Leicester City Council

WARDS AFFECTED :ALL WARDS

CABINET **30 JULY 2001**

HOUSING REVENUE ACCOUNT
BUSINESS PLAN – 2001

Joint Report of the Director of Housing and Chief Financial Officer

PURPOSE OF THE REPORT

To approve the Housing Revenue Account (HRA) Business Plan.

SUMMARY

The HRA Business Plan covers the management and maintenance of the Council's housing stock. Its purpose is to compare investment needs with resources over the next 30 years. It shows that on the basis of present policies and a continuation of government funding the necessary investment in the Council's Housing stock can take place. It also shows that the Public Sector Agreement (PSA) target of all Council housing reaching a minimum standard by 2010 can be achieved. For those Councils where investment needs cannot be met then other options such as stock transfer, PFI or Arms Length Companies must be examined. A copy of the full plan has been lodged in the Members Area.

RECOMMENDATIONS

That the HRA Business Plan is approved.

FINANCIAL IMPLICATIONS

The HRA Business Plan includes a financial projection of income and expenditure over the next thirty years. The projection shows that, on the basis of a number of assumptions, the Council will be able to contain rent rises within cap, clear the backlog of repairs over the next nine years (assuming capital resources for the HRA including the Major Repairs Allowance continue at this year's level) . However, it needs to be noted that by necessity there are many assumptions within the Business Plan (see Annexe A) and any variation in any assumption could affect the above.

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SUPPORTING INFORMATION

1. BACKGROUND

The Government has introduced a new requirement for all local authorities to produce an annual Business Plan for their Housing Revenue Account (HRA). Last year was a pilot year. The Business Plan is to be submitted to DTLR jointly with the HIP Strategy by the end of July).

The HIP Strategy deals with need, demand and supply for the city as a whole. The HRA Business Plan deals only with the Council's own stock of houses i.e. those within the ring fenced Housing Revenue Account.

The purpose of the Business Plan is to ensure local authorities take a long-term view with regard to the management and, particularly, maintenance of their housing stock; taking account of resources available. The Business Plan also sets out the Authority's aims and objectives as a social landlord.

The Government consider that 'one of the most pressing issues authorities must deal with is how to determine an appropriate maintenance and renewal strategy to ensure the long-term viability of the housing stock'. The task for authorities is to set up systems (eg IT) and obtain appropriate information, primarily on stock condition, to enable them to derive the optimum balance between maintenance and renewal expenditure and the optimum timing of work to effectively address the needs of their stock.

Business Plans have to take into account the demand for and condition of Council houses, the resources available and be set in the overall context of the Authority's wider aims and objectives. Included in the plan are various financial models which project income and expenditure into the future; thereby aiding consideration of the ongoing viability of the HRA.

The Business Plan will become an increasingly important document. However, DTLR have recognised that a great deal of information must be assembled to produce a comprehensive Business Plan and not all of this will be immediately available. DTLR see it as a process which will evolve over a time-scale of approximately five years. Much of the benefit derived from producing the first plan comes, therefore, from learning how the process can lead to better decision making and bringing an awareness of the data that needs to be collected to assist in the production of future financial projections. In the future it will become possible to produce more sophisticated plans as data collection systems are improved and established.

2. THE BUSINESS PLAN

Leicester's Business Plan is a comprehensive and lengthy document. A copy has been lodged in the Members Area for anyone who wishes to view the full version. This committee report is a summary of the full version. The Business Plan covers thirty years with the current year being year 1.

The contents of the plan are summarised below.

<u>Section 1 – Introduction</u>

Section 1 provides a general introduction to the Business Plan.

<u>Section 2 – Context</u>

Section 2 describes the purpose of the Business Plan and how it relates to the Council's overall objectives. It also specifically links the Housing Department's HRA objectives to those of Leicester's Community Plan which articulates the Council's and local community's primary overall strategic direction.

<u>Section 3 – External Environmental Analysis</u>

This section lists the main external factors and influences which impact on the HRA Business Plan. It also describes the main stakeholders.

Section 4 – Strategies and Plans

This section provides a broad overview of the present situation for those areas of the HRA not directly concerned with the maintenance and repair of the stock or the financial position of the HRA (these are covered in Sections 5 and 6 respectively). It describes how the external factors, outlined in the previous Section, impact on the Department's overall aims and objectives and influence future direction. It also deals with the strategies and plans to be put into place for the achievement of those objectives.

Section 5 – Repairs and Maintenance Strategy

This section describes the repairs and maintenance strategy. It is based on an updated version of 'Leicester Estate Condition Survey – 4th Edition' published in October 1999. It represents a ten year repairs and maintenance strategy for the Council's stock.

Section 6 – The Financial Plan

As part of its Guidance on Business Planning the DTLR has produced a financial modelling tool for use by local authorities. This section explains the purpose of the model, the main input assumptions that have been made and interprets the outputs in terms of what they indicate in relation to Leicester City Council's Housing Revenue Account (HRA) over the next thirty years. It also brings together the financial implications of the strategies and plans outlined in the earlier chapters. Section 6 is included as Appendix A to this report.

Section 7 – Conclusions

This section is concerned with final conclusions and is included as Appendix B to this report.

4. EQUAL OPPORTUNITY IMPLICATIONS

The financial position of the HRA directly affects the Council's ability to deliver high quality services which meet the needs and aspirations of Council tenants many of whom come from disadvantaged groups.

5. CONSULTATION

There has been consultation with tenants groups through Leicester Federation of Tenants Association and Tier 1 at which the Chair of Housing Scrutiny was present. The financial content of the report has been discussed with the Chief Financial Officer.

6. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background papers

a) Budget Book 2001/02
b) Housing Subsidy Claim Files
c) "A New Financial Framework for Local Authority Housing – Guidance on Business Plans" DETR Publication
d) Housing Management Business Plan
e) Housing Maintenance Business Plan
f) Community Plan
g) Leicester Housing Strategy 2000 – 2003
h) HIP Strategy
i) Leicester Estate Condition Survey

7. AIMS AND OBJECTIVES

7.1 The Department's principal aim is that "a decent home is within the reach of every citizen".

8. POLICY IMPLICATIONS

8.1 The report is concerned with the projected financial position of the HRA over the next five years.

9. LEGAL IMPLICATIONS

9.1 None

10. SUSTAINABLE AND ENVIRONMENTAL IMPLICATIONS

None

11. HUMAN RIGHTS ACT

None

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APPENDIX A

Section 6

The Financial Plan

Local Authorities have been provided with a financial modelling tool to assist with forward projections of income and expenditure. This section explains the purpose of the model, the main input assumptions that have been made and interprets the outputs in terms of what they indicate in relation to Leicester City Council's Housing Revenue Account (HRA) over the next thirty years. It also brings together the financial implications of the strategies and plans outlined in the earlier chapters.

THE PURPOSE OF THE FINANCIAL PLAN

DTLR have produced a suite of comprehensive financial modelling spreadsheets to assist local authorities to develop HRA Business Plans. Data based on current information and likely future trends is 'input' to the model. The model produces a series of tables and charts showing the future financial position of the HRA. Over a period of time this model will increasingly be used to aid financial decision making. A diagram of the model is shown at the end of this appendix as Diagram 1 .

Leicester has selected the current year (2001/02) as the first year of the Business Plan. This is important as it 'anchors' the plan by ensuring it equates to the current year's budgetary position. The plan is for thirty years and there has been some disaggregation of income and expenditure across six estates.

The government argues that it is impossible to adopt a strategy which optimises the value of resources spent on the housing stock unless a long-term view is taken. This needs to take into account need, demand, stock condition, management policies, income, expenditure, government policies etc. This Business Planning framework is shown at the end of this appendix as Diagram 2 .

The strategies, policies and plans outlined in the previous section all have financial implications and as far as possible these have been incorporated in the Business Plan.

INCOME & EXPENDITURE

Income is received mainly from rents, housing benefit payments and capital funding. Expenditure is primarily the cost of managing and maintaining the council's properties together with the cost of debt and Government subsidy penalties (from the pooling of notional account surpluses).

PREDICTIONS AND ASSUMPTIONS

A financial model of this sort requires a large number of predictions and assumptions to be made. Some of these will be based on extrapolations of existing data. Others will be based on possible future decisions by central government, elected members, tenants and others. Clearly the further into the future one looks the more difficult it is to make accurate predictions. For example it is very hard to forecast the funding policies of future governments, investment decisions by elected members (given the advent of the Single Capital Pot), inflation, the level of 'Right to Buy' sales and many other variables. In the short term a further problem, for almost all local authorities, is that in some areas, particularly with regard to stock condition, current data is insufficient for robust extrapolations. This position will be remedied over time. All this means that outputs from the model need to be treated with some caution. It may be appropriate to regard the output as a five year plan set in a thirty year context.

It is important to remember that decisions about income and expenditure for the following year will continue to be taken by councillors and tenants on an annual basis around December and January when there is a degree of certainty about the outturn for the current year and some knowledge of expenditure/income items for the following year (eg Government Subsidy Factors).

Listed below are some of the main assumptions for the current inputs to the Business Plan.

Rent Increases/Decreases

There have been real decreases in rent over the last three years to ensure the authority moves below the government's rent cap limit. In future years, the Business Plan shows rents increasing within government guidelines.

As explained in Section 3, Local Authorities and Registered Social Landlords are required to carry out rent re-structuring within a period of ten years; starting next year. It is too early to determine the financial impact of this on Leicester and no attempt has been made to incorporate restructured rent in the financial spreadsheet. It is assumed that the overall effect on the Housing Revenue Account will be neutral.

Voids and Bad Debts

These are shown as decreasing slightly over the period of the plan. This is mainly as a result of disposals of low demand stock.

Right to Buy Sales

Numbers of disposals are shown as declining very slightly from the present, comparatively high, levels. This is on the grounds that many of the more desirable properties have been sold and there will be reducing sales of the less desirable properties in the future. This is a difficult area to predict.

Other Stock Changes (Non Right to Buy Disposals)

This takes into account disposals of low demand and poor condition properties in Beaumont Leys and Braunstone over the next two years.

HRA Subsidy and Credit Ceilings

The government prepares an annual ‘notional account’ for all local authorities. This mechanism is used to re-distribute funds between local authorities. In Leicester’s case there is a notional surplus resulting in a negative subsidy. This means Leicester ‘loses’ money to the national pool.

The business planning model requires assumptions to be made about future real increases on notional rent and notional management and maintenance costs. Leicester have assumed notional rent will increase at 1% above inflation while notional management and maintenance allowances will rise at 2% above inflation. This is consistent with recent government settlements. The net effect over time will be to reduce Leicester’s negative subsidy position ie make more money available for investment in the stock.

The accuracy of these assumptions is critical to the validity of the output of the financial model as small percentage changes have a major impact on the resources available.

Management Costs

An analysis has been carried out to differentiate between costs which are fixed and costs which vary according to the size of the stock. In reality a number of costs are semi-variable. If, in the future, there were significant stock reductions, then fixed as well as variable costs would need to be cut.

The input recognises that a reducing stock will tend to lead to reducing management costs. However, 1% above inflation increases have been included in recognition of the need to put more resources into areas which will have an overall net benefit to the HRA. These reflect the strategies described in Section 4. For example there is a need to improve the level of rent collected and to deal with a number of the social issues which affect demand such as crime and anti-social behaviour. Wherever possible new initiatives will, however, be funded through redirected rather than additional resources.

Building Costs Inflation

In recent years building costs have increased well above general inflation as shown by the relevant price indicator. This, of course, has meant that maintenance and repair work has becoming more expensive. The Housing Maintenance DSO costs have been rising more slowly and they have been able to keep their prices down to the considerable benefit of the Housing Revenue Account. However, they have now reached the position where wages need to rise to prevent the loss of skilled labour to external contractors. For this reason, above average inflation has been input to the model.

