Leicester City Council

WARDS AFFECTED :ALL WARDS

HOUSING SCRUTINY 25 JULY 2002
CABINET 29 JULY 2002

HOUSING REVENUE ACCOUNT BUSINESS PLAN – 2002

Joint Report of the Director of Housing and Chief Financial Officer

PURPOSE OF THE REPORT

To approve the Housing Revenue Account (HRA) Business Plan - 2002.

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 'Consultation Draft' version of the 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 clear the backlog of repairs by 2010 (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 Appendix B, A) and any variation in any assumption could affect the above.

Authors of Report
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DECISION STATUS

Key Decision	**No**
Reason	**N/A**
Appeared in Forward Plan	**No**
Executive or Council Decision	**Executive (Cabinet)**

Leicester City Council

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HOUSING SCRUTINY **25 JULY 2002**
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HOUSING REVENUE ACCOUNT
BUSINESS PLAN – 2002

Report of the Director of Housing

SUPPORTING INFORMATION

1. BACKGROUND

The Government requires all local authorities to produce an annual Business Plan for their Housing Revenue Account (HRA). 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 considers 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.

2. THE BUSINESS PLAN

Leicester's Business Plan is a comprehensive and lengthy document. A copy of the 'Consultation Draft' 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.

Section 1 – Introduction

Section 1 provides a general introduction to the Business Plan. It includes a Summary/Overview of the Plan. This is included as Appendix A to this report.

Section 2 – Context

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.

Section 3 – External Environmental Analysis

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 B to this report.

Section 7 – Conclusions

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

4. OTHER IMPLICATIONS

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting information
Legal Implications	No	
Equal Opportunities	Yes	See below*
Policy	No	
Sustainable and Environmental	Yes	See below*
Crime and Disorder	Yes	See below*
Human Rights Act	No	
Elderly/People on Low Income	Yes	See below*

*This report is a short summary of the full Business Plan and there are references throughout the Plan to the area marked with an asterisk.

The financial position of the HRA directly affects the Council's ability to meet the needs and aspirations of Council Tenants, many of whom come from disadvantaged groups.

5. CONSULTATION

There has been consultation with the Housing Management Board, the Consultation Focus Group, and Tenants Associations). 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 2002/03
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
h) HIP Strategy
i) Leicester Estate Condition Survey

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APPENDIX A

Summary/Overview of the HRA Business Plan

Leicester City Council's HRA Business Plan sets out its aims and objectives as a social landlord. It has been prepared in conjunction with tenants' groups and other stakeholders.

Its main findings and conclusions are as follows:

The Council has sufficient financial resources to meet the decent homes standard by 2010 as well as the 2004 interim target. This is based on many assumptions including:

a) Capital Resources through Credit Approvals continuing to be made available to finance the Housing Capital Programme, and
b) The Government continuing to support housing through the MRA and subsidy system; particularly with regard to management and maintenance allowances.

Ongoing capital investment is expected to result in a reduction in responsive repairs of 5% for the next 2 years, then 2.5% for the following 2 years and 1% after this.

The continuing well above inflation price increases in the external building trade are a cause for concern. The council's in-house maintenance service is important in ensuring value for money.

In accordance with Government expectations as part of the Business Planning process, the Council will commission an Options Appraisal.

Demand. The 2002 Housing Needs Survey has recently been received and requires further analysis. Initial findings are that overall there is a strong demand for social housing although there are areas of under and over provision.

Important areas for current and future action are:

a) The implementation of rent restructuring,
b) Dealing with Anti Social Behaviour,
c) Revitalising Neighbourhoods including investment in environmental works, improving lives of local communities and improving community involvement

Particular areas for Performance Improvement are:

a) Reducing rent arrears,
b) Raising tenant satisfaction levels,
c) Improving the quality of service from local housing staff, particularly in the specific areas identified by tenants' representatives,
d) Reducing average re-let times.

APPENDIX B

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 section as Diagram 1.

Leicester has selected the current year (2002/03) 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 requires us 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 section 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, subsidy 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. This will be done in 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 <u>main</u> assumptions for the current inputs to the Business Plan.

