

Appendix 3 Business Plan – Key assumptions & Benchmark to outer London

	Assumption	Notes
Dwelling Rent	CPI + 1% Increase in rents from 2022 to 2024 and CPI only thereafter	
Void rates	2%	
Service Charges	CPI + 1% Increase in rents from 2022 to 2024-25 and CPI + 0.5% increases from 2025-26	Full service charge review to be carried out in 2022
Non dwelling rents	CPI + 1% Increase in rents from 2022 to 2024 and CPI only thereafter	
Garage Rents	CPI + 1% Increase in rents from 2022 to 2024 and CPI only thereafter	Review of long term void garages required with demolitions and infills decisions in 2022
Major Works Leaseholder Contributions	Linked to Capital Programme	
Repairs and Maintenance Costs	RPI increases	
Heating and hot water charges	RPI increases	
Interest rate on borrowings	2.65% on External Borrowing Year 12 onwards 3.5%	
Depreciation	Straight Line Basis over life of Assets	

Other Assumptions:

HRA Bad Debt Provision:

The Plan provision for bad debts is calculated based on a percentage of rental income to reflect rent increases, resulting in greater levels of provision. The provision rate of 1% in Year 1 is used and 1% thereafter is based on the current actual debt recovery.

HRA Voids:

The Plan provision for Voids is calculated based on a percentage of rental income to reflect rent increases. The provision rate of 1.5% is based on the current void rate and for prudence remains at 1.5% in each of the following years.

Garage voids further review of the garages that are long term void will be carried out in 2022 with a view to decisions on demolition and use of the space for parking bays to be considered.

Other long term voids are reviewed as part of the overall stock analysis

Major Repairs Reserve

The Business Plan assumes that any existing components beyond their theoretical lifespan are considered as backlog and due to be replaced on a comparable basis

The HRA has prior year reserves, these funds will be used if required.

The HRA does not go below the pre-set minimum balance of £8.6million (inflated on an annual basis) in any year of the plan. The overall trajectory of revenue reserves is however upwards towards the end of the 30-year term.

The Minimum HRA Balance is based on a 10.5% annual turnover and will allow for 1.5 months of total operating expenditure. It assumes a base cover of £642 per unit

Outer London Borough Benchmarks (14 out of 15)

Metric	Croydon 2020.21	Outer London 2020.21 Average
Rented Properties	13,393	9,521
Gross Management per unit	£3,182	£2,726
Net Management (less service charges) per unit	£2,360	£1,910
Repairs per unit	£762	£1,116
Gross Management and Repairs per unit	£3,944	£3,842
Depreciation per unit	£903	£1,206
Average Rent (52 week basis)	£106.24	£106.40
Other (non-Service Charge) Income per unit	£110	£348
Operating Surplus per unit	£1,760	£1,412
Operating Margin	26.6%	21.9%
Debt per unit	£26,429	£18,740
Interest per unit	£904	£807
Interest Rate	3.42%	4.31%
Reserves per unit	£2,063	£2,313
Existing Use Value per unit	£76,658	£86,887
Interest Cover Ratio	1.95	1.75
Loan to Value	35%	22%
Debt:Turnover	4.0	2.9