Responsive and Void Repairs

It is estimated that both responsive repairs and void property repairs will reduce in future years. This is partly because of a predicted reduction in the overall number of voids, the extent of repairs required within them and as a result of considerable future investment in planned maintenance.

Cyclical Maintenance

The cost of cyclical maintenance is shown as increasing each year for the first ten years of the plan. As part of the overall strategy of moving towards the planned replacement of existing windows with the uPVC high security, energy efficient, double glazed type, the council significantly reduced the external painting programme in 1998. However, external painting will need to have a phased reintroduction over the next ten years. Nevertheless, the level of expenditure required will be significantly reduced from its original level. It is anticipated that other expenditure will remain at existing levels.

Major Repair and Improvements Inputs

Leicester does not currently categorise major repairs in a way that enables it to readily distinguish between ‘catch up repairs’, ‘planned maintenance’ and ‘improvements’, which are the categories used by DTLR in the Business Plan Model. This will be addressed in future stock condition surveys but in the meantime estimates have been made.

Catch up repairs are expected to be complete within eight years. There will be increasing expenditure on planned maintenance. This is in line with the Council’s building component replacement strategy which optimises the balance between responsive repairs and planned maintenance. In particular, investment in the planned replacement of components, based on life cycle analysis, will minimise the more expensive responsive maintenance costs. Expenditure on improvements is shown as falling over the first five years of the plan as the window replacement programme winds down.

It is important to note that no amounts have been entered for any significant remodelling or environmental works to properties; other than the refurbishment of kitchens and bathrooms to modern-day standards.

Improvements – Cost Reflective

The improvements which are identified as cost reflective are those which, under current Council policy, attract additional rent when they have been completed. At the present time this includes:-

- Double Glazed window replacement (completion estimated 2007)
- Central Heating (completion estimated 2003)
- Door Entry systems (ongoing)
- Bathroom Improvements (ongoing)
- Kitchen Improvements (ongoing)
- Security Packages (ongoing)
- Doors

Improvements – Non Cost Reflective

Some improvements to the stock have been identified in the overall strategy that will need to be undertaken but are not cost reflective ie will not generate additional income .
The main areas are:

- External cladding to MHC and BISF type houses
- Additional Lifts in Warden Assisted Accommodation
- Electrical rewiring
- Smoke /carbon monoxide detection
- Plaster Kitchens/Bathrooms
- Boiler replacements

Other Capital Spend

Other capital spend includes disabled adaptations. It also allows for the demolition of low demand flats and other properties as well as necessary capital works on a neighbourhood office.

Capital Financing

Other Capital Resources.
An amount of £200,000 per annum has been included representing a transfer of Housing Maintenance DSO profits to support capital expenditure. This is based on the assumption that the current practice will continue.

Right to Buy Sales

The Business Plan assumes that resources from the sale of council houses will continue to be used for HRA investment. This is the current practice of the Council.

Voids and Bad Debts

A single percentage input covers voids and bad debt. Bad debt is likely to remain at current levels for each year of the plan. There will be an improvement in percentage terms on voids, partly as a result of disposing of low demand properties and partly as a consequence of improving turn-round times.

BUSINESS PLAN OUTPUTS

The Business Plan produces an array of output tables and graphs which are derived from the input data. Leicester have begun the process of disaggregating data in order to identify how different parts of the stock impact on the overall position of the Housing Revenue Account. For the current plan the stock has been divided into six geographical areas. While this analysis provides additional information, further disaggregation involving analysis by house type will be required before the data can be used for decision making purposes.

The most important outputs (showing the overall HRA position) are described below.

The Operating Account (HRA) (See Annexe B)

There are two main accounts in the new financial accounting structure. The first is the 'Operating Account' which is similar to the HRA. The second is the 'Major Repairs and Improvements Account' (see below). Both accounts are a direct product of a large number of input assumptions including those described earlier.

Features of Leicester's Operating Account include:
- Maintenance incorporates only cyclical maintenance and responsive repairs
- The cost of capital is charged at 6% on the total asset value of the stock; however it is adjusted back to the actual debt charges through the amounts shown as 'Additional provision for repayment of loans (MRP)' and 'Adjusting transfer from the Asset Management Revenue Account (AMRA)'.
- No Revenue Contribution to Capital Outlay (RCCO) has been made for the purpose of funding additional major capital repairs.

The most important fact to note about the Operating Account is that it is broadly in balance. There are minor surpluses and deficits on the account over the next five years with a small increase in reserves. In later years, although some of the annual surpluses and deficits are greater, the account stays in overall balance with reserves at a prudent level. Action could be taken to reduce the extent of the fluctuation.

Major Repairs and Improvements Financing (See Annexe C)

The Major Repairs and Improvements 'Account', as the name suggests, deals with repairs which are of a capital nature. It comprises on the expenditure side:

Catch Up Repairs
Planned Maintenance
Improvements
Other (demolitions and disabled adaptations in the case of the current Business Plan)

The above expenditure is financed from

Capital Credit Approvals
RTB Receipts
RCCOs from the Operating Account or DSO surpluses
Major Repairs Allowance.

This account must not go into deficit; even if there is a surplus on the Operating Account. As can be seen from the table the account is in balance as expenditure and available resources match each other.

Leicester's major repairs and improvements programme has been prepared in the context of predicted future resources (including assumptions about the single capital pot – see below). The planned expenditure matches the likely available resources for each year of the programme.

As mentioned earlier, data is not collected in a way which is consistent with the Business Plan categories. However, overall funds, if they continue to be available at the forecast level, are such that the repairs and improvements needed to bring the stock up to an acceptable level (costed at £160 million and described in the 'Repairs & Maintenance Strategy' section as 'repairs backlog') can be completed within the next 9 years.

Other than in year 1 of the plan, no costs have been included for demolition. Clearly a major demolition programme could have a significant impact on resources available for major repairs and improvements.

The fully costed programme has been included as Annexe D to this report.

