



BUSINESS PLAN

June 08

Prepared in conjunction with

Tribal Consulting

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1 INTRODUCTION

1.1 Purpose

This Business Plan has been prepared by Bron Afon Community Housing Limited ("Bron Afon") with the assistance of its advisers. It should be read in conjunction with Bron Afon's funding prospectus prepared by Tribal Treasury Services Ltd. The plan provides information on the transfer of housing stock from Torfaen County Borough Council ("the Council") together with details of Bron Afon future stock investment and development programme. The organisational structure, policies, and details of the financial viability of the organisation are also described. All projections in this Business Plan assume a trading period commencing 1 April 2008.

1.2 History of Bron Afon

1.2.1 Bron Afon is a not-for-profit Community Mutual Housing organisation (a Registered Social Landlord (RSL)) and, subject to securing funding for the transfer, will seek registration with the Welsh Ministers (NAW) in March 2008.

1.2.2 Bron Afon has been registered with the Financial Services Authority as an Industrial and Provident Society with charitable objects, with registration number 30235R.

1.3 Contents

1.3.1 This Business Plan sets out details of:

- Bron Afon (Section 2);
- The geographical area of Torfaen (Section 3);
- The stock transfer process (Section 4);
- The housing stock transferred (Section 5);
- The basis of the valuation (Section 6);
- Bron Afon's financial projections (Section 7).

1.4 Restrictions on Use

1.4.1 The preparation of this Business Plan has been carried out in good faith but responsibility for verifying its contents lies with the addressee. No liability is accepted for errors or omissions.

1.4.2 This document may not be reproduced in whole or in part without the express authority of Bron Afon.

2 BRON AFON

2.1 Legal Status

- 2.1.1 Bron Afon is a new, local, not-for-profit Community Mutual housing organisation". As with all Registered Social Landlords (RSLs) in Wales, it will be registered with and regulated by the Welsh Ministers.
- 2.1.2 Bron Afon is registered with the Financial Services Authority (FSA) with the registration number 30235R, as an Industrial and Provident Society with charitable objects. The registered office is Ty Bron Afon, Llantarnam Industrial Park, Cwmbran, Torfaen NP44 3AB.
- 2.1.3 Bron Afon anticipates registration with the Welsh Ministers in March 2008. It has been advised provisionally that its registration number will be L147
- 2.1.4 It is a body whose primary purpose is to provide affordable rented housing to people in housing need. Bron Afon has been established with the help of the Council specifically to supply high quality affordable housing and excellent housing services to the people in Torfaen and ensure that all the properties are brought up to meet the Welsh Housing Quality Standard (WHQS).

2.2 Aims, Powers and Objectives

- 2.2.1 Bron Afon's objects are to provide and manage housing, to provide assistance to help people meet their housing needs, to provide associated facilities and to carry out regeneration activities primarily in Torfaen.
- 2.2.2 Bron Afon's objects are charitable and confirmation has been received from HM Revenues and Customs of charitable status subject to changes to the Rules that are due to be approved at a Special General Meeting of Bron Afon on the 12th March and will be registered with the Financial Services Authority.
- 2.2.3 Bron Afon's aims and values were developed by the Board, tenants and staff during the development of the Offer Document.
- 2.2.4 Bron Afon's aims are:
- To provide high-quality, energy efficient, affordable homes, high-quality communal areas and excellent services to tenants and leaseholders in Torfaen;
 - To promote and support vibrant, safe, clean and healthy communities working in close partnership with residents and the Council;
 - To run an open and democratic organisation with high levels of community involvement ;
 - To use the resources we have to best effect in maximising other benefits to the community, including creating and sustaining local jobs, increasing skills and minimising negative impact on the environment;

- To provide support for people who need it.

Bron Afon:

- Cares about people and communities;
- Is passionate about excellent service delivery;
- Is innovative and creative and willing to take risks;
- Listens and learns;
- Respects and values diversity and promotes equality of opportunity;
- Is trustworthy open and honest in all it does;
- Is accountable to the communities it serves;
- Welcomes constructive challenge;
- Involves people in decisions that affect them;
- Has sustainability at the heart of its thinking;
- Is proud to be a non profit making social business delivering a public service.

2.2.5 Bron Afon is not permitted to trade for profit. Any surplus generated will be retained and used in a manner which furthers the objectives outlined above. Surpluses cannot be distributed to its members.

2.3 **Responsibilities of Bron Afon**

2.3.1 Bron Afon is responsible for delivering the local housing service. Responsibilities include the following

- Lettings
- Estate management
- Rent collection
- Preventing and managing anti-social behaviour
- Repairs & improvements
- Undertaking projects to achieve its main purpose.

2.4 **Bron Afon's Structure**

2.4.1 The members of Bron Afon will be drawn from the residents of Torfaen. Currently almost all members are tenants, but the intention is to encourage individuals from the wider community to join. The only stipulation is that the majority of members must be tenants. All tenants are entitled to apply for membership of Bron Afon (for a 10p fee). The Board of Bron Afon will formulate a membership policy taking into account the membership provisions in the Rules. The members must approve this policy.

2.4.2 Bron Afon is to be managed by a Board of Management (the Board) of 15 people, 5 Council Nominees, 5 Independent Board Members and 5 Tenant Board Members. The Tenant Board members have been directly elected by Bron Afon's tenants. Between them, the Board Members bring different skills and expertise to the Board to make sure that Bron Afon is able to deliver its aims and objectives.

2.4.3 Although the Board of Management of Bron Afon will make the strategic and policy decisions, some major decisions such as a change to the Rules governing how the organisation operates have to be agreed by the members of Bron Afon.

2.4.4 Bron Afon currently has 387 members and is actively seeking to recruit more. If tenants choose to become members, tenants can increase their influence on the running and management of the organisation in the following ways:

- being, collectively, the owners of Bron Afon;
- being a custodian of the Rules of Bron Afon – as the Rules can only be changed with the approval of members (and the Welsh Ministers);
- monitoring the performance of the Board.

2.4.5 Members are entitled to attend and vote at Bron Afon's Annual General Meeting ("AGM") and at any other convened meeting of the members. The Rules state that the following activities are to be carried out at the AGM:

"to receive the Board's annual report which in addition to the usual accounts, balance sheet, auditor's report and appointment of auditors must also include a statement of the policies, strategies and objectives being pursued by Bron Afon; a report on progress with securing community involvement in Bron Afon and a wider programme of community development; a report on progress with the strategy for establishing any local groups with delegated responsibilities if any communities have these aspirations; details of the obligations and assessment of skills of Board members; proposals for future consultation with the membership; the Membership Policy."

2.5 **Rules**

2.5.1 Bron Afon is registered with the Financial Services Authority ("FSA") as a Community Mutual. The rules have been approved by the Welsh Ministers. The Rules provide for such matters as:

- Powers to carry out full range of activities normally undertaken by a registered social landlord;
- Full power to the Board to take responsibility for managing the business and supervise the Executive and a requirement that the Board meets at least 4 times per year;

- The ability for the Board to appoint appropriate sub-committees reporting to the Board;
- Membership restricted to individual tenants and residents of Torfaen and leaseholders of Bron Afon with a requirement that tenants are always in the majority within the membership;
- A requirement to have a community involvement and community development strategy;
- A requirement to have arrangements to enable communities to take on delegated powers if they aspire to do so (with safeguards for lenders' rights);
- Arrangements for the management of members' meetings and expulsion of members and Board members if required;
- A Board consisting of five tenants elected by all tenants; 5 persons nominated by Torfaen County Borough Council and 5 independent Board members co-opted by the Board. The rules restrict all Board members to two terms of office and make arrangements for annual elections/reappointment in rotation;
- Provisions that Board membership will be unpaid.

2.5.2 A full copy of the Rules is available on request.

2.6 **Registration with the Welsh Ministers**

2.6.1 Bron Afon is aiming to achieve registration with the Welsh Ministers, under the provisions of the Housing Act 1996 in March 2008. We have been advised provisionally that our registration number will be L147. Registration involves demonstrating to the Welsh Ministers that Bron Afon will meet existing needs and that it is capable of providing a service that is both efficient and effective.