<u>The Single Capital Pot</u>

Capital resources for Housing come mainly via the Major Repairs Allowance, currently £13.159 million, and the Single Capital Pot

The Single Capital Pot includes an amount, which previously was allocated directly to Housing, i.e. the Housing ACG. The Housing ACG is based partly on indices of relative need and partly on performance. Although the ACG for Housing is calculated separately by the DTLR at £10.2m for housing, it is allocated to local authorities as part of a Single Capital Pot (SCP). The SCP is a sum allocated to the Council for the needs of <u>all</u> its services and Elected Members are expected to prepare a capital strategy based on priorities. The effect of the SCP is to give the council greater flexibility in deciding how capital money is spent relative to needs in the area.

Following a period of consultation, the capital strategy for the City was approved, by the Council, in January 2002. The amounts made available for Housing under the Single Capital Pot are:

2002/03	£8.2m
2003/04	£8.7m
2004/05	£8.95m

A further £0.5m is earmarked for Housing in 2002/03 subject to capital receipts being achieved.

The above means that there is still some uncertainty over future resources. For the purposes of the Business Plan it has been assumed that Housing will receive 85% of the indicative Housing ACG. This will enable the ten-year decency standard to be met but there will be an impact elsewhere in the housing capital programme, particularly in relation to the private sector renewal programme.

If capital funding overall was reduced this would directly impact on the Authority's ability to meet the ten-year decency standard. However, if funding was increased this would enable the Authority to bring the stock up to standard earlier, reinstate the Private sector renewal programme and enhance the improvements programme generally.

Impact of Rent Restructuring on Leicester's Tenants and HRA

Leicester's average formula rent for 2001/02 was £39.35. This was below the average actual rent of £41.62. The Government has calculated that nationally, over the 10 year rent restructuring period, Local Authority rents will need to increase by 1.0% in real terms for 2002/03 and by 1.5% after this in order to achieve convergence with RSL rents by 2012. This high rate of annual growth means that although Leicester is starting the rent-restructuring process above the formula rent, it will still need above inflation increases in average rents to achieve the up-rated formula rent in 2011/12.

The government prepares an annual 'Notional Housing Revenue Account' for all local authorities. This mechanism is used to re-distribute funds between local authorities. Assumptions are made about each local authority's income (notional or guideline rent) and expenditure on management and maintenance (known as the Management & Maintenance (M&M) Allowance). If, as in Leicester's case, there is a notional surplus this is taken away in the form of 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 in notional rent and notional management and maintenance costs. Leicester have assumed notional rent will increase at 2% above inflation while notional management and maintenance allowances will rise at 4% above inflation.

The Government's intention is that the subsidy 'guideline' rent and 'limit' rent will, along with the actual rent, converge to be the same as the formula rent by 2011/12. The real growth in the subsidy guideline rent will substantially increase the surplus on the notional HRA and thereby increase subsidy penalties. The government has indicated that Authorities will receive increases in Management and Maintenance (M&M) allowances to compensate them for the adverse subsidy impact of increased notional rent. M&M allowances are subject to government spending review decisions. The DTLR has suggested that authorities use three options for modelling M&M allowances with real term increases of 6%, 4% and 2% over the next ten years.

The Business Plan has used an assumption of a 4% increase. This produces a broadly balanced HRA. If there were to be a real term increase of 6% in the M&M allowance Leicester would be in a position to consider additional investment through a revenue contribution to capital outlay (ie use revenue to pay for capital works). Depending on tenant and member decision, this money could be used for much needed environmental works or other purposes. If the M&M allowance was increased by 2% this would result in a loss of revenue funding of about £30 million over ten years. It is very likely that this would be considered unsustainable.

Overall the impact of rent restructuring on Leicester will be broadly neutral as long as Management and Maintenance allowance rises are not suppressed.

<u>Impact of Supporting People on the HRA.</u>

DTLR have asked that local authorities identify the amount of pooled rental income in the HRA which is being used to finance support costs. Leicester submitted an estimate of £428,000 to the DTLR in March 2002. The current estimate is £400,000. The actual expenditure on support in 2001/02, funded from the rent pool, will be one of the elements that is included in the Supporting People grant which comes into effect from 1st April 2003. This will result in an ongoing saving for the HRA as DTLR have specified that authorities should not reduce their rents as a result of the reduction in costs.