The Single Capital Pot

Until now, DTLR have allocated capital resources to Housing based partly on indices of relative need and partly on performance. This calculation will continue. However, Housing Annual Capital Guideline will, from now on, be allocated as part of the Single Capital Pot (SCP), which will cover the bulk of resources to support capital expenditure by authorities as a single allocation. Authorities are now given flexibility in deciding how capital money is spent. Decisions on the SCP will not, however, be taken for several months. The assumption in the Business Plan is that housing will continue to receive capital money based on DTLR's calculation.

It is possible, however, that elected members could decide to increase or reduce expenditure on council housing. If funding to housing was reduced by 20%, approximately £1.3 million per annum, then expenditure would need to be reduced accordingly. A variety of measures could be taken. For example, catch up repairs could be delayed, the present programme of improvement could be abandoned or less money spent on disabled adaptations. If capital funding was increased by 20%, on the other hand, this would enable the Authority to bring the stock up to standard a year earlier or enhance the improvements programme.

Net Present Value (NPV) Tables

NPV is calculated by identifying all the future income and expenditure relating to the Council's housing stock (inflation is excluded). Each year's net income or net expenditure is 'discounted' using a discount rate (6% for the Business Plan – set by DTLR). This reflects the fact that money is tied up in the service and that it could be invested elsewhere and attract a rate of interest.

If, following the calculation, the NPV is negative one should theoretically consider investing elsewhere. If it is positive then the activity of council housing is generating value over and above what could be achieved elsewhere. The NPV for Leicester is positive, every year, for the stock as a whole. It does, however, reduce over the thirty years of the plan. The position with regard to particular estates needs to be investigated.

Cost per Year of Social Housing Occupancy

This report provides an assessment of the relative costs of providing a year of social housing occupancy for each estate. It is calculated by dividing discounted costs by the discounted years of occupancy. It is a relatively new concept introduced by DTLR to local authorities for the first time. It will be of particular use in the future for looking at different investment strategies. As with the above NPV tables, the position with regard to particular estates needs to be investigated.

Return on Capital Employed (ROCE) - Graph

ROCE is designed to assist local authorities to view their housing assets in a business-like way by looking at the financial return on that asset.

ROCE is calculated by expressing the actual surplus (net operating income) as a percentage of the balance sheet value of the housing stock. Net operating income is the surplus of direct income over direct expenditure and excludes those amounts peculiar to local government financing such as the HRA subsidy and rent cap penalties as well as the cost of capital charge.

The rate for Leicester is in the region of 6%. The increase, of about 2% from last year, has mainly occurred as a consequence of a reduction in the value of the stock following the valuation exercise which has taken place over the last six months.

Diagram 1

OVERALL STRUCTURE OF THE DTLR SPREADSHEET (Diagram courtesy of HFTA)