2.6.2 Registration will enable Bron Afon to apply for financial support from the Welsh Ministers towards any future housing developments it may wish to carry out in pursuance of its mission.

2.6.3 Regular monitoring of Bron Afon's activities by the Welsh Ministers means that both tenants and interested third parties can monitor the proper conduct of the affairs of Bron Afon's management and its continuing financial viability.

2.7 **The Role of Welsh Ministers**

2.7.1 The Welsh Ministers is responsible for regulating and overseeing the activities of all Registered Social Landlords in Wales and monitoring their financial viability. It also allocates Social Housing Grant (SHG) funds to RSLs for new development and other purposes.

2.7.2 The Welsh Ministers have a crucial role in the regulation of registered social landlords, providing advice; monitoring activities and finance; setting standards; testing effectiveness and giving guidance. The Welsh Ministers have commissioned the Wales Audit Office to undertake the role of inspecting RSLs in Wales.

2.8 **Management Structures**

2.8.1 Bron Afon is managed by a Board of fifteen unpaid Board members. One place is currently vacant. The vacancy is in the post of independent Board member. The names and brief background of the current Board members are set out in Appendix I.

2.8.2 The existing independent Board members were appointed for their specialist skills after a competitive process following advertisement.

2.9 **Committees**

2.9.1 Recognising the importance of separation of roles and the special nature of the process leading up to stock transfer, the Board have established three sub-committees:

- A negotiations sub-committee which has no council Board members on it, which is responsible for negotiations with the Council over stock transfer contracts;
- A housing management sub-committee which has responsibility for overseeing the development of new housing management policies for Bron Afon;
- A staffing sub-committee which has responsibility for overseeing the development of new staffing policies for Bron Afon.

2.9.2 The Board have approved Standing Orders that will replace these three subcommittees with two standing subcommittees; Staffing and Audit and Ethics. In addition, the Board has powers under the Standing Orders to appoint other committees as required.

2.9.3 The Board retains responsibility for the Business Plan, appointment of the Executive and key policies and strategies such as Treasury management, Excellence, Rent setting, Sustainability, Community Involvement, Allocations and Anti social behaviour.

2.10 **Training of Board Members**

2.10.1 The Board is currently meeting fortnightly to progress the work required for the transfer. During 2007, they held two awaydays to discuss and debate key policies. Within the last three months, they have had training on Treasury Management and the Regulatory Framework and Governance training is taking place on the 6th March. Training on their role as an employer is being organised for April. In practice, during 2007, either before or during most Board meetings some aspect of training was provided and to date this has covered issues such as Funding, Treasury management, Procurement, Conduct and schedule 1, Governance and Community investment. A longer term Board development programme will start to be delivered in early 2008 once the intensity of the existing meeting schedule has reduced.

2.11 **Staffing Structures**

2.11.1 A staff structure for Bron Afon has been developed. Staff will largely transfer from the Council thus providing experience and continuity. The staffing structure is outlined in Appendix II.

2.11.2 In addition to existing staff transferring, it is recognised that there may be a requirement for additional staff with skills that are not covered by the transferring staff.

2.11.3 Bron Afon has appointed Duncan Forbes as the Chief Executive and Neil Edwards as Director of Resources. Duncan Forbes is a solicitor with 25 years experience specialising in the housing field who has had substantial professional experience advising and negotiating on large commercial business transfers. He was previously the solicitor to Torfaen County Borough Council and in that capacity was a member of the Senior Management Team and had responsibility for Corporate Governance and Risk Management. Neil Edwards has worked in housing finance for over 15 years within the local authority and registered social landlord sectors. He has joined Bron Afon from Cardiff Community Housing Association where he has been Director of Finance for the past 7 years. The Director of Community Investment and Involvement, , Director of Property Services, Director of Community Housing and Head of Human Resources have all been appointed through an external competitive process and are in post.

2.12 **Bron Afon's Advisers**

2.12.1 A number of advisers have assisted Bron Afon in the stock transfer process. Their identity, role and relevant experience are summarised below.

2.12.2 **Financial Consultants**

Bron Afon's financial consultants are Tribal Consulting. Tribal Consulting are employed to advise and assist on a wide range of matters leading to the eventual transfer of stock from Torfaen CBC, including Business Planning, recruitment and HR, and IT.

2.12.3 The Company has established a reputation as the country's leading independent housing consultants and has a wealth of experience in all aspects of housing services and projects. Tribal Consulting have built up exceptional knowledge of Large Scale Voluntary Transfers through assistance to numerous Housing Associations and Housing Companies arising from transfer.

2.12.4 **Solicitors**

Bron Afon's solicitors are Cobbetts, of 1 Colmore Square, Birmingham B4 6AJ.

2.12.5 Cobbetts have a wide experience of handling stock transfer and act for numerous housing associations/registered social landlords. They are the legal advisers to the local authority in the transfers in Monmouthshire and Rhondda-Cynon-Taff and therefore have experience of dealing with the Welsh Assembly Government and their legal team.

2.12.6 **Funding Advisers**

Tribal Treasury Services (TTS) are Bron Afon's funding advisers and treasury services advisers. They will continue to work with Bron Afon for one year after transfer. They are regulated by the Financial Services Authority and have considerable experience of funding Registered Social Landlords in various circumstances including Large Scale Voluntary Transfer.

2.12.7 **Business Plan Validation**

Grant Thornton will be validating Bron Afon's Business Plan. In addition to a strong reputation in the accountancy, commercial and business world, they have experience of working with many Registered Social Landlords and of Large Scale Voluntary Transfer transactions.

2.12.8 Validation is to be carried out at two stages: validation of the first draft of this Business Plan took place prior to funding proposals being submitted, and validation of this final Plan will now take place given that funding has been agreed and other elements of the Plan have been finalised.

2.12.9 **Valuers**

Countrywide Surveyors have been appointed to undertake the valuing of the housing stock for funding purposes. The team has a wealth of LSVT funding valuation experience and has built up an impressive portfolio of RSL clients.

2.12.10 **IT Consultants**

Bron Afon has appointed Tribal Consulting to act as IT Consultants to carry out a review of the company's medium term IT requirements and to recommend suitable systems. The Council's IT section will also advise on continuing existing systems interfaces between Bron Afon and the Council.

2.12.11 **Tenant Advisers**

The Independent Tenant Advisers during the pre-ballot consultation process were the Tenant Advice and Consultancy Team (TACT) at Dome Consultants, 9/10 Raglan House, Llantarnam Business Park, Cwmbran, NP44 3AB.

2.12.12 **Funders**

Bron Afon has appointed Royal Bank of Scotland, the European Investment Bank and the Principality Building Society as its funders. with the assistance of its funding advisers TTS.

2.12.13 **Insurance**

Bron Afon has appointed Marsh as its insurance broker. Marsh has extensive experience in the public and RSL sector, and as Torfaen County Borough Council's broker, has considerable knowledge of the housing stock being transferred to Bron Afon.

2.12.14 **Other Appointments**

Jointly with the Council we have appointed PWC as VAT advisers to advise and assist us through the necessary processes to a successful implementation of a VAT recovery scheme.

2.12.15 Other appointments include:

- Savills for the survey of the dwelling stock
- Curtins for the survey of non-traditional dwellings.

2.12.16 Appointments have yet to be made for internal and external auditors. The external auditors will be appointed at a Special Members Meeting due to be held on 12th March 2008.

2.13 **Future Investment Plans**

2.13.1 Bron Afon's future investment plans involves the purchase of stock from the Council together with the repair and improvement of that stock.

2.13.2 In 2002, the Welsh Assembly Government introduced the Welsh Housing Quality Standard (WHQS), which requires Local Authorities and RSLs to improve the standard of all homes in Wales.

