

DECENT HOMES – OPTION APPRAISAL FINANCIAL SUMMARY

Appendix A

Cost of Decent Homes to 2010

Decent Homes Essential Works	£31.8m
Related Assets	£0.2m
Contingency	£0.4m
Disabled Adaptations	£2.9m
Exceptional Works	£0.5m
Environmental Improvements	£0.1m

Total **£35.9m**

Figures extracted from the stock condition survey as verified by FPD Savill.

Current Position

- Finance available from Council resources to 2010 £28.1m
- Gap to be bridged £7.8m

Assumes that 25% of the useable RTB receipts are available to the HRA. (If the Council cannot use 25% of receipts the shortfall rises to £10.45m).

Possible Options

- Retention using prudential borrowing to bridge the gap.
- ALMO – Form an Arms Length Management Organisation to access additional funding.
- LSVT – (Large Scale Voluntary Transfer) – transfer the housing stock to either an existing Registered Social Landlord i.e. a Housing Association or form a new one.
- PFI – (Private Finance Initiative) – enter a long-term contract with a private company to carry out the necessary works and receive additional funding.

Retention (using Prudential Borrowing)

- Can borrow the money to bridge the gap of £7.8m.
- Could also afford to borrow a further £3.5m to provide additional work for tenant aspirations.
- Financial projections show a deficit in year 2 in the region of £220,000.
- The borrowing would be over a five year period to “take up” the shortfall in each year.
- No further borrowing would be required after 2010, although it would be possible.

ALMO

- Would be an independent company with its own Board of Directors, comprised of Residents, Councillors and Independent members.
- Would receive a subsidy from Government Offices to bridge the £7.8m gap subject to receiving a two star rating from the Housing Inspectorate.
- Additional set up and running costs estimated at £270,000 and £470,000 would mean that the HRA will be in deficit for the 5 years to 2010.

LSVT

- Ownership of the Housing Stock would transfer to a Housing Association; the Council would receive a Capital Receipt the size of which would be subject to the commitments undertaken by the Housing Association. The option appraisal gives an indication of a net receipt of approximately £37m.
- The HRA would no longer exist, but some current responsibilities would continue to remain with the Council e.g. homelessness.
- Costs of meeting Decent Homes together with staff transferred under TUPE would become the responsibility of the Housing Association. However some costs currently charged to the HRA would have to be met from the General Fund. It is estimated that these residual costs will be £1.36m per year.

PFI

- The Council leases a part of the housing stock to a private company to under take the Decent Homes works.
- Funding is provided by way of PFI credits to enable the work to be carried out.
- PFI has limited use as it will not provide a solution for all the housing stock and in the main is only workable on large estates with substantial volumes of repetitive work. Therefore

although the option can be considered as part of a solution it is unlikely to bridge the £7.8m gap.