The additional resources will initially be used as follows:

Rent Collection and Accounting (£72k)
- Rent Arrears. This has been initiated in response to the current very high level of arrears debt (caused to a considerable extent by Housing Benefit IT problems). The current arrears strategy will be reviewed and training and monitoring will be carried out.

Managing Tenancies (£112k)
- Introductory Tenancy Scheme. This has involved setting up the scheme and ongoing implementation. (£68k)
- Customer Care Initiatives (£44k)

General Management (£126k)
- Information Technology. Consultants are undertaking a review of the Management and Maintenance IT requirements. The service is also making improvements to its Website which will contain all the main policy documents and performance information. It will also help the council's drive towards implementing e-government by 2005.

Renewal & Maintenance (£90k)
- Contribution to meeting the decency standard.

Although the new funding does not become available until 2003/04 the Department has made an early start in implementing the above improvements. Those costs falling in 2002/03 will be met from reserves.

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.

Stock Changes

Disposals under Right to Buy 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. An allowance is also included for losing about 10 properties each year where the cost of repair is considered uneconomic.

Management Costs

An analysis has been carried out to differentiate between costs that are fixed and costs that 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, an inflation factor of RPI plus 2% 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 by 2010. 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.

Other Capital Spend

Other capital spend relates primarily to disabled adaptations. This is currently running at £1.3 million per annum. There is also a small allowance for environmental works.

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 has 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.

Selected pages from the financial model is attached as Appendix A to this section.

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 ten 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.

<u>Major Repairs and Improvements Financing - See Annexe C</u>

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
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 – outlined earlier in this chapter). 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 £163 million, excluding inflation, and described in the 'Repairs & Maintenance Strategy' section as 'repairs backlog') can be completed by 2010.

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.

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 next 28 years, 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% for the first 15 years of the plan and then slowly reduces to 4% over the remaining 15 years of the plan.