- 2.13.3 One of the aims of the transfer proposal is to make sure that the homes are properly maintained and that there is enough money in the future to achieve the WHQS and then maintain homes to that standard. Bron Afon will have a programme of planned replacements and will have the money needed to make sure that items in all homes, for example, central heating boilers and windows, will be replaced when they had reached the end of their useful life.
- 2.13.4 Bron Afon plan to undertake the repairs, maintenance and improvements as identified in the Stock Condition Survey to meet the WHQS by 2012.
- 2.13.5 Bron Afon's plans for works to repair and improve the transferring stock are based upon a survey undertaken by Savills with a duty of care to both Bron Afon and the Council (see Section 5.2).
- 2.13.6 The work required for the new RSL can be considered in the following categories:
- **Responsive and Cyclical work**
£144 million throughout Years 1-30 equates to an average of £5 million per annum;
 - **Planned Maintenance work and Environmental Improvements**
£384 million over the 30 year period equating to around £12.8 million per annum on average. Below are the main improvements that Bron Afon plans to carry out to the homes by the end of 2012. These improvements will mean that all Bron Afon homes will meet the Welsh Housing Quality Standard.

Improvements and major repairs	Number of homes that Bron Afon plans to improve by 2012
Kitchens	5,500
Bathrooms	5,200
Additional showers to existing bathrooms	3,000
Double glazed windows that permit escape in fire	4,750
New more efficient boilers	4,200
New heating systems	3,750
New secure front doors	5,000
New secure back doors	5,000
Rewiring	5,500
New roofs	950
New fencing, gates and boundary walls	2,500

2.14 **Area regeneration**

2.14.1 Bron Afon's aims to be a community investment agency participating as a partner with communities and other public, private and not for profit agencies in the regeneration of the County Borough of Torfaen. The Project that is initially funded by the Welsh Ministers through gap funding only includes the improvement and repair of the housing stock to meet the Welsh Housing Quality Standard and to maintain the stock at that standard for a period of 30 years. Bron Afon will be able to make some limited use of the gap funding from the Welsh Ministers to secure some additional regeneration benefits: improvements within the curtilage of tenants' homes, improved regular maintenance of communal areas and using the money to be spent on tenants' homes to secure more jobs within the Bron Afon workforce and contractors. Bron Afon intends to secure wider area regeneration benefits which are outside the scope of the Project, and these will have to be funded not from the gap funding but rather either from surpluses generated by Bron Afon outperforming its business plan or from alternative sources of external funding.

2.15 **Housing Stock Developments**

2.15.1 Bron Afon's main aim is to meet the WHQS for the existing stock. However, the medium to long-term aim of Bron Afon is to increase the number of social housing properties available to rent by undertaking new developments, subject to sufficient finance being available and receipt of social housing grant from the Welsh Ministers.

2.15.2 Bron Afon will consult with tenants on all future developments.

2.16 **Bron Afon's Policies**

2.16.1 In order to fulfil its main objectives, Bron Afon has developed a series of policies to govern its actions, including:

- A Corporate Governance framework including Standing Orders and Scheme of Delegation
- Excellence strategy setting out how we proposed to manage continuous improvement
- Procurement policy and strategy
- Environmental Sustainability strategy
- Community involvement strategy
- Community investment strategy
- Improvement programme 2008-2012
- Allocations policy
- Rent setting policy
- Risk management policy
- Anti social behaviour policy
- Income recovery policy.
- Equalities Policy
- Treasury Management Strategy

2.16.2 Copies of Bron Afon's Policies currently agreed to date are available on request. These will be comprehensively reviewed within twelve months of the date of transfer.

2.17 **Bron Afon's Offices**

2.17.1 The head office of Bron Afon is currently Ty Bron Afon, William Brown Close, Llantarnum Industrial Park, Cwmbran NP44 3AB.

3 TORFAEN AREA

3.1 The Torfaen area

3.1.1 The County Borough of Torfaen covers an area of 125 sq km. A map of the district and a map showing its location within Wales is shown at Appendix III.

3.2 History

3.2.1 Torfaen is a county borough in South East Wales. Prior to 1974, it was part of the historic county of Monmouthshire. . Between 1974 and 1996 it was a district in the preserved county of Gwent. Torfaen borders the city and county borough of Newport to the south, the county of Monmouthshire to the east and the county boroughs of Caerphilly and Blaenau Gwent to the west and north-west. Torfaen comprises a varied twelve mile long valley from Blaenavon in the north to Cwmbran in the south.

3.2.2 The area is fairly well urbanised with a population of about 91,000 (2005 est) Much of the southern parts of the Borough are now wholly urbanised around the Cwmbran New Town conurbation (which houses the largest under cover shopping centre in Wales) The north of the county borough is greener and retains acres of countryside. The town of Pontypool is in the centre of the area.

3.3 Population

3.3.1 According to the 2001 Census, Torfaen has a population of 90,949 residents; 48% male and 52% female in total. The breakdown of the population by age is as follows:

Age	% of total population in Torfaen	% of total population in Wales	% of total population in England
0-15	21.34%	20.22%	20.15%
16-19	4.94%	5.06%	4.90%
20-64	56.91%	57.33%	59.06%
65-99	16.81%	17.39%	15.89%
Total	100%	100%	100%

3.3.2 Population growth between 1991 and 2001 was just 2.4% in Wales, or 68,000 people. The forecast is that the population will continue at this slow rate of growth rising by less than 0.2% per annum between 2001 and 2021.

3.4 **Languages**

3.4.1 11.1% of people in Torfaen speak Welsh, compared to an average of 28.4% for Wales overall (source: 2001 Census).

3.5 **Religion**

3.5.1 Based upon the 2001 Census data; 71% of the population of Torfaen are Christian and less than 1% in total are Muslim, Hindu, Buddhist, Jewish or Sikh with nearly 21% of people claiming to have no religion and 8% not stating a religion.

3.6 **Deprivation**

3.6.1 Torfaen comprises the three urban centres of Cwmbran, Pontypool and Blaenavon. Declining iron and coal industries in both Pontypool and Blaenavon have resulted in parallel declines in the surrounding valley communities, manifesting in a variety of socio-economic problems. Basic socio economic information shows that Torfaen does not compare favourably with Wales as a whole. For example:

	Torfaen	Wales
Households with no car or van	27.17%	25.95%
People 16-74 economically active	71.4%	76.0%
People aged 16 or over on Income support	10.9%	10.2%
People 16 or over claiming any benefit	22.5%	20.9%
people with good general health	62.16%	65.06%
people with long term illness	24.86%	23.27%
people aged 16-74 with no qualifications	36.65%	33.02%

3.6.2 A recent survey of all the councils tenants has shown that within Torfaen there are only 14.94% of tenants who are in paid employment, with a further 0.74% being self employed. The same survey showed that 20.25% of tenants felt that they had one or more disability.

3.6.3 Four areas within Torfaen are designated as Communities First areas because of high levels of deprivation, three in the north of the county borough (Blaenavon, Trevethin and St Cadocs and Penygarn) and one in the south (Thornhill). All contain significant council housing that will transfer to Bron Afon.

3.6.4 The north of the Borough falls within the Heads of the Valleys area which has been targeted by the Welsh Assembly Government for special attention as a regeneration area. The whole of Torfaen falls within areas eligible for EU convergence funding.

3.7 **Infrastructure**

- 3.7.1 The south of Torfaen is well served by roads and railways with a regular train service from Cardiff to Manchester stopping at Cwmbran and Pontypool/New Inn and Cwmbran lying only 10 minutes drive from the M4. There is no train service north of Pontypool but the whole of the north is well served by buses including a service to Newport running every 10 minutes throughout the day.
- 3.7.2 The Cwmbran shopping centre is recognised as a well used and thriving regional shopping centre and there are plans to expand the retail and civic services available in the Town Centre in the near future with work ongoing on a new cinema complex and restaurant. Pontypool has recently had a new Town Centre Tesco store developed as part of the Council's Regeneration Strategy.