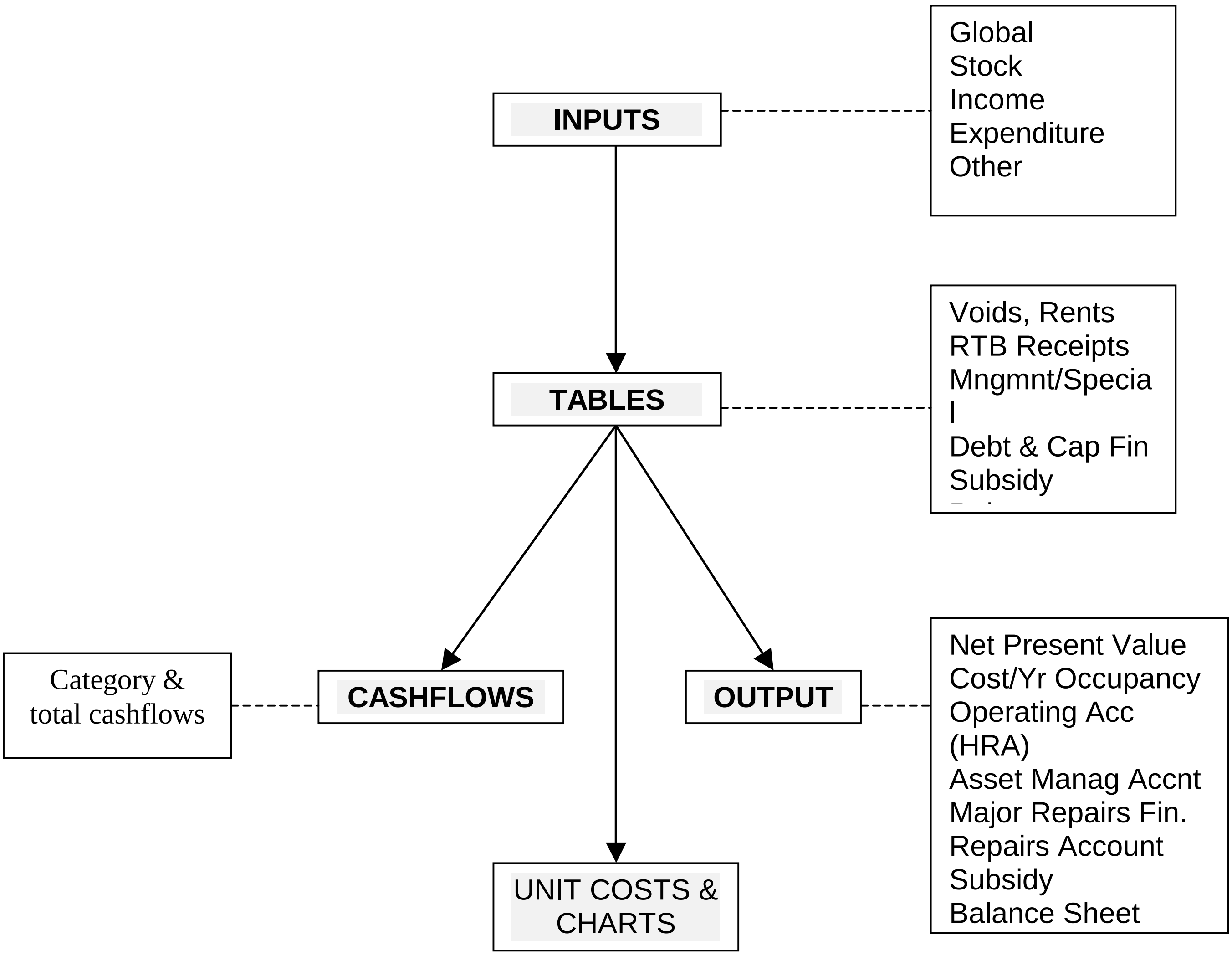
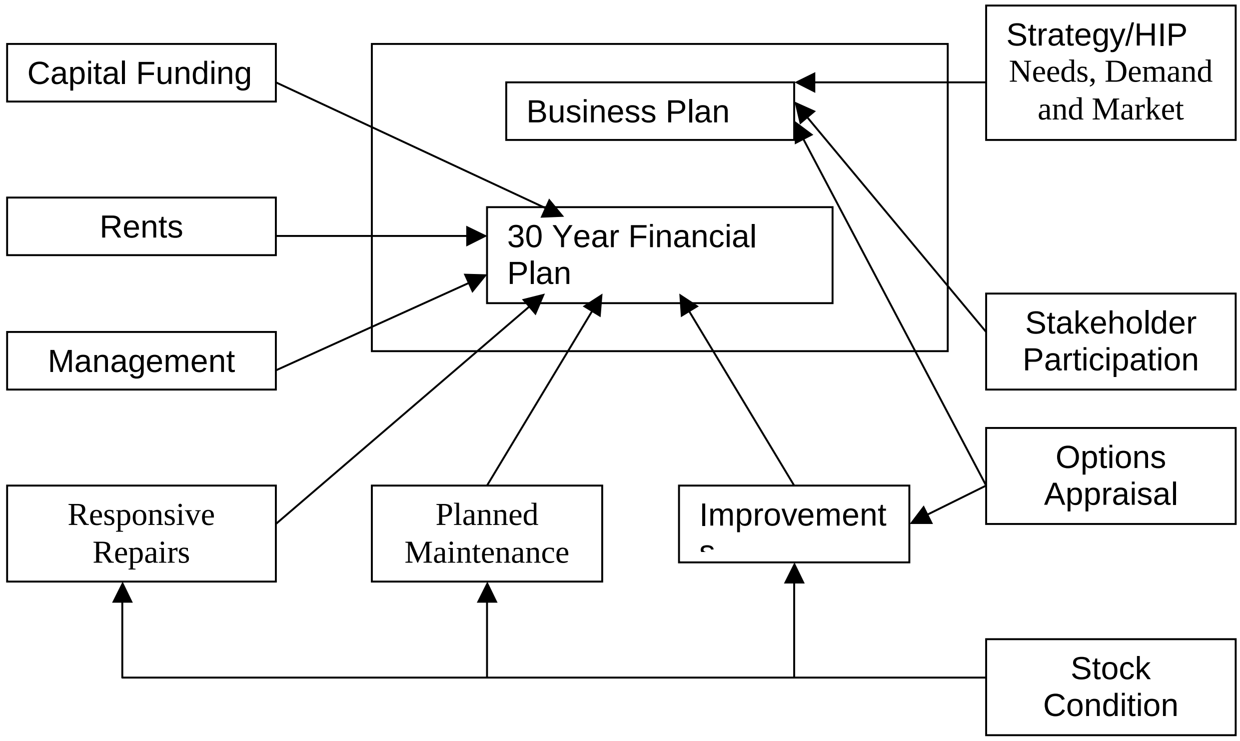


Diagram 2

The Business Planning Framework (Diagram courtesy of HFTA)



ANNEXE A

BUSINESS PLAN MODEL
SUMMARY OF MAIN ASSUMPTIONS

Global Assumptions

- Rate of inflation 2.5%
- Discount Rate prescribed by the government 6%
- Consolidated rate of interest (notionally an average rate of interest paid by the Authority in respect of internal borrowing) 6.99%
- Interest earned on balances 5.6%

Stock Numbers and Rental Income

- Average rent (52 weeks equivalent) £41.96
- Voids (including properties awaiting demolition) and Bad Debts (Year 1) 4.69%
- Total Stock 25,837 at 1 April 2001

Other Income

- Garages £280,000
- Other Income £1.422 million

Right to Buy Sales

- 340 RTB Sales per annum

Management & Service Costs

Fixed Management Costs	£5.413 million
Variable Management Costs	£144 per property p.a.
Service Costs Fixed	£3.045 million

Miscellaneous Expenses

Fire Insurance £250,000

Repairs

As per sums shown in the Operating Account and Major Repairs and Improvements Financing Table.

ANNEXE B

Leicester City Council
Business Plan Assumptions
Operating Account
(expressed in money terms)

Year	Year	Income: Net rent Income £,000	Other income £,000	Misc Income £,000	HRA Subsidy Receivable £,000	Total Income £,000
1	2001.02	55,593	288	1,422	3,784	61,087
2	2002.03	56,161	287	1,458	3,247	61,152
3	2003.04	56,617	294	1,494	3,095	61,500
4	2004.05	57,607	302	1,531	3,070	62,510
5	2005.06	58,480	309	1,570	2,971	63,330
6	2006.07	59,771	317	1,609	2,500	64,197
7	2007.08	60,281	325	1,649	2,930	65,184
8	2008.09	61,209	333	1,690	2,932	66,165
9	2009.10	62,158	341	1,733	2,891	67,123
10	2010.11	63,055	350	1,776	2,935	68,115
11	2011.12	63,921	358	1,820	2,891	68,991
12	2012.13	64,840	367	1,866	2,626	69,699
13	2013.14	65,764	375	1,912	2,779	70,832
14	2014.15	66,691	386	1,960	2,927	71,965
15	2015.16	67,625	396	2,009	3,071	73,099
16	2016.17	68,844	406	2,059	2,359	73,668
17	2017.18	70,150	416	2,111	2,506	75,183
18	2018.19	71,473	426	2,164	2,709	76,772
19	2019.20	72,814	437	2,218	2,916	78,384
20	2020.21	74,172	448	2,273	3,126	80,019
21	2021.22	75,549	459	2,330	3,121	81,459
22	2022.23	77,014	470	2,388	3,345	83,217
23	2023.24	78,510	482	2,448	3,653	85,093
24	2024.25	80,009	494	2,509	3,971	86,983
25	2025.26	81,540	506	2,572	4,305	88,923
26	2026.27	83,014	519	2,636	4,652	90,821
27	2027.28	84,587	532	2,702	5,014	92,836
28	2028.29	86,185	545	2,770	5,507	95,008
29	2029.30	87,809	559	2,839	6,026	97,233
30	2030.31	89,458	573	2,910	6,571	99,512