Diagram 1

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

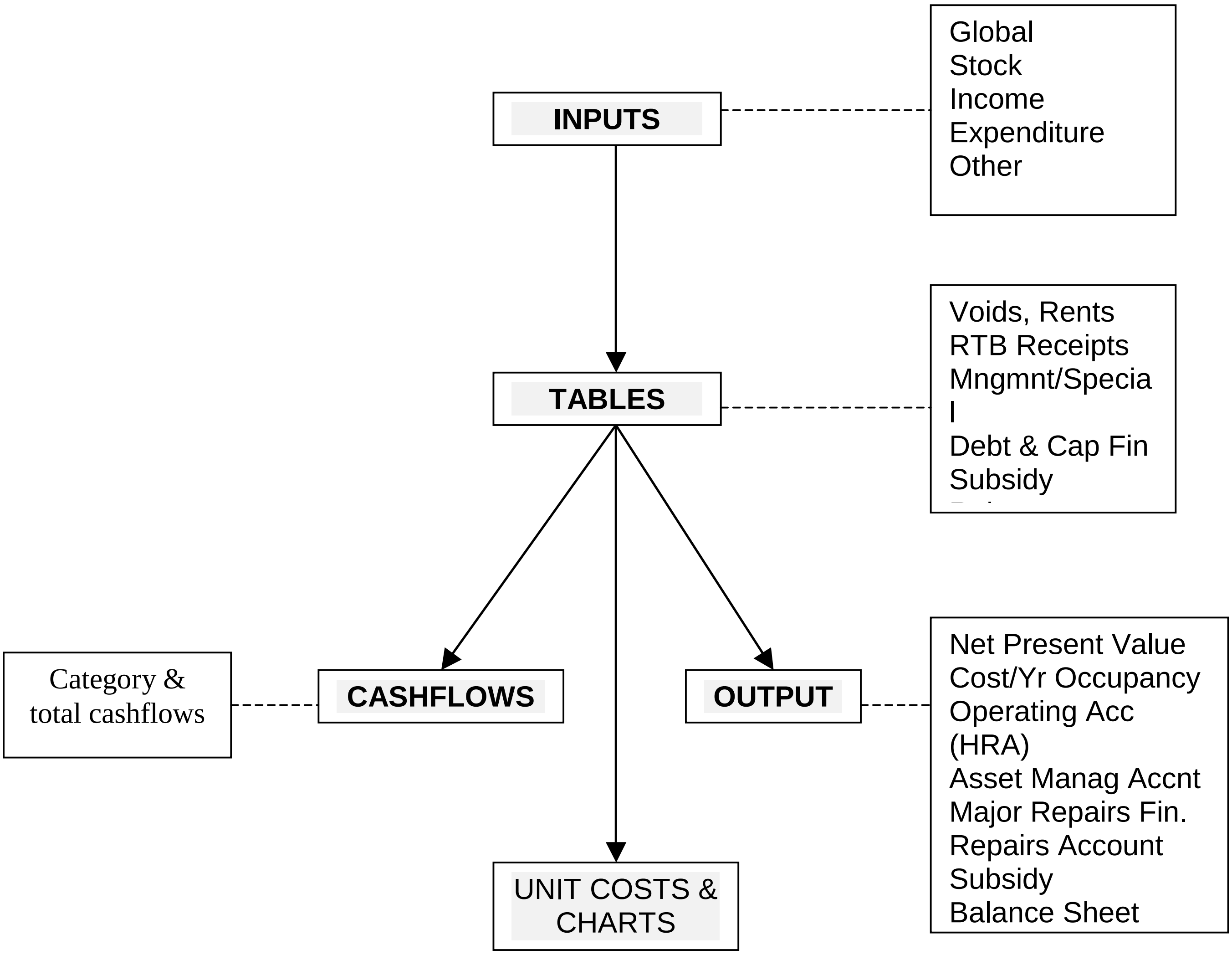
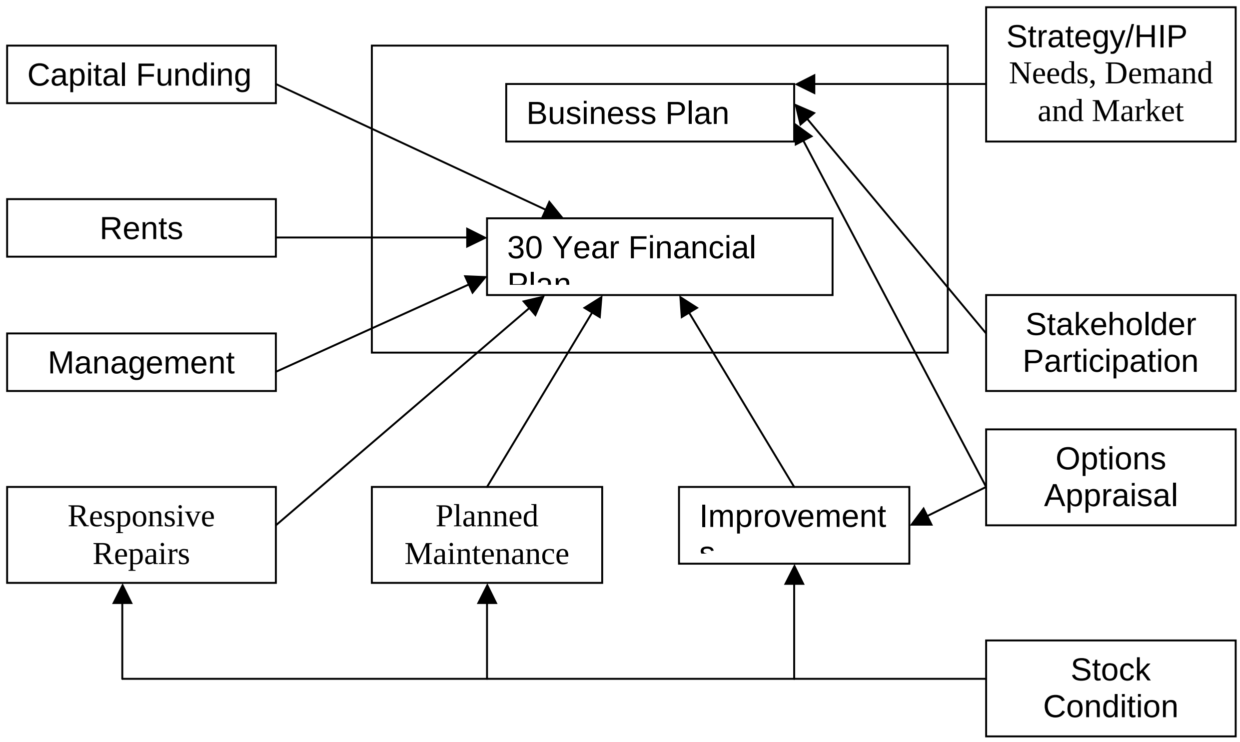