3.8 **The labour force**

- 3.8.1 Based on official labour market statistics between January and December 2005, 20% of the working age population in Torfaen hold no formal qualifications, which is slightly higher than the average for Wales and the UK as a whole (at 17% and 14% respectively) and 20% of the same population hold qualifications at NVQ level 4 and above as compared to 24% for Wales and 26% for the UK as a whole.
- 3.8.2 Based on the same data 60% of the population of both Torfaen and Wales are working age, compared to 62% for the UK as a whole. Between October 2005 and September 2006 74% of this working age population was economically active which is consistent with Wales at 75% and slightly lower than the UK as a whole at 78%.
- 3.8.3 For 2006 gross average weekly pay for full time workers was £450 for Torfaen, 10% higher than Wales at £408 and consistent with the £450 average for the UK as a whole.
- 3.8.4 Job density to population ratio at 0.71 is slightly lower than Wales at 0.77 and the UK as a whole at 0.84 with 38,000 jobs available for a working age population of 53,900. The distribution of jobs is as follows:

	% of employees in Torfaen	% of employees in Wales	% of employees in the UK
Full-time	70.8%	64.8%	67.9%
Part-time	29.2%	35.2%	32.1%
Manufacturing	21.3%	14.2%	11.1%
Construction	2.4%	4.7%	4.6%
Service sector:			
Distribution, hotels and restaurants	20.3%	23.7%	24.1%
Transport and communications	3.6%	4.5%	6%
Finance, IT, other business activities	8.2%	13.1%	20.7%
Public admin, education and health	39.2%	32.8%	26.9%
Other services	3.9%	5.4%	5.2%
Tourism related:	4.6%	8.4%	8.1%

Source: Official labour market statistics

3.9 **Community Investment (Regeneration)**

3.9.1 Bron Afon is committed to investing in people, homes and communities in Torfaen. We will be investing £282 million in homes in Torfaen to achieve the Welsh Housing Quality Standard. Provided we are permitted within the gap funding agreement to access additional funds or reinvest any non-designated surpluses or proceeds of disposals generated, then Bron Afon will be an important player in securing social, economic and environmental benefits for the area in partnership with the Council, public, private and voluntary sector organisations and local residents.

3.9.2 Key elements of our community investment proposals include:

- Investing in our homes to bring them up to the Welsh Housing Quality Standard focusing on the worst areas first;
- Securing investment in leaseholder and owner occupied homes where possible by inviting our partner contractors to quote prices for similar improvements for these residents;
- Investing in people by creating over 100 new local jobs and increased training places including apprenticeships ourselves and expecting our partner contractors to create more jobs and training places;

- Investing in communities through improvements to the infrastructure, improved routine grounds maintenance and action to tackle anti social behaviour;
- Investing in people through enhanced training of our staff and those tenants and residents who are involved in Bron Afon as members
- Investing in people through our relationships with partner funders, bankers and insurers and establishing expectations that they provide support for financial inclusion initiatives;
- Investing in people through the development of the sheltered housing service.

3.9.3 It should be noted that there are no plans included for any specific local area regeneration initiatives as these are not funded within the business plan through the funding currently available.

3.10 “Sustainability

The project funded by the gap funding includes energy efficiency measures for tenants’ homes. We have broader aims, however, to bring tenants’ homes up to a higher standard on the Code for Sustainable Homes. These higher levels require that some form of energy generation is incorporated. There is no provision in the business plan to raise homes to this higher standard or to install any energy generation. If we are to install any energy generation apparatus such as solar panels, photovoltaic tiles, biomass boilers, wind turbines or ground source heat pumps then we will need to seek additional funding outside the gap funding Project.”

4 THE STOCK TRANSFER PROCESS

4.1 The Background to Stock Transfer in Torfaen

4.1.1 The Council has always tried to provide well-managed and maintained homes but significantly more investment than the Council can afford was needed to improve them.

4.1.2 The Welsh Ministers set expectations that all councils in Wales improve the quality of their homes and bring all of them up to WHQS.

4.1.3 The WHQS has 7 elements:

- All homes to be in a good state of repair
- All homes to be safe and secure
- All homes to be adequately heated, fuel efficient and well insulated
- All homes to have modern and up to date kitchens and bathrooms
- All homes to be located in safe and attractive environments
- All homes to be well managed
- All homes to meet the specific needs of the household.

4.1.4 The Council commissioned an independent stock condition survey by Savills, which showed how much repair work was needed over 30 years and how much it would cost.

4.1.5 The survey identified that £187m needs to be spent in the first 5 years to bring all homes up to the WHQS. Estimates indicated that the Council would have a shortfall in the first 5 years of around £133 million on the money needed to bring homes up to the required standard.

4.1.6 The Council believed that as things stood, transfer was the only way to improve and modernise its housing stock to the WHQS.

4.2 Council's Power to Transfer

4.2.1 The Council will therefore be making a voluntary transfer of the Council's entire housing stock to Bron Afon by powers granted under the Housing Act 1985. An integral part of the process is the consent to the transfer of the relevant Minister in WAG, who is required to take account of the wishes of the tenants in this matter.

4.2.2 The Council encouraged the participation of its tenants in the consultation process by appointing tenant advisers for the tenants during the pre-ballot process and the creation of a Steering Group to inform the decision-making process.

4.2.3 The Electoral Reform Society carried out a ballot of all tenants during March 2007. 6,504 (68.1%) of the 9,548 tenants voted, with 3,847 (59.2%) in favour of the transfer.

4.3 **Tenants' Rights**

4.3.1 **Comparison of Rights**

4.3.1.1 Under the Housing Act 1985, tenants of the Council are "secure tenants" and had certain statutory rights. Tenants of Bron Afon will be "assured tenants" under the Housing Act 1988 and their statutory rights will precisely match those of secure tenants.

4.3.1.2 In order that the rights of tenants either remain the same or become similar to those that they had under a Council tenancy, existing tenants who transferred from the Council will have their statutory rights extended by a contractual agreement.

4.3.1.3 This will have been embodied by Bron Afon in a covenant to the Council in order to fulfil all the commitments set out in the formal consultation document to tenants. The Assured Tenant's Charter published by Welsh Ministers also binds Bron Afon.

4.3.1.4 Guarantees given to tenants as part of the consultation process were:

- No difference in rents from those that would have been payable with the Council;
- No new charges for existing services;
- Some new services at no extra cost;
- Protection of rights to stay in the home and new tenancy rights;
- Improvements to meet the Welsh Housing Quality Standard;
- Improvements in timescales for non urgent repairs;
- Increased repairing responsibilities for Bron Afon;
- New local jobs;
- Improved local services;
- Improved maintenance of communal areas;
- Improved response to anti social behaviour;
- A new menu of support for sheltered housing.
- New ways for tenants to get involved in Bron Afon.

4.3.2 **Tenancy Agreement**

4.3.2.1 As stated in paragraph 4.3.1, tenants' rights and other tenancy issues are set out in the Tenancy Agreement between Bron Afon and individual tenants. Different agreements exist for transferring tenants and new tenants. Copies of both agreements are available on request.

4.4 **Bron Afon's Rent Levels**

4.4.1 A distinction is made between the rents charged to new tenants and those for transferring tenants - the latter benefiting from a rent guarantee.

4.4.2 Rent Policy Objectives

4.4.2.1 Bron Afon's initial rent policy is broadly to increase all rents within WAG guidelines. The only exception is a small number of homes whose rents exceed the WAG guidelines for historical reasons. We intend to adopt a policy that enables those rents to be brought back within guidelines over a period of time whilst ensuring that income levels are not affected.

4.4.3 Rent Convergence

4.4.3.1 At the moment council rents are generally lower than rents of Registered Social Landlords (RSLs). Under current Welsh Ministers' policy council rents and RSL rents will become the same for similar types of properties whether they meet the WHQS or not. The RSL 'Benchmark' rent is the target figure towards which the Welsh Ministers are increasing council rents. This is known as 'rent convergence'. To make this happen, the Welsh Ministers are increasing guideline council rents annually by more than RSL rents.

4.4.3.2 The RSL Benchmark rent is an average maximum rent for 1, 2 and 3 bed-roomed properties.

4.4.3.3 Under the current Welsh Ministers policy this process of rent convergence would happen whether the stock transfers to a new landlord or remains with the Council.

Year (Year 0 2007/08)	Average Rent for Torfaen Council	Average Rent for Bron Afon	Registered Social Landlord benchmark rent
0	£59.14	n/a	£59.79
1	£62.09	£62.09	£62.54
2	£65.21	£65.21	£65.42
3	£68.43	£68.43	£68.43
4	£71.57	£71.57	£71.57
5	£74.87	£74.87	£74.87
6	£78.31	£78.31	£78.31
7	£81.91	£81.91	£81.91
8	£85.68	£85.68	£85.68
9*	£89.62	£89.62	£89.62

*Rents will continue to be the same as they would with the Council after 2016/17: average figures are based on a 'simple average' rent calculation as per benchmark rent guidance

4.4.4 Rents Charged by other Registered Social Landlords

4.4.4.1 There are currently around 1,600 housing units in Torfaen area (excluding the properties to be transferred to Bron Afon) owned and rented out by 5 other Registered Social Landlords (based on data collated by WAG as at 31st March 2006). The majority of these properties are managed by one RSL, Melin (formerly Eastern Valley and Gwerin Homes) which owns about 1,100 of these properties, accounting for roughly 68% of the social rented accommodation currently provided by registered social landlords in the Torfaen County Borough.