Year	Expenditure: Mangt £,000	Depreciation £,000	Maint	Cost of Capital £,000	Other Revenue spend £,000	HRA Cost of Rent Rebates £,000	Misc expenses £,000	Surplus to be redistrib £,000	Total expenses £,000	Adjusting transfer from AMRA £,000
1	(12,065)	(12,475)	(19,182)	(25,473)	0	0	(250)	0	(69,445)	12,026
2	(12,378)	(13,216)	(19,065)	(25,225)	0	0	(256)	0	(70,141)	12,678
3	(12,713)	(13,544)	(19,085)	(25,514)	0	0	(263)	0	(71,121)	13,296
4	(13,079)	(13,894)	(19,388)	(25,809)	0	0	(269)	0	(72,438)	13,794
5	(13,452)	(14,328)	(19,665)	(26,108)	0	0	(276)	0	(73,829)	14,310
6	(13,837)	(14,776)	(20,064)	(26,418)	0	0	(283)	0	(75,369)	14,817
7	(14,233)	(15,239)	(20,441)	(26,725)	0	0	(290)	0	(76,928)	15,243
8	(14,642)	(15,759)	(20,894)	(27,042)	0	0	(297)	0	(78,595)	15,715
9	(15,065)	(16,214)	(21,329)	(27,365)	0	0	(305)	0	(80,278)	16,250
10	(15,500)	(16,727)	(21,903)	(27,696)	0	0	(312)	0	(82,138)	16,727
11	(15,953)	(17,258)	(20,773)	(28,068)	0	0	(320)	0	(81,871)	17,341
12	(16,424)	(17,807)	(20,945)	(28,447)	0	0	(328)	0	(83,945)	18,192
13	(16,908)	(18,403)	(21,634)	(28,918)	0	0	(336)	0	(86,095)	18,666
14	(17,406)	(19,089)	(22,344)	(29,394)	0	0	(345)	0	(88,298)	19,164
15	(17,919)	(19,636)	(23,075)	(29,571)	0	0	(353)	0	(90,554)	19,684
16	(18,453)	(20,281)	(21,900)	(30,009)	0	0	(362)	0	(91,015)	21,092
17	(19,010)	(20,944)	(22,667)	(30,450)	0	0	(371)	0	(93,442)	21,651
18	(19,582)	(21,669)	(23,448)	(30,895)	0	0	(380)	0	(95,977)	22,233
19	(20,173)	(22,417)	(24,253)	(31,343)	0	0	(390)	0	(98,576)	22,838
20	(20,780)	(23,189)	(25,085)	(31,794)	0	0	(400)	0	(101,248)	23,467
21	(21,412)	(23,984)	(23,861)	(32,305)	0	0	(410)	0	(101,972)	24,358
22	(22,070)	(24,805)	(24,708)	(32,821)	0	0	(420)	0	(104,833)	25,024
23	(22,748)	(25,695)	(25,603)	(33,343)	0	0	(430)	0	(107,819)	25,705
24	(23,446)	(26,616)	(26,538)	(33,871)	0	0	(441)	0	(110,892)	26,432
25	(24,166)	(27,567)	(27,463)	(34,404)	0	0	(452)	0	(114,052)	27,174
26	(24,906)	(28,550)	(26,174)	(35,003)	0	0	(463)	0	(115,108)	27,964
27	(25,696)	(29,566)	(27,152)	(35,618)	0	0	(475)	0	(118,508)	28,717
28	(26,502)	(30,672)	(28,166)	(36,278)	0	0	(487)	0	(122,065)	29,539
29	(27,332)	(31,817)	(29,216)	(36,867)	0	0	(499)	0	(125,732)	30,368
30	(28,189)	(32,885)	(30,364)	(37,505)	0	0	(512)	0	(129,512)	31,227

Year	Net Operating (Expenditure) £,000	Additional prov for repay of external loans (MRP) £,000	Transfer from / (to) MRR £,000	RCCO £,000	Surplus (Deficit) for the Year £,000	Surplus (Deficit) b/fwd £,000	Interest £,000	Surplus (Deficit) c/fwd £,000
1	3,668	(3,722)	0	0	(54)	1,786	99	1,831
2	3,689	(3,711)	0	0	(22)	1,831	100	1,909
3	3,873	(3,699)	0	0	174	1,909	110	2,192
4	3,866	(3,691)	0	0	175	2,192	125	2,493
5	3,812	(3,675)	0	0	137	2,493	141	2,771
6	3,645	(3,658)	0	0	(13)	2,771	152	2,911
7	3,499	(3,639)	0	0	(140)	2,911	156	2,927
8	3,285	(3,619)	0	0	(334)	2,927	152	2,745
9	3,095	(3,597)	0	0	(502)	2,745	137	2,381
10	2,704	(3,574)	0	0	(870)	2,381	107	1,618
11	4,461	(3,547)	0	0	914	1,618	114	2,646
12	3,946	(3,523)	0	0	424	2,646	157	3,227
13	3,402	(3,492)	0	0	(90)	3,227	175	3,312
14	2,830	(3,453)	0	0	(623)	3,312	165	2,854
15	2,229	(3,407)	0	0	(1,178)	2,854	125	1,801
16	3,745	(3,353)	0	0	392	1,801	110	2,302
17	3,392	(3,313)	0	0	80	2,302	129	2,512
18	3,030	(3,262)	0	0	(231)	2,512	132	2,413
19	2,647	(3,206)	0	0	(559)	2,413	117	1,969
20	2,240	(3,142)	0	0	(902)	1,969	83	1,151
21	3,845	(3,070)	0	0	775	1,151	85	2,010
22	3,408	(3,014)	0	0	394	2,010	121	2,525
23	2,979	(2,952)	0	0	27	2,525	140	2,692
24	2,524	(2,881)	0	0	(358)	2,692	138	2,473
25	2,045	(2,835)	0	0	(790)	2,473	115	1,800
26	3,675	(2,717)	0	0	958	1,840	117	2,915
27	3,065	(2,657)	0	0	408	2,915	172	3,495
28	2,482	(2,589)	0	0	(107)	3,495	189	3,577
29	1,870	(2,514)	0	0	(644)	3,577	179	3,112
30	1,226	(2,431)	0	0	(1,205)	3,112	138	2,045

