

Appendix A

SECTION 3 ALMO FUNDING REQUIRED

- 3.1 The Building Cost Model (BCM) has underlined the conclusions reached by the Housing Options Appraisal process and the financial constraints signalled by the Council's Housing Revenue Account (HRA) Business Plan. The BCM, supported by the rigorous Stock Condition Survey undertaken for the Options Appraisal, clearly demonstrates that the Decent Homes Standard would not be achieved with the level of resources available from the Major Repairs Allowance.
- 3.2 The BCM is based on the Stock Condition Survey completed by Savills in the spring of 2005. Raw expenditure profiles generated within the stock condition database have been increased to allow for professional fees and to reflect inflationary increases between the date of the Stock Condition Survey and the start of the BCM. Building and maintenance contract inflation within the Stevenage is running in excess of the BCIS index. Stevenage is within the London, Stansted, Cambridge, and Peterborough Growth Area and the current and likely levels of investment are pushing up contract prices. The draft BCM reflects RPI inflationary increases from 2006/07 to 2010/11. The Council will seek to secure efficiency savings arising from the increased scale of contracts and proposed working arrangements arising from new procurement exercises that will be in line with Gershon principles. However, against the background of the local cost pressures that are likely to be encountered it is doubtful whether real inflationary increases can ultimately be contained.
- 3.3 The amount of additional resource applied for in respect of Decent Homes is **£46.8million**, excluding real inflation, (averaging **£5,600** per dwelling). The Decent Homes Standard can only be met by 2010 with the availability of these additional resources.
- 3.4 The total application includes an additional £2.34million to help deliver investment for regeneration and sustainability, within the Town. This could be utilised to make further progress on the successful redevelopment, improvement and regeneration initiatives undertaken so far by the Council such as:- ongoing review to ensure the stock best meets the identified needs of the people awaiting affordable homes, community safety issues that are a high priority with our tenants, to improve their communities as part of ensuring sustainability of the neighbourhoods, ongoing development of anti-social behaviour working group recommendations, developing involvement of all hard to reach groups, assisting the development of the LSP and implementation of the Community Strategy. The detailed programme for allocating the 5% sustainability allowance will be considered, in due course, with the ALMO Board, Tenants and other stakeholders.
- 3.5 The expenditure and funding analysis is set out in the following table and the subsequent paragraphs clarify the Council's considerations and conclusions on other funding issues.

- 3.6 The Council's overall capital resources are set in the context of the delivery of wider Housing Strategy objectives, particularly in respect of private sector renewal, Disabled Facilities and the need to deliver on Affordable Housing.
- 3.7 The HRA Forecast as part of the Options Appraisal process estimated that the HRA could remain in surplus in the medium term. General efficiencies within the HRA and particularly cost reductions in line with Right-to Buy Sales would be necessary to maintain the account in balance into the longer term. The HRA Subsidy Determinations for 2006/07 have led to a reduction in the overall level of resources available to the Authority and these are reflected in the Bid and the Council and ALMO's updated HRA Business Plan Forecasts.
- 3.8 The Council has established plans and the funding necessary to improve services to tenants, and thus enable the ALMO to reach a two star assessment from the Audit Commission. Resources are also being invested in maintaining and updating the stock condition survey information and identified to meet the costs associated with putting the ALMO in place.
- 3.9 The Council's housing options appraisal had a caveat attached to it requiring the ODPM to negate the unintended adverse impact on the Council's general fund of the ODPM's Minimum Revenue Provision (MRP) formula. Positive progress appears to be being made with regard to this issue. The ODPM has consulted on changes to this formula that will negate this impact and the Council anticipates that changes to the regulations are likely to be announced in March 2006.
- 3.10 Projections for the HRA allow no headroom for prudential borrowing. However, Supported Capital Expenditure (SCE) of some £560k will be applied to Decent Homes, together with the Major Repairs Allowance (MRA) and a proportion of Capital Receipts. But as detailed in the table below with this level of funding, at some £33.8million, being all that is available from the Council's own resources, the Decent Homes Programme is not fundable and the funding gap of £46.8million is the required level of the ALMO Bid.

Expenditure and Funding Analysis (£000s)

Financial Year	2006-07	2007-08	2008-09	2009-10	2010-11	Total
<u>Expenditure</u>						
Stock condition survey	15,900	16,000	16,100	16,300	16,300	80,600
Sustainability bid	-	580	590	580	590	2,340
Total	15,900	16,580	16,690	16,880	16,890	82,940
<u>Financed by</u>						
Major Repairs Allowance (MRA)	5,500	5,700	6,000	6,200	6,400	29,800
Capital Receipts	500	400	200	100	-	1,200
Support Capital Expenditure (SCE)	560	560	560	560	560	2,800
Total	6,560	6,660	6,760	6,860	6,960	33,800
<u>Shortfall</u>						
ALMO funds required – Decent Homes	-	11,700	11,700	11,700	11,700	46,800
ALMO funds required – Sustainability	-	580	590	580	590	2,340
Total Bid	-	12,280	12,290	12,280	12,290	49,140