4.4.4.2 The typical local reference rents per week for Housing Benefit purposes in the County Borough as at October 2007 were:

TABLE 4.4G: TYPICAL RENT LEVELS FOR HB	
One Room	£50.00
Two Rooms	£62.25
Three Rooms	£73.00
Four Rooms	£83.50

4.5 The local property market and housing demand

4.5.1 Property prices

4.5.1.1 Land Registry data shows that property prices in Torfaen are around 27% lower than the average for England and Wales. Between the period March 2002 and March 2007, average property prices in England and Wales rose by 75% and by 119% in Torfaen.

Land Registry property prices as at March 2007

	Detached	Semi-detached	Terrace	Flat/maisonette	All
Torfaen	234,875	126,686	90,106	60,122	129,210
All England & Wales	270,426	167,493	140,046	166,545	178,423

Number of households in each tenure group

Tenure	% of households in Torfaen	% of households in Wales
Owner-occupied: no mortgage	28.07%	33.99%
Owner-occupied: with mortgage	39.24%	36.84%
Owner-occupied: shared ownership	0.96%	0.49%
Rented: Council	22.83%	13.73%
Rented: Housing Association / RSL	3.57%	4.17%
Rented: Private landlord	3.23%	7.43%
Rented: other	2.10%	3.35%
Total	100%	100%

Source: 2001 Census data

4.5.2 The local housing market

4.5.2.1 The level of demand for affordable housing in the Bron Afon area is relatively high. In the Torfaen borough there are currently 6,716 households on the waiting list and 77 households in priority need were housed in temporary accommodation on 30th June 2007. No dwellings in the borough are classified as difficult to let or low demand.

4.6 Service Charges

4.6.1 As an RSL, Bron Afon may need to consider service charges for any additional services. Charges for existing services have been included within the Business Plan.

4.7 The Contract between the Council and the Bron Afon

4.7.1 Agreement on the future working relationship between Bron Afon and the Council will be formalised in a contract stating the terms of transfer and other related matters. These arrangements require the formal consent of the Minister for Environment, Sustainability and Housing, within the Welsh Ministers, who has to be satisfied that all necessary procedures have been followed and that the disposal price is acceptable.

4.7.2 The contract document also sets out details of the property and land transferred from the Council and the special arrangements negotiated between the Council and Bron Afon.

4.8 **Homelessness**

4.8.1 The statutory homelessness requirements remain with the Council as required by law. Details of support from Bron Afon to the Council in this role are yet to be agreed.

4.9 **Nomination Rights**

4.9.1 Since the Council retained its statutory homelessness duties, it will have nomination rights for homeless persons in respect of vacancies within Bron Afon's stock. In practice, Bron Afon and the Council plan to agree and operate a joint allocations policy operated by a joint team of staff so that formal nominations should not be required..

4.10 **Rent Arrears**

4.10.1 Rent arrears of all transferring tenants are transferring to Bron Afon at an agreed price reflecting the ability of Bron Afon to collect them.

4.11 **Support Services**

4.11.1 Before the transfer, Bron Afon will not be able to consider all of the various possibilities that are available for the supply of certain services on a permanent basis, and will therefore be negotiating continuing arrangements for the supply of some services from the Council.

4.11.2 The Welsh Ministers require that within three years Bron Afon is self-sufficient and the services will therefore be reviewed during this period of operation.

4.12 **Warranties and Covenants**

4.12.1 The Council is providing warranties and covenants to Bron Afon and funding institutions.

4.13 **Support for Future Housing Provision**

4.13.1 Bron Afon and the Council are in the process of discussing the Council's support for social housing in future years.

5 HOUSING STOCK TO BE TRANSFERRED

5.1 Transferring Stock

5.1.1 The transferring stock of 8,053 estimated at 1st April 2008 units consists of houses, flats, bungalows and maisonettes of varying age. An analysis of the estimated stock at the date of transfer is illustrated in Tables 5.1A (by number of bedrooms) and 5.1B (by type). This number will reduce should there be any delay in transfer by the number of sales that are completed between April 2008 and the date of transfer.

TABLE 5.1A ANALYSIS OF STOCK BY NUMBER OF BEDROOMS	
	Number of Homes
1 Bed 2 Person Flat	967
2 Bed 3 Person Flat	1,313
2 Bed 3 Person House }	1,124
2 Bed 4 Person House }	
3 Bed 4 Person House }	3,255
3 Bed 5 Person House }	
4 + Bed Properties	247
Sheltered Housing	940
Other	268

TABLE 5.1B ANALYSIS OF STOCK BY TYPE	
	Number of homes
General Needs Houses	4,780
General Needs Flats	2,371
Sheltered Properties	940
Other	23

5.2 Stock Condition

5.2.1 A jointly commissioned stock condition survey, carried out by Savills with a duty of care to the Council and Bron Afon, highlighted a number of points. The headline costs projections from the survey are reproduced in Appendix IV. A copy of the survey by Savills is available from Bron Afon.

5.2.2 Additionally, Curtins undertook a survey of the non-traditional properties to establish future expenditure requirements on these properties over the next 30 years. A copy of this report is available from Bron Afon.

- 5.2.3 Savills were appointed to carry out a 15%, Level 1 asbestos survey as part of their wider commission. This level of survey has enabled an appropriate expenditure allowance for asbestos work to be included in the overall 30-year expenditure profile.

6 VALUATION OF HOUSING STOCK

6.1 Basis of Valuation

6.1.1 The Welsh Ministers lay down the valuation of housing stock, for the purpose of a housing transfer, as being its "tenanted market value". The stock should be valued as a going concern with the assumption that it will remain in the social housing rented sector.

6.1.2 Although not easy to define, the values used in successive voluntary transfers in England have been based upon the purchase of the net estimated cashflow generated by the housing stock over a period of 30 years. The Welsh Ministers have accepted this methodology.

6.1.3 The valuation involves an assessment of income from rents and other sources offset by the costs of managing and maintaining the properties over a 30-year period. The real terms cashflow is then discounted at a rate of 7% (a rate agreed with the Welsh Ministers) to arrive at the net present value.

6.1.3 The assumptions within the valuation were the subject of detailed negotiation between the Council, Bron Afon and the Welsh Ministers, together with their respective advisers. The negative valuation agreed is £73.61 million for 8,053 properties. This valuation excludes income from Right to Buy sales during the 30 years. The gap funding to be provided by the Welsh Ministers in 30 annual instalments of £5.8million per annum. The first year's instalment will be adjusted pro rata to the date of transfer and be used in part to fund the set up costs (see para. 6.3.1 c)).

6.2 Key Assumptions on the Valuation

6.2.1 The assumptions contained within the valuation are similar to those included within the Business Plan. These were determined by reference to historical data together with assessments of likely future trends, independent advice on stock condition and financial modelling of Bron Afon's likely staff and running costs.

6.2.2 New Lettings

6.2.2.1 The number of new lettings likely to occur each year is not a key assumption within the Bron Afon business plan, as rents for transferring tenants have nearly converged with the RSL Benchmark Rent. Under current legislation, new tenancies are not subject to Right to Buy rules but will have a statutory Right to Acquire under the Housing Act 1996. The rates of new lettings are assumed to be an average of 7.28% for General Needs properties and 9.81% for Sheltered properties.

6.2.3 Rental Income

6.2.3.1 Details of Bron Afon's Rent Policy were discussed in Section 4 and the valuation reflects both the aim of rent convergence, and the need to charge "affordable" rents to new tenants.

6.2.3.2 The negative valuation of £73.61m is on the basis of real re-let rent growth of 1% throughout years 1 to 30 for new tenants and 1% for existing tenants from the year of convergence with the RSL rent benchmarks.