ANNEXE C.

Leicester City Council
Business Plan Assumptions
Major Repairs and Improvements Financing
(expressed in money terms)

Year	Year	Expenditure: Catch up Repairs £,000	Expenditure: Planned Maint £,000	Expenditure: Improve ments £,000	Expenditure: Other £,000	Expenditure: Total Expenditure £,000	Financing: Credit approvals £,000	Financing: RTB Receipts £,000	Financing: Other £,000	Financing: MRR £,000	Financing: RCCO £,000	Financing: Total Financing £,000	Check Total £,000
1	2001.02	7,510	5,006	2,088	5,720	20,324	6,514	1,109	0	12,701	0	20,324	0
2	2002.03	8,602	7,328	3,690	1,254	20,874	6,514	1,139	0	13,221	0	20,874	0
3	2003.04	8,224	8,909	3,147	1,310	21,590	6,791	1,169	0	13,631	0	21,590	0
4	2004.05	7,917	10,933	1,333	1,369	21,552	6,500	1,199	0	13,853	0	21,552	0
5	2005.06	7,282	12,945	377	1,431	22,035	6,500	1,229	0	14,305	0	22,035	0
6	2006.07	6,134	14,313	417	1,495	22,360	6,500	1,260	0	14,600	0	22,360	0
7	2007.08	4,776	15,989	527	1,563	22,855	6,500	1,292	0	15,064	0	22,855	0
8	2008.09	3,218	18,237	559	1,633	23,648	6,500	1,323	0	15,824	0	23,648	0
9	2009.10	0	21,963	606	1,707	24,275	6,500	1,355	0	16,420	0	24,275	0
10	2010.11	0	22,021	652	1,783	24,456	6,500	1,424	0	16,532	0	24,456	0
11	2011.12	0	22,420	674	1,864	24,957	6,500	1,379	0	17,077	0	24,957	0
12	2012.13	0	23,163	696	1,947	25,806	6,500	1,509	0	17,797	0	25,806	0
13	2013.14	0	23,927	719	2,035	26,681	6,500	1,645	0	18,536	0	26,681	0
14	2014.15	0	24,714	742	2,127	27,583	6,500	1,787	0	19,295	0	27,583	0
15	2015.16	0	25,522	767	2,222	28,511	6,500	1,936	0	20,076	0	28,511	0
16	2016.17	0	24,993	793	2,322	28,108	6,500	1,742	0	19,866	0	28,108	0
17	2017.18	0	25,857	820	2,427	29,104	6,500	1,877	0	20,726	0	29,104	0
18	2018.19	0	26,748	848	2,536	30,132	6,500	2,019	0	21,613	0	30,132	0
19	2019.20	0	27,666	877	2,650	31,194	6,500	2,166	0	22,528	0	31,194	0
20	2020.21	0	28,614	907	2,769	32,290	6,500	2,320	0	23,470	0	32,290	0
21	2021.22	0	28,408	939	2,894	32,242	6,500	2,068	0	23,673	0	32,242	0
22	2022.23	0	29,427	973	3,024	33,424	6,500	2,208	0	24,716	0	33,424	0
23	2023.24	0	30,480	1,008	3,160	34,648	6,500	2,355	0	25,793	0	34,648	0
24	2024.25	0	31,568	1,044	3,303	35,914	6,500	2,508	0	26,905	0	35,914	0
25	2025.26	0	32,692	1,081	3,451	37,224	6,500	2,668	0	28,055	0	37,224	0
26	2026.27	0	32,149	1,120	3,607	36,875	6,500	2,268	0	28,107	0	36,875	0
27	2027.28	0	33,349	1,162	3,769	38,280	6,500	2,408	0	29,371	0	38,280	0
28	2028.29	0	34,592	1,205	3,938	39,736	6,500	2,554	0	30,681	0	39,736	0
29	2029.30	0	35,880	1,250	4,116	41,245	6,500	2,707	0	32,038	0	41,245	0
30	2030.31	0	37,213	1,297	4,301	42,810	6,500	2,867	0	33,443	0	42,810	0

Capital Expenditure Requirements within Ten Years

(No. of Properties Requiring Work & Cost - up to 1st April 2011)