Diagram 2

The Business Planning Framework (Diagram courtesy of HFTA)



SECTION 6

APPENDIX A

Appendix A comprises selected pages from the DTLR Financial Spreadsheet.

Readers are asked to note the summary (whole stock) position. Some disaggregation on a geographical basis has been attempted. However, the bases of apportionment need to be reviewed and further analysed. Estate level information therefore needs to be treated with considerable caution.

ANNEXE A

BUSINESS PLAN MODEL
SUMMARY OF MAIN ASSUMPTIONS

Global Assumptions

- Rate of inflation 2.5%
- Discount Rate prescribed by the government 6%
- Management & Maintenance Allowance 4%

Stock Numbers and Rental Income

- Average rent (52 weeks equivalent) £43.22
- Total Stock 25,215 at 1 April 2002

Other Income

- Garages £279,000
- Other Income £1.445 million

Right to Buy Sales

- 400 RTB Sales in 02/03

Management & Service Costs

Fixed Management Costs	£6.438m million
Service Costs Fixed	£1.237 million

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	Expenditure: Manage £,000	Depreciation £,000	Maint. £,000	Cost of Capital £,000	Other Revenue spend £,000	HRA Cost of Rent Rebates £,000	Misc. expenses £,000	Surplus to be subsidy £,000	Total expenses £,000	Adjusting transfer from ARRA £,000	Net Operating (Expenditure) £,000	Additional pays 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	2002/03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
2	2003/04	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
3	2004/05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
4	2005/06	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
5	2006/07	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
6	2007/08	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
7	2008/09	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
8	2009/10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
9	2010/11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
10	2011/12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
11	2012/13	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
12	2013/14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
13	2014/15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
14	2015/16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
15	2016/17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
16	2017/18	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
17	2018/19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
18	2019/20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
19	2020/21	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
20	2021/22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
21	2022/23	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
22	2023/24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
23	2024/25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
24	2025/26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
25	2026/27	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
26	2027/28	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
27	2028/29	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
28	2029/30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
29	2030/31	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]
30	2031/32	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	0	[illegible]	[illegible]	[illegible]	[illegible]	0	0	[illegible]	[illegible]	[illegible]	[illegible]