6.2.4 Other Income

6.2.4.1 Garages will be transferred to Bron Afon, and a sum reflecting the current number of garages, the rent charge levied and the experience of voids has been included in the valuation. Income relating to the rental of shops and the recovery of service charges from leaseholders is also included in the valuation based on current levels of income.

6.2.5 Management and Services Costs

6.2.5.1 These are based on the attached staffing structure for Bron Afon, taking into account the TUPE rights of Council employees, the actual quoted costs for services where known, other projected costs for managing the properties and its perception of future administrative and organisational expenses. Management costs, including employee costs, are assumed to rise by 0.5% above inflation each year based on the experience that salaries which constitute a significant part of these costs, and rise faster than inflation. Bron Afon initial operating cost budget is shown at Appendix V.

6.2.6 Maintenance Costs

6.2.6.1 The costs for cyclical and day-to-day maintenance are based on the stock condition survey (SCS) carried out by Savills.

6.2.7 Catch-up and Future Planned Maintenance

6.2.7.1 The stock condition survey quantifies repair work of a major nature which is required to be carried out over the period covered by the Valuation and details on the basis of these figures is included in section 5.2. No VAT has been added for the first 15 years. The valuation is based on the assumption that Bron Afon will set up a VAT scheme agreement with the Council to ensure that no VAT is payable on the majority of planned maintenance, catch-up repairs and improvements within the first 15 years. The Welsh Ministers have agreed to underwrite the VAT scheme.

6.2.8 Improvements

6.2.8.1 A full programme of improvements is included in the valuation based on the survey and the commitments given to tenants. This includes works on central heating, rewiring, and modernising kitchens and bathrooms.

6.3 Items not included in the Valuation

6.3.1 Some elements of income and expenditure were not included in the valuation although they will eventually form a part of Bron Afon's financial projections. These are shown below;

a) Right to Buy Sales

A number of early large scale voluntary transfer housing organisations experienced financial difficulties because forecast levels of Right to Buy sales included in the valuation were not realised. For that reason Right to Buy sales are excluded from the valuation.

b) Acquisition and Building of Additional Properties

The valuation is designed to reflect the value of properties transferring from the Council and any new properties, which Bron Afon plans to build, are thus excluded. These items are expected to be self-financing after allowance has been made for grant assistance from either the Welsh Ministers or the Council.

c) Setting-up Costs

Bron Afon, in effecting the transfer, is incurring certain items of expenditure of a one-off nature. As there is no transfer receipt due to the negative valuation, the Welsh Ministers have agreed for these costs to be funded from the gap funding being provided to Bron Afon. The arrangements will be formalised in an agreement between the two parties.

6.3.2 A separate valuation report for funders loan security purposes has been prepared by Countrywide Surveyors.

7 FINANCIAL PROJECTIONS

7.1 Introduction

7.1.1 Bron Afon has prepared, in conjunction with its advisers, a 30-year cash flow and funding model, and more detailed financial projections based on a transfer date of 1st April 2008.

7.1.2 There are instances where the assumptions contained in the financial plans differ from those in the valuation calculation. This is because the valuation assumptions are calculated on a constant price basis and do not include all the activities of Bron Afon.

7.2 **Financial Plans**

7.2.1 **30 Year Cashflows**

Long-term cash flows for the transfer are included in Appendix VI. The net annual surplus from this cash flow feeds directly into the models outlining Bron Afon's funding structures, which are included within the funding model shown in VII.

7.2.2 **Validation of 30 Year Cash Flows**

The Auditors of the Bron Afon's Business Plan, Grant Thornton will have reviewed these projections and reported separately on them.

7.3 **Assumptions behind Financial Projections**

7.3.1 **Stock Number Changes**

This business is based on an opening stock estimate of 8,053 properties but does not include any impact of Right to Buy.

7.3.2 **Inflation**

7.3.2.1 Generally, an inflation percentage of 2.5% per annum has been applied throughout. In addition to this the following real increases apply to specific items:

- a) Rents, which will increase at the rate, set out in the tenants' consultation process. Hence the total rent income shown also reflects:
 - i) initial rent levels at current prices as provided by the Council;
 - ii) real rent increases of average 1% per annum until convergence with RSL Benchmark rents;
 - iii) following convergence with RSL rent benchmarks, real rent increases of 1% per annum for transferring tenants in line with the Welsh Ministers' requirements.
 - iv) initial rents for new tenants set at the level, which is the equivalent to the RSL rent benchmark and an increase of 1% per annum above inflation for years 1 to 30;
- b) Management and service costs are forecast to rise at a rate of 0.50% above inflation each year;

7.3.2.2 Annual responsive, cyclical maintenance, and major repairs and improvements expenditure is based on the SCS undertaken by Savills uplifted to current day prices, with an assumption of real repairs cost growth inflation of 1%+RPI for years 2 to 5 and RPI only for years 6 to 30. Bron Afon will continually review building cost inflation to ensure that the business plan can sustain any changes in costs above the current assumptions.

7.4 **Income and Expenditure Projections**

7.4.1 **Income**

The main source of income available to Bron Afon is from rents. These are reflected in the financial forecasts as follows: -

a) Rents

In the initial years after transfer, two levels of rent will be charged by Bron Afon dependant on whether tenancies have transferred from the Council or have commenced after the transfer date. Those tenants who transferred from the Council will have the regime of rent increases set out in the consultation process, with a rent guarantee linked to guideline rent increases across Wales until convergence. Thereafter the assumed rate of growth for rents for transferring tenants is 1% above inflation.

The rents of new tenants are based on the RSL rent benchmark issued by the Welsh Ministers. Such calculations set the starting point at which new tenants rents are levied with subsequent increases being made to cover inflation and general economic growth. The assumed rate of growth for rents for new tenants is 1% above inflation for years 1 to 30.

b) Re-lets

Historical evidence suggests that the current average rates of new lettings across Torfaen for General Needs are 7.28% and Sheltered are 9.81% per annum.

c) Voids

Based on historical trends on voids rates that the Council has experience a rate of 3% per annum has been assumed in years 1 to 15 and then 2.50% per annum thereafter.

d) Right to Buy Sales and Land Sales

A report on Right to Buy (RTB) sales (both in respect of numbers and values) has been commissioned from Countrywide Surveyors. No RTB sales have been included within the business plan due to volatility of the housing market and fluctuating RTB sales.

e) Other Income

Income from other sources is included here i.e. rental income on garages and shops, miscellaneous income, service charges for leaseholders and Supporting People Grant. Future projections are based on the current collection performance of the Council, except for Supporting People Grant.

No new service charges have been introduced as a result of transfer for services that tenants received before transfer. This is to ensure that transfer itself does not result in additional charges for transferring tenants.

f) Gap Funding

The Welsh Ministers have agreed to provide gap funding to Bron Afon of £5.8m per annum to cover the negative valuation, disrepair claims and set-up costs. Bron Afon and the Welsh Ministers will keep the gap funding payment under review. The Gap Funding payments are only for the purposes of funding the costs set out in this business plan and the stock condition survey undertaken by Savills. If Bron Afon were to undertake additional work for example, on regeneration schemes, additional sources of funding would need to be identified.

7.4.2 Expenditure

a) Management and Administration costs

Bron Afon's management and administration costs were developed from an evaluation of the Council's existing costs for running the housing service and uplifted to reflect Bron Afon's staff structure as it has been developed. Where appropriate costs from similar sized Large Scale Voluntary Transfer RSLs have been used for benchmarking purposes or quotes received by Bron Afon.

It has been assumed that these costs are 100% fixed and do not vary as stock numbers change.

