

HCA Challenge Fund Round 2 Bid**Option 1****Standard look up data for input****Data**

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|--|---------|
| Number of dwellings | 6 |
| Number of weeks | 52 |
| Target Rent | 104.09 |
| Void and Bad debt Level | 3.5% |
| Average Rate of interest on Borrowing | 4.79% |
| Management Costs per dwelling per annum | £494.19 |
| Day to day Repairs per dwelling per annum | £1,000 |
| Capital Repairs ave MRA per dwelling per annum | £838.30 |

Target Rent aprox (confirmed)

£

NOTES

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|---------------------|-------------------------------|------------------|
| | (2011/12 rent figures) | |
| 4B properties | Per week | 624.54 |
| 52 weeks | | 32,476.08 |
| Rent | | 32,476.08 |
| 1) Voids & bad debt | | 1,136.66 |
| | Total Net Income | 31,339.42 |

Interest lost on principal

£

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| 2) Interest Only | 15,766.22 |
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3)

(2009/10 prices)

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| | Average £533.10 per household per ann, less £7.3% , £494.19 based on 2009/10 budget with reduced support costs | |
| 4) Management | | 2,965.14 |
| | Average £1000 per household per ann, based on the subsidy repairs allowance | |
| 5) Day to Day repairs | | 6,000.00 |
| | Average MRA capital allowance per property, plus 40% representing the recognised shortfall on the allowance £ 838.3. | |
| 6) Capital repairs | | 5,029.80 |

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| Total Cost to HRA | 29,761.16 |
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|-------------------------|------------------|
| Total Net Income | 31,339.42 |
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| Total Impact to HRA - Cost / (contribution) per annum | -1,578.25 |
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(Note costs have not been inflated and rents are at the forecast 2011/12 levels,

OPTION 1 HCA CHALLENGE FUND ROUND 2 BID ASSUMPTIONS**1. VOID AND BAD DEBT PERCENTAGE APPLIED TO RENTAL INCOME**

2.5% for void to reflect current level of voids. (note level running higher than this for all stock)

1.00% for bad debt provision built in however this is lower than current percentage contribution levels.

Total of 3.5%

2. INTEREST ON PRINCIPAL BORROWED

Interest rate of 4.79% used to calculate cost of borrowing. As the HRA's CFR is negative this represents the loss of interest on principal to the HRA.

The percentage for the term is prudent even taking into account that the immediate levels of investment interest are likely to fall in the short term.

3. GRANT LEVEL PER UNIT

Based on 50% of total cost of scheme.

4. MANAGEMENT COSTS

Provided by finance were based on budgeted costs for 09/10 adjusted for the reduction in central support costs reflected in the 2008/09 actual outturn. £533 a further reduction of 7.3% efficiency has been included which is intended to be delivered in 10/11 budget round for the HRA. There is a risk that this will not be deliverable. The second option reflects zero management costs on the basis that there would be no marginal increase in these costs to the authority

5. MAINTENANCE COSTS

Finance built in £1000 based on 2008/09 maintenance subsidy allowance which is a national formula need to spend assessment for the current HRA archetype groups. The actual 08/09 allowance was £1103.99. The 09/10 allowance is £1129.68.

The subsidy allowance is based on weightings for each stock archetype for Responsive Repairs and Preplanned Repairs. These are then adjusted further to account for relets and termination rates and voids and also for crime related repairs.

For the purposes of this assessment it is considered that this is a prudent level. Note the maintenance allowance does not include anything for environmental.

6. MAJOR REPAIRS COSTS

Figures of £838 were put in based on 08/09 MRA allowance uprated for the publicised shortfall of 40% recognised nationally by the Councils Housing advisors HQN. In fact HQN were quoting between 43 and 90% as the shortfall in recent national seminars. The Major Repairs costs are average costs over the life of the asset. It is therefore prudent to include these in the appraisal as it represents the need to provide for major repairs over the asset life.

The latest CLG rent Reform Consultation document recognises this shortfall to be 24%. However this is not the accepted professional view.

OTHER**TARGET RENTS**

Based on 52 week year and value at 2011/12 financial year