Year	Structure		Chimney		Roof		Gutter		Pointing		BISF Panel		Windows		Walls		Outbuild	
		Cost	No.	Cost	No.	Cost	No.	Cost	No.	Cost	No.	Cost	No.	Cost	No.	Cost	No.	Cost
2001 / 02	32	£216,000	0	£0	481	£1,841,000	309	£95,790	£0	£0	26	£293,250	2503	£3,511,750	0	£0	0	£0
2002 / 03	32	£216,000	232	£151,120	499	£1,996,200	363	£58,600	96	£221,600	28	£299,500	2321	£3,472,250	0	£0	0	£0
2003 / 04	32	£216,000	267	£174,220	379	£1,436,400	289	£89,090	148	£347,300	28	£299,000	2591	£3,829,750	0	£0	194	£213,400
2004 / 05	32	£216,000	271	£178,860	386	£1,466,800	293	£91,400	161	£378,350	31	£288,750	2302	£3,429,100	292	£96,000	266	£270,600
2005 / 06	39	£263,250	282	£186,120	386	£1,466,800	310	£96,100	196	£460,600	30	£288,750	2181	£3,087,250	229	£114,000	266	£286,000
2006 / 07	40	£270,000	320	£211,200	392	£1,489,600	331	£102,610	199	£466,650	30	£288,750	3166	£4,828,850	235	£117,500	257	£282,700
2007 / 08	41	£290,250	318	£209,880	355	£1,349,000	348	£103,680	222	£521,700	30	£284,750	309	£463,500	263	£131,500	309	£339,900
2008 / 09	44	£297,300	336	£221,760	341	£1,295,800	348	£114,080	226	£531,200	30	£284,750		£0	284	£142,000	333	£366,300
2009 / 10	43	£290,250	344	£227,040	361	£1,371,800	375	£116,250	204	£481,400	30	£284,750		£0	307	£153,500	430	£473,000
2010 / 11	43	£290,250	340	£224,400	371	£1,409,800	374	£115,940	209	£493,150	31	£290,375		£0	316	£158,000	462	£508,200
	388	£2,546,800	2718	£1,788,600	3964	£15,021,200	3311	£1,007,810	1764	£4,146,400	293	£2,828,125	11124	£34,639,000	2026	£953,000	2682	£2,730,200

Year	Paths		Fences		Rewire		C. Heating		Kitchen		Bathroom		Misc Items	Boiler		Total
	No.	Cost	No.	Cost	No.	Cost	No.	Cost	No.	Cost	No.	Cost	Cost	No.	Cost	Cost
2001 / 02	82	£36,900	91	£41,000	486	£720,000	432	£1,297,000	360	£720,000		£0	£216,000	1110	£1,393,000	£12,774,490
2002 / 03	92	£41,400	332	£76,000	609	£609,450	786	£1,722,600	1126	£2,065,000	279	£417,000	£270,000	980	£1,193,600	£15,517,320
2003 / 04	139	£83,850	174	£87,000	956	£980,700	404	£1,003,300	1648	£3,260,000	386	£579,000	£330,000	947	£1,136,400	£16,807,510
2004 / 05	164	£73,800	211	£105,500	839	£880,950	273	£695,000	1759	£3,518,000	538	£807,000	£260,000	940	£1,128,000	£16,899,560
2005 / 06	186	£83,700	239	£111,000	1068	£1,121,400	127	£217,400	2068	£4,136,000	1313	£1,972,100	£400,000	931	£1,121,000	£18,177,375
2006 / 07	204	£91,800	266	£133,000	837	£878,850		£0	2430	£4,860,000	1183	£1,774,500	£410,000	943	£1,131,600	£17,957,115
2007 / 08	355	£159,750	358	£179,100	669	£702,450		£0	2639	£5,278,000	2096	£3,144,000	£675,000	998	£1,198,000	£15,003,180
2008 / 09	453	£203,850	396	£198,000	984	£1,033,200		£0	2720	£5,440,000	2400	£3,600,000	£615,000	971	£1,165,200	£15,522,040
2009 / 10	366	£164,700	410	£205,000	1041	£1,093,050		£0	2750	£5,500,000	2529	£3,793,500	£380,000	940	£1,132,000	£16,180,440
2010 / 11	638	£287,100	438	£219,000	1071	£1,124,550		£0	2972	£5,944,000	2741	£4,111,500	£375,000	955	£1,146,000	£17,033,265
	2879	£1,295,510	2727	£1,318,000	8730	£9,174,900	2366	£4,950,200	20664	£41,208,000	10866	£23,799,000	£4,088,000	9774	£11,728,000	£168,232,255

APPENDIX B

CONCLUSION

This Section is concerned with final conclusions.

Strategic Options

Leicester City Council Housing Department's overall aim is 'A decent home within the reach of every citizen of Leicester'. The HIP document describes how, together with its partners, it performs this strategic role.

With regard to its own stock the Council has a variety of strategic options. Most fundamentally it has a choice whether it wishes to continue as a landlord; although any decision to move the stock outside local authority control would need to be ratified by its tenants. Amongst the options are large scale stock transfer or the setting up of an Arms Length Company. It could also involve itself in a Private Finance Initiative arrangement. Any such decision would depend on a variety of factors including the availability of funding and the wishes of councillors and tenants.

Nevertheless, in recent years the City Council has sought to resolve unfitness in Council owned stock by transfer and redevelopment in partnership with RSL's and developers. This has led to improvements in Saffron, South Braunstone, St. Andrews and Eyres Monsell. In addition to this the demolition of four low demand tower blocks at St. Matthews and Rowlatts Hill has taken place. The sites are being redeveloped in partnership with RSLs and the private sector. The City Council are considering options for low demand unmodernised stock in Braunstone in partnership with residents and the Braunstone Community Association. All options are being considered including demolition and redevelopment as well as transfer to the community who would refurbish and own the properties.

This process has evolved from the redevelopment of Boot houses which provided RSLs with rented and shared ownership housing in Saffron. It has further extended to schemes which incorporate housing for sale (St. Andrews, Braunstone,) and in the case of Caversham Road a new shopping facility as part of a regeneration package. These schemes have also included training and employment opportunities for local people.

Where the Councils own stock requires significant investment to repair structural defects, tackle general dilapidation or to make it lettable it will continue with its current policy of seeking partnership development through stock transfer.

Leicester City Council as Landlord

The most important question Leicester City Council has to ask itself, if it wishes to retain the stock, is whether it is confident that the necessary funding will be available for its properties and estates to be managed and maintained to a level which will satisfy its present and likely future customers. It needs to be able to achieve this despite a backlog of repairs amounting to around £160 million.

Based on the projections in the Financial Plan Section, Leicester is able to balance its overall income and expenditure and address the backlog of repairs over a nine year period; provided government borrowing approval is made available at the levels estimated. As described earlier, further work is needed to investigate whether alternative regimes such as Arms Length Companies or Stock Transfer would benefit tenants and the council as landlord.