Bron Afon will undertake to continually review its management structures to ensure tenants receive value for money in the service that they receive.

b) Service Costs

All direct costs relating to the provision of an effective and efficient housing service are included in this section. In the main, they have been derived from the Council's budget and include those commitments specifically given to tenant on service improvements during the consultation process.

c) Repairs, Maintenance and Improvements

The Stock Condition survey prepared by Savills and the specialist non-traditional property survey carried out by Curtins have been used as the basis for figures in the cashflow.

d) Loan Charges (Interest and Repayment)

The projections include provision for principal and interest repayments under the loan finance package, which will be obtained to meet the costs of the programme of repairs, improvements etc

Negotiations on the type and method of funding will be undertaken with the assistance of Tribal Treasury Services Ltd., Bron Afon's funding advisers, who have prepared a separate funding prospectus to be issued with this Business Plan. This initial Business Plan has been based on the following funding cost assumptions for a variable rate loans:

	Years 1 to 4	Year 5	Year 6	Years 7 to 10	Years 11 to 30
Real Rate of Interest	4.00	4.00	4.00	4.00	4.00
Inflation Rate	2.5	2.5	2.5	2.5	2.5
Margin	0	0	0	0	0
Overall rate of	6.50	6.50	6.50	6.50	6.50

e) Taxation

Value Added Tax has been included within the various items of cost as Bron Afon is liable to VAT, other than maintenance to be included within a VAT scheme. Agreement has been reached between the Council and Bron Afon with regard to a VAT savings scheme. Under this arrangement Bron Afon will be able to recover the VAT on some elements of its expenditure where this relates to catch-up, planned maintenance and improvements in the first 15 years after transfer. This assumption is based on the implementation of a VAT arrangement with the Council whereby the sale contract will refer to the transfer relating to refurbished stock that is in a modern state and good standard of repair. Concurrently with the sale of stock, the Council will enter into a development agreement with Bron Afon, under which Bron Afon will supply the works to the Council that are necessary to fulfil its obligations under the sale contract.

Bron Afon is securing charitable status and will therefore not be liable to pay Corporation Tax on any surplus/losses made.

7.4.3 Bron Afon will continually review the assumptions on which the business plan is based.

7.5 **Funding Structures**

7.5.1 **Total Funding Requirement**

7.5.1.1 The funding requirement to transfer the stock, manage it, carry out the programme of repairs and improvements on the basis of the assumptions made within this Business Plan are just under £126 million.

7.5.1.2 The funding model is shown in Appendix VII. The model indicates that the debt peaks at the end of year 20 at £125.98 million and repays in year 30. This is on the basis that Year 1 is 2008/09. A sensitivity analysis showing the impact on the funding requirements of changes in key assumptions is included below.

7.6 **Cashflow Summary**

7.6.1 A summary of Bron Afon's cash flow position and funding profile over the 30-year period is shown at the end of this narrative, before the Appendices. This includes provision for major repairs and improvements programmes

7.7 **Sensitivity Analysis**

7.7.1 A critical part of any Business Plan is sensitivity testing. That is, testing the effect of different assumptions on the Business Plan. The main purpose of such testing is to establish how much margin of safety exists in the plan overall. It also serves to highlight the areas of greatest risk, to enable management effort to be directed to these, where they are controllable, or to at least ensure that they are carefully monitored where they are not.

7.7.2 Examples of key sensitivities include the following:

- Management and administration costs
- Interest rate
- RPI increase / decrease
- Building cost inflation
- Rate of Re-lets
- Voids and Bad Debts

7.7.3 The table below shows the results of key sensitivity testing on Bron Afon's Business Plan.

	PEAK DEBT	YEAR OF PEAK DEBT	YEAR OF REPAYMENT
Base Business Plan	£125.98	20	30

Sensitivities			
Right to Buy sales at 10 pa in years 1 to 10 (total 100)	£113.1m	20	29
Right to Buy sales at 20 pa in years 1 to 10 (total 200)	£100.2m	20	28
Inflation +1% (3.5%)	£133.9m	20	29
Inflation -1% (1.5%)	£118.4m	20	32
Voids +1% (4% 1 to 15 & 3.50% thereafter)	£140.3m	20	34
Voids +2% (4%)	£143.1m	20	36
Stock Condition Survey -5%	£93.8m	10	24
VAT Shelter Scheme allowed for only 10 years	£148.7m	20	34
Interest Rate+1% (7.5%)	£164.0m	20	39
Interest Rate -1% (5.5%)	£106.1m	10	27

NB: Sensitivities are not cumulative

8 CONCLUSIONS

- 8.1 This Business Plan is believed to provide a robust basis for Bron Afon to achieve its mission, and deliver the commitments made to the tenants during the transfer process.

- 8.2 It has also been used as a means of securing the necessary funding to achieve the required investment in the housing stock and deliver a high quality housing service to its tenants.
- 8.3 It is seen as a useful management tool for Bron Afon and its Board who will measure progress against the Business Plan, including sensitivity analysis, which should be reviewed and updated on a regular basis.

Appendix I
Board Background and Experience

Note: the tenant Board members were elected at a ballot of all tenants held in June 2006.

Tamsin Stirling is an independent Board member and is Chair of the Board. She is an independent housing consultant working mainly in Wales focusing on research, policy, strategy development and information and has extensive knowledge of the housing policy agenda. She is the editor of Welsh Housing Quarterly, a housing and regeneration magazine published by Cardiff University. In a voluntary capacity she was Chair of Rhondda Housing Association between 1998 and 2003 and is currently a Board member of Llamau Limited, which provides services to young people and women at risk of homelessness in South East Wales.

Peter Hayes is a tenant Board member and Vice Chair of the Board. He has lived in Torfaen all his life and worked in a wide range of industries before a series of strokes ended his full-time employment. He has a long history of voluntary and community work including as governor for his local secondary school, a committee member of the local regeneration project and a volunteer for the Citizens Advice Bureau. He has been an active campaigner for tenants' rights for many years and has made a substantial contribution to the Torfaen Tenants Compact.

Mike Dymond is an independent Board member. He trained as a Chartered Accountant and worked for two Newport firms undertaking accountancy and audit assignments for a wide spectrum of clients before specialising in the Housing Association sector. He joined Cadwyn Housing Association as an employee in 1993 and is now the Director of Finance and ICT. He is chair of Community Housing Cymru's (formerly the Welsh Federation of Housing Associations) Finance Forum and Treasurer of Homestart, Ely.

Sue Humphreys is an independent Board member. She is a Fellow of the Association of Chartered Certified Accountants and audited registered social landlords for more than six years including several stock transfer organisations. She is currently a Risk Assurance Manager in Higher Education and has a wide experience of corporate governance.

Chris Thomas is a retired local government officer now working part-time for a firm of social research consultants. He qualified in town planning then moved to a career in housing and worked for Newport Council. During his time there he held posts as Head of Housing and Property Maintenance and Head of Housing Strategy. He was a part-time tutor for the Workers Educational Association and a committee member of the Housing Rights Project focusing on housing co-operatives.

Noreen Bowen is a tenant Board member. She was born in Torfaen and has lived in the Borough all her life. As a mature student she studied at the University of Wales, Newport, where she obtained a degree in Business and Law. She was a volunteer at the Torfaen Citizen's Advice Bureau for five years before going on to become a full-time employee specialising in Homelessness and Debt Management.

Allan Giles is a tenant Board member. He has lived in Torfaen since 1952. He studied economics, history, politics and sociology at Aberystwyth then spent time in a variety of professions. He was union branch secretary at Lucas Girling factory in Torfaen, has been on the committee of the Citizens Advice Bureau and is a Board member of the Communities First Partnership in Trevethin.

Sian Tulloch is a tenant Board member. She has lived in the Borough for more than twenty years. She is a retired child psychologist with qualifications in business management and counselling. She is a community councillor in Cwmbran, Secretary of Cwmbran 50 plus Forum and also actively involved in the Gwent NHS.

Jeff Williams is a tenant Board member. Jeff worked in the engineering industry and was a mature student at Coleg Harlech in North Wales. He has lived in Torfaen for more than thirty years. He is a school governor and community councillor and an active member of his local church.

Mary Barnett is a council Board member and has lived most of her life in Torfaen. She has been a councillor for 12 years. After graduating from Cardiff University she became a qualified teacher and devoted her professional life to education. She represents Torfaen on the Court of the University of Wales and is a school governor. Prior to retiring recently, she was Pontypool Chair of the National Association of Teachers in Further and Higher Education and Chair of the NATFHE Co-ordinating Committee of Coleg Gwent responsible for representing the interests of thousands of staff. In addition to her many other community interests, Mary was a founder member of Torfaen Women's Aid, is a Board member of Communities First in Thornhill and is a member of the Torfaen Local Health Board.