Operating Acc

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: Improvements £,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	2002.03	7,253	7,263	2,859*	1,830	19,204	6,600	0	0	12,604	0	19,204	0
2	2003.04	7,443	8,849	2,245	2,142	20,680	6,753	0	0	13,927	0	20,680	0
3	2004.05	7,562	9,874	1,611	2,512	21,558	7,150	0	0	14,408	0	21,558	0
4	2005.06	7,221	11,365	1,008	2,625	22,218	7,250	0	0	14,968	0	22,218	0
5	2006.07	6,236	13,848	1,037	2,021	23,142	7,431	0	0	15,711	0	23,142	0
6	2007.08	5,117	15,178	1,067	2,710	24,073	7,617	0	0	16,456	0	24,073	0
7	2008.09	3,633	17,844	1,099	2,442	25,018	7,807	0	0	17,211	0	25,018	0
8	2009.10	1,518	20,844	1,132	2,552	26,046	8,002	0	0	18,044	0	26,046	0
9	2010.11	626	22,257	1,166	2,965	27,014	8,202	0	0	18,812	0	27,014	0
10	2011.12	0	23,852	1,202	3,099	28,152	8,407	0	0	19,745	0	28,152	0
11	2012.13	0	24,913	1,239	2,797	28,949	9,053	0	0	19,896	0	28,949	0
12	2013.14	0	25,695	1,279	2,923	29,896	9,053	0	0	20,843	0	29,896	0
13	2014.15	0	26,496	1,319	3,054	30,869	9,053	0	0	21,816	0	30,869	0
14	2015.16	0	27,318	1,360	3,192	31,870	9,053	0	0	22,817	0	31,870	0
15	2016.17	0	28,160	1,402	3,335	32,898	9,053	0	0	23,845	0	32,898	0
16	2017.18	0	28,726	1,188	3,485	33,399	10,243	0	0	23,156	0	33,399	0
17	2018.19	0	29,638	1,226	3,642	34,507	10,243	0	0	24,264	0	34,507	0
18	2019.20	0	30,575	1,265	3,806	35,646	10,243	0	0	25,403	0	35,646	0
19	2020.21	0	31,535	1,305	3,977	36,818	10,243	0	0	26,575	0	36,818	0
20	2021.22	0	32,520	1,346	4,156	38,023	10,243	0	0	27,780	0	38,023	0
21	2022.23	0	32,969	1,389	4,343	38,702	11,589	0	0	27,113	0	38,702	0
22	2023.24	0	34,029	1,434	4,539	40,002	11,589	0	0	28,413	0	40,002	0
23	2024.25	0	35,118	1,481	4,743	41,341	11,589	0	0	29,752	0	41,341	0
24	2025.26	0	36,235	1,528	4,957	42,720	11,589	0	0	31,131	0	42,720	0
25	2026.27	0	37,382	1,577	5,180	44,139	11,589	0	0	32,550	0	44,139	0
26	2027.28	0	37,805	1,628	5,413	44,846	13,112	0	0	31,734	0	44,846	0
27	2028.29	0	39,035	1,682	5,656	46,373	13,112	0	0	33,261	0	46,373	0
28	2029.30	0	40,298	1,737	5,911	47,946	13,112	0	0	34,834	0	47,946	0
29	2030.31	0	41,596	1,793	6,177	49,566	13,112	0	0	36,454	0	49,566	0
30	2031.32	0	42,929	1,851	6,455	51,235	13,112	0	0	38,123	0	51,235	0

Capital Expenditure Requirements to Achieve the Decency Standard by 2010/11

(Costs not including inflation)

Year	Structure No.	Structure Cost	Chimney No.	Chimney Cost	Roof No.	Roof Cost	Gutter No.	Gutter Cost	Pointing No.	Pointing Cost
2002 / 03	93	£564,799	155	£102,300	313	£845,100	327	£101,336	65	£152,750
2003 / 04	35	£212,300	292	£192,791	393	£1,061,436	322	£99,816	193	£453,691
2004 / 05	35	£212,300	292	£192,791	393	£1,061,436	322	£99,816	193	£453,691
2005 / 06	35	£212,300	292	£192,791	347	£936,144	322	£99,816	193	£453,691
2006 / 07	35	£212,300	292	£192,791	316	£853,700	322	£99,816	193	£453,691
2007 / 08	35	£212,300	292	£192,791	319	£861,678	322	£99,816	193	£453,691
2008 / 09	35	£212,300	292	£192,791	448	£1,210,073	322	£99,816	193	£453,691
2009 / 10	35	£212,300	292	£192,791	449	£1,212,732	322	£99,816	193	£453,691
2010 / 11	35	£212,300	292	£192,791	448	£1,210,073	322	£99,816	193	£453,691
	371	2263202	2492	1644626	3427	9252371	2903	898980	1609	3782278

