

## East Devon District Council

### Housing Stock Options Appraisal

#### Retention Business Plan: Assumptions

##### General

As with previous versions in the appraisal exercise, the ODPM financial model has been used to generate financial summaries for the thirty years of the projection.

The 'Low' version of the previous models was used as a basis for the plan. All assumptions used in that model were used in the 'Retention' model unless otherwise stated below.

The three versions of the model already generated used 2005/06 as the first year. The 'Retention' model uses 2006/07 as its first year. Parameters such as inflation have been rolled forward by one year unless otherwise stated.

It has been assumed that all of the Council's properties will have achieved the Decent Homes Standard by April 2006, and that year-on-year maintenance will ensure the Standard is maintained.

##### Stock

Housing stock numbers have been reduced by the 'Right to Buy' sales anticipated in previous models for 2005/06

##### Rent

Average rents for 2006/07 have been increased by 4.8% over those originally assumed for 2005/06. This has been based on real rental levels and on parameters and limits supplied by ODPM. The increase is above inflation because of rent convergence requirements

##### Service Charges

An increase between 2005/06 and 2006/07 of 3% has been assumed

##### Other Income

Garage income has been increased by 10% in 2006/07. In later years, lower rates of increase have been assumed

Other income has been increased by 3%

##### Right to Buy

Stock valuations for 2006/07 have been increased by 5%

Administrative costs have been increased by 3%

##### HRA Subsidy

The parameters provided by ODPM for the calculation of the 2006/07 payment have been used. The inflation estimates applied to the formulae for notional rents have been amended downwards for years 2 to 7 in the light of the pattern of increases in notional rents in recent years.

##### Management Costs

The budget currently submitted to EDDC Councillors for approval for 2006/07 was used as a basis. Each cost centre was considered in detail. The costings include four extra staff to enable the Council to progress towards the provision of an 'excellent' service as defined in the Key Lines of Enquiry used by the Audit Commission.

##### Other Revenue Spend

An inflation rate of 3% has been used in year 1

##### Miscellaneous Expenses

An inflation rate of 3% has been used in year 1

### **Responsive and Cyclical Maintenance**

Expenditure on 'Empty Property Repairs' has been transferred to Major Repairs, which is the category under which East Devon has always recorded it.

In the first six years, expenditure on 'Supporting People' adaptations has been deleted, but the programme to remodel sheltered units will provide a degree of funding in this direction.

Overall expenditure on Responsive Repairs and Programmed Repairs has been reduced by about 6% from year 6 on the assumption that the requirement will slightly reduce as improvements are brought forward.

The external decoration programme has been reduced after year 5, effectively lengthening the period between decorations

### **Major Repairs**

In the first five years, programme expenditure has been reduced. It has been assumed that repairs and replacements will be carried out on a 'condition' basis rather than that of life-cycle, the basis used in the 'Low' option model. However, there will be much more replacement work carried out rather than the 'patch and repair' approach assumed in the 'Low' model. Total expenditure levels will be similar to those experienced in recent years.

However, in the later years of the plan, substantially more investment has been assumed than was contained in the 'Low' model.

A detailed breakdown is shown in the table attached to the report

### **Improvements and Other Capital Spend**

The £4.3 million included in the 'Low' model for the remodelling of sheltered units has been included. An assessment of the properties concerned is being carried out. When it is complete, an appropriate course of action will be determined. This could involve property adaptation, disposal or reclassification. However, the expenditure has been phased over the next ten years rather than the seven included in the 'Low' model.

Those improvements identified in the 'Low' model as being needed on insulation and central heating to comply with the Decent Homes Standard has been removed. It has been assumed that any necessary work will be carried out within major repairs programmes.

### **Funding**

To enable the various expenditure programmes outlined above to be carried through, an amount of £3.5 million, at current values, has been included as a borrowing requirement. This will be taken on over the next ten years, with repayment being made over thirty years.

The Council is actively exploring the possibility of disposing of assets such as land holdings not required by the current housing operation. Should this exercise result in capital receipts, the business plan will be re-assessed with a view to reducing borrowing, increasing investment, or both.

### **Summaries**

The ODPM model requires that financial indicators relating to cash, operational activities and major repairs are all positive. The assumptions made in the proposed model yield such positive results.

R W Hartwell

Accountant

16 February 2006

## Major Repairs

## Proposed Investment Programme

*Note: Inflation not included*

	Years 1 to 5	Years 6 to 10	Years 11 to 15	Years 16 to 20	Years 21 to 25	Years 25 to 30	Total
	£K	£K	£K	£K	£K	£K	£K
Window Replacement	200	0	0	0	55	1,165	1,420
Kitchens and Bathrooms	5,726	5,495	5,500	3,425	3,425	3,425	26,996
Central Heating	1,320	1,320	1,320	2,680	2,885	2,475	12,000
Rewiring	868	750	750	1,155	1,155	1,155	5,833
Roofing	1,175	1,075	1,060	1,900	2,165	1,625	9,000
Doors – Front and Rear	1,243	854	1,250	650	0	0	3,997
Interior Structural Work	201	200	200	200	200	200	1,201
External Structural Work	201	200	200	330	400	365	1,696
Paths	0	0	0	80	80	80	240
Boundaries	130	130	130	130	130	130	780
Drainage and Mains	0	0	0	0	0	0	0
Woodworm and Damp Treatment	0	0	0	0	0	0	0
Empty Property Repairs	1,020	1,020	1,020	1,020	1,020	1,020	6,120
Communal Areas	201	200	200	0	0	0	601
	<b>12,285</b>	<b>11,244</b>	<b>11,630</b>	<b>11,570</b>	<b>11,520</b>	<b>11,660</b>	<b>69,884</b>