	128	15,781	0	15,781	15,781
12	2023.24	2,793	5,564	866	1,066	5,835	131	16,255	0	16,255	16,255
13	2024.25	2,874	5,757	892	1,098	5,985	135	16,741	0	16,741	16,741
14	2025.26	2,958	5,957	919	1,131	6,135	138	17,238	0	17,238	17,238
15	2026.27	3,044	6,165	946	1,165	6,285	141	17,746	0	17,746	17,746
16	2027.28	3,133	4,497	975	1,200	6,435	145	16,385	0	16,385	16,385
17	2028.29	3,224	4,665	1,004	1,236	6,600	149	16,878	0	16,878	16,878
18	2029.30	3,318	4,840	1,034	1,273	6,765	152	17,382	0	17,382	17,382
19	2030.31	3,415	5,022	1,065	1,311	6,930	156	17,899	0	17,899	17,899
20	2031.32	3,515	5,211	1,097	1,350	7,110	160	18,443	0	18,443	18,443
21	2032.33	3,617	6,255	1,130	1,391	7,290	164	19,847	0	19,847	19,847
22	2033.34	3,723	6,485	1,164	1,433	7,470	168	20,443	0	20,443	20,443
23	2034.35	3,831	6,723	1,199	1,476	7,650	172	21,051	0	21,051	21,051
24	2035.36	3,943	6,970	1,235	1,520	7,845	177	21,690	0	21,690	21,690
25	2036.37	4,058	7,227	1,272	1,565	8,040	181	22,343	0	22,343	22,343
26	2037.38	4,176	6,820	1,310	1,612	8,235	186	22,339	0	22,339	22,339
27	2038.39	4,298	7,078	1,349	1,661	8,445	190	23,021	0	23,021	23,021
28	2039.40	4,424	7,346	1,390	1,711	8,655	195	23,721	0	23,721	23,721
29	2040.41	4,553	7,625	1,432	1,762	8,865	200	24,437	0	24,437	24,437
30	2041.42	4,685	7,915	1,475	1,815	9,090	205	25,185	0	25,185	25,185

HRA Contingency Assessment

Item	Budget Variation	Budget	Contingency
Increase in responsive repairs spending	5.0%	3,914,000	195,700
Increase in major works	5.0%	6,140,000	307,000
Increase in other revenue spending	2.5%	6,858,000	171,450
Increase in variable interest rates	1.0%	10,131,000	101,310
Loss of dwelling rent income above that allowed in business plan	0.5%	24,578,000	122,890
Reduction in garage and commercial rent income	5.0%	1,110,000	55,500
			953,850
		Rounded	**1,000,000**

Comments

In arriving at the above it has been assumed that the business plan will make provision for any additional costs
The above assumes that these are one-off events. Any long term effects would need to be taken on board in


WORKING BALANCE - CURRENT RENT POLICY
25000
20000
15000
10000
5000
0
-5000
£000
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
Year
Target working balance
Working Balance - Base Case

HRA Business planning assumptions

Year 1 of the plan is 2012/13 and the assumptions below apply to period 2013/14 to 2041/42

Heading	**Business planning assumption**	
Inflation RPI	2013/14	2.6%
	Thereafter	2.5%
Voids	Over life of plan	1.1% of gross rent
Bad Debts	2013/14 Thereafter	0.54% of gross rent 1.08% of gross rent
Revenue spending (excl repairs)	2013/14 Thereafter	1.9% 2.5%
Repairs spending (capital and revenue)	2013/14 2014/15 2015/16 2016/17 Thereafter	1.6% 1.5% 2.5% 2.5% 3.0%
New build capital expenditure	Based on £150K per unit in 2012/13, increasing by RPI each year thereafter	
Other expenditure	Over life of plan	In line with RPI
Working balance	Set at £1M for 2013/14, increasing by RPI thereafter	
Interest rates: Received Payable – variable rates Payable – fixed rates Based on existing debt portfolio plus new loans totalling £9.3M at 6%, which are repaid over the life of the plan	 2013/14 to 2014/15 Thereafter 2013/14 2014/15 Thereafter 2012/13 to 2023/24 2024/25 to 2025/26 2026/27 2027/28 2028/29 2029/30 to 2031/32 Thereafter	 0.5% 1.0% 2.5% 3.5% 4.4% 3.3% 3.4% 3.5% 3.6% 3.5% 3.4% 3.5%

PWLB Outstanding Loan Balance