Year	BSF Panel No.	BSF Panel Cost	MHC Cladding No.	MHC Cladding Cost	Windows No.	Windows Cost	Doors No.	Doors Cost	Walls No.	Walls Cost
2002 / 03	57	£302,100	104	£416,000	2800	£4,704,000	2800	£2,058,000	200	£100,000
2003 / 04	59	£312,700	95	£380,000	2900	£4,872,000	3152	£2,316,720	0	£0
2004 / 05	61	£323,300	95	£380,000	2900	£4,872,000	3152	£2,316,720	257	£128,472
2005 / 06	63	£333,900	95	£380,000	2900	£4,872,000	3152	£2,316,720	257	£128,472
2006 / 07	20	£106,000	125	£500,000	2900	£4,872,000	3152	£2,316,720	257	£128,472
2007 / 08	0	£0	125	£500,000	2900	£4,872,000	3152	£2,316,720	257	£128,472
2008 / 09	0	£0	0	£0	0	£0	2069	£1,520,348	257	£128,472
2009 / 10	0	£0	0	£0	0	£0	2069	£1,520,348	257	£128,472
2010 / 11	0	£0	0	£0	0	£0	1970	£1,447,950	257	£128,472
	260	1378000	639	2556000	17300	29064000	24987	18130245	1999	999305

Year	Outbuild No.	Outbuild Cost	Paths No.	Paths Cost	Fences No.	Fences Cost	Rewire No.	Rewire Cost	C. Heating No.	C. Heating Cost
2002 / 03	0	£0	0	£0	0	£0	316	£331,800	320	£784,000
2003 / 04	191	£210,199	157	£70,477	196	£98,008	920	£965,880	33	£80,850
2004 / 05	242	£266,541	181	£81,558	228	£113,768	826	£867,736	22	£53,900
2005 / 06	256	£281,710	195	£87,764	247	£123,618	827	£868,770	21	£51,450
2006 / 07	253	£278,460	201	£90,423	262	£131,005	824	£865,667	0	£0
2007 / 08	296	£325,050	350	£157,354	354	£176,808	659	£691,913	0	£0
2008 / 09	328	£360,806	446	£200,792	390	£195,030	1320	£1,385,895	0	£0
2009 / 10	424	£465,905	558	£250,880	404	£201,925	1235	£1,296,950	0	£0
2010 / 11	455	£500,577	628	£282,794	422	£210,790	1217	£1,278,333	0	£0
	2445	2689247	2716	1222040	2502	1250950	8148	8553053	396	970200

Year	Kitchen No.	Kitchen Cost	Bathroom No.	Bathroom Cost	Misc Items Cost	Boiler No.	Boiler Cost	Total Cost
2002 / 03	241	£1,205,000	230	£345,000	£1,151,000	1220	£1,647,000	£14,810,185
2003 / 04	1822	£3,644,500	485	£728,930	£518,000	1162	£1,596,700	£17,812,106
2004 / 05	1977	£3,953,790	638	£957,420	£531,000	822	£1,110,341	£17,976,579
2005 / 06	1975	£3,949,850	1321	£1,981,328	£544,000	179	£242,015	£18,056,337
2006 / 07	1972	£3,943,940	1322	£1,982,805	£557,000	616	£831,094	£18,415,680
2007 / 08	1970	£3,940,000	1331	£1,996,103	£571,000	618	£833,753	£18,329,448
2008 / 09	3423	£6,845,750	2615	£3,922,753	£586,000	1268	£1,711,388	£19,025,913
2009 / 10	3430	£6,859,540	2841	£4,261,110	£600,000	1262	£1,703,410	£19,459,868
2010 / 11	3428	£6,855,600	2852	£4,277,363	£615,000	1227	£1,656,869	£19,422,417
	20237	41197970	13634	20450820	£5,673,000	8394	11331569	£163,308,736

ANNEXE D

APPENDIX C

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 serious pockets of unfitness in Council owned stock by transfer and redevelopment in partnership with RSLs and developers. This has led to improvements in Saffron, South Braunstone, St. Andrews, Beaumont Leys, Eyres Monsell etc. 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. Most recently the Council has dealt with low demand unmodernised stock in Braunstone in partnership with residents and the Braunstone Community Association.

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 Council's 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 the decency standard by 2010.

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 within the required time-scale; provided there are no significant changes to the current funding regime. As described earlier, further work is to be carried out to investigate whether alternative regimes such as Arms Length Companies or Stock Transfer would benefit tenants and the council as landlord. A full options appraisal was planned for last year but this has been postponed until the current year because of the difficulties associated with the introduction of rent restructuring.