Ken Clark is a council Board member and has lived in Torfaen all his life. In his childhood his family was moved from slum housing to council housing, the first experience of an indoor toilet and bathroom. He spent some time in the Armed Forces before returning to work in local tinworks, foundries and brickworks. He is active in many local community organisations and is chair of the Garnsychan Partnership, a regeneration partnership in Mid Torfaen.

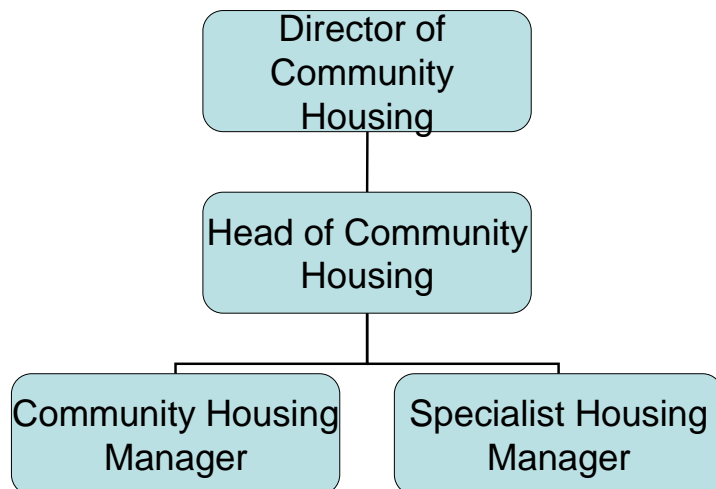
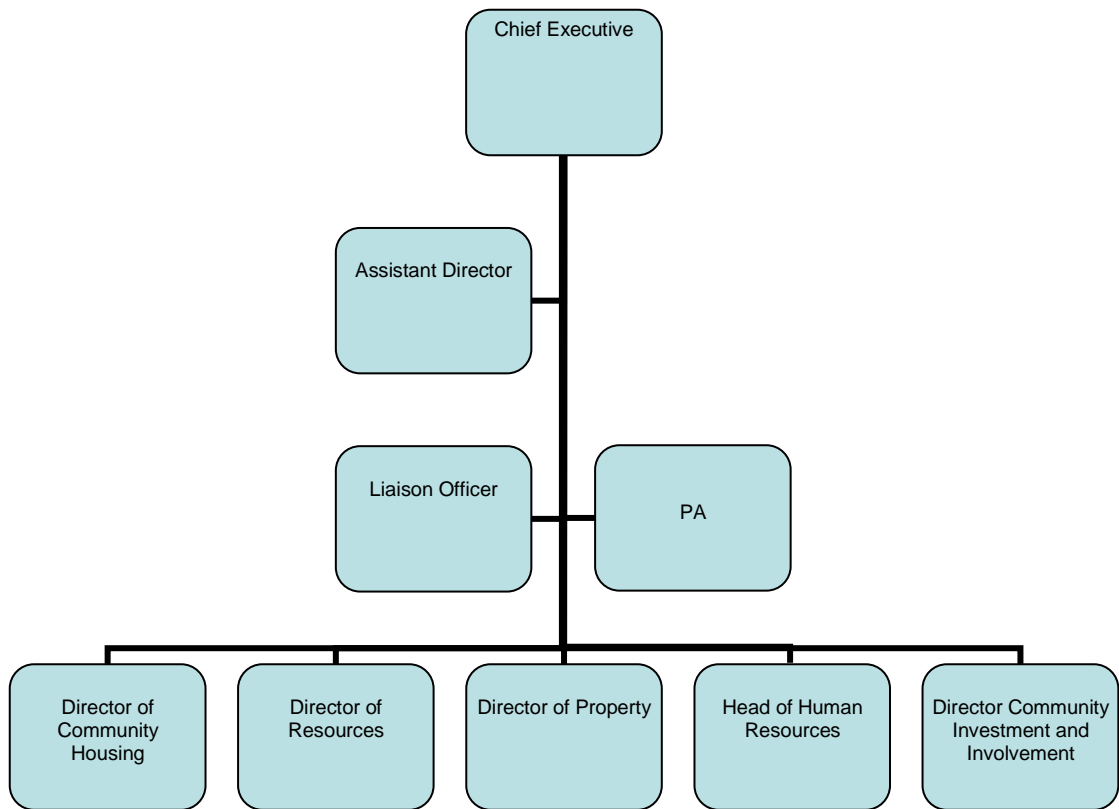
Margaret Pead is a council Board member. She is a retired school teacher, has been a County Borough councillor serving her current

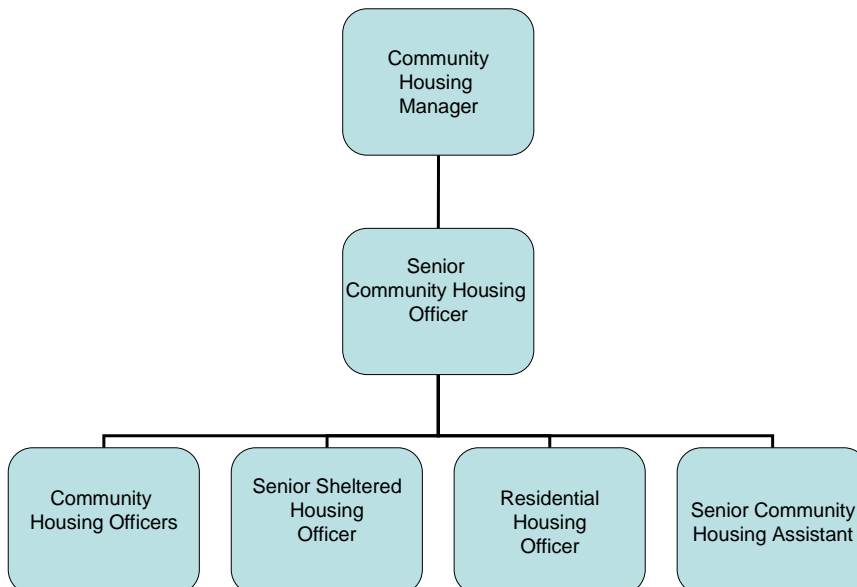
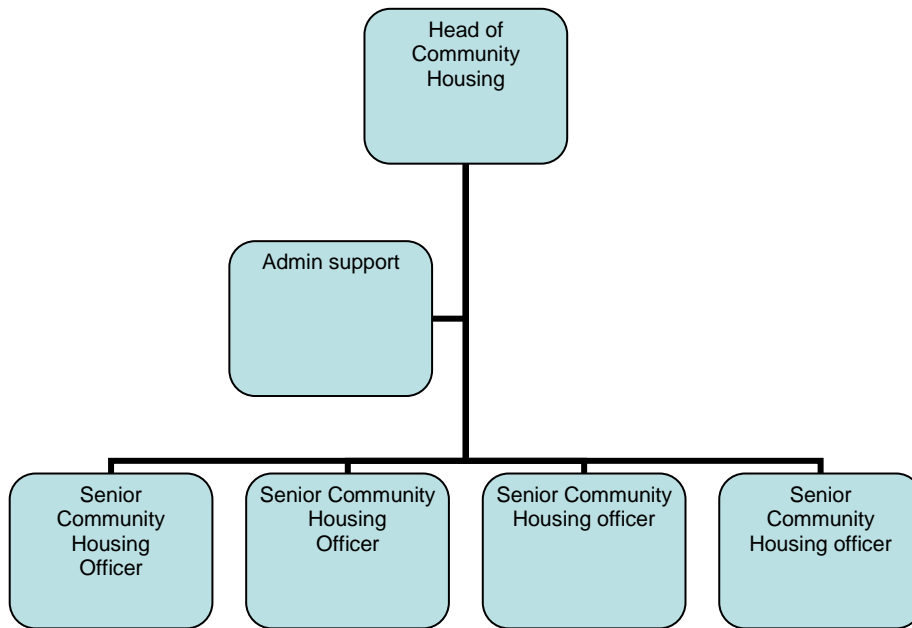
ward for more than twenty years and has lived most of her life in Torfaen. She is the leader of the Minority Group on Torfaen County Borough Council and represents the Council on a number of bodies including Gwent Community Health Council. She is a governor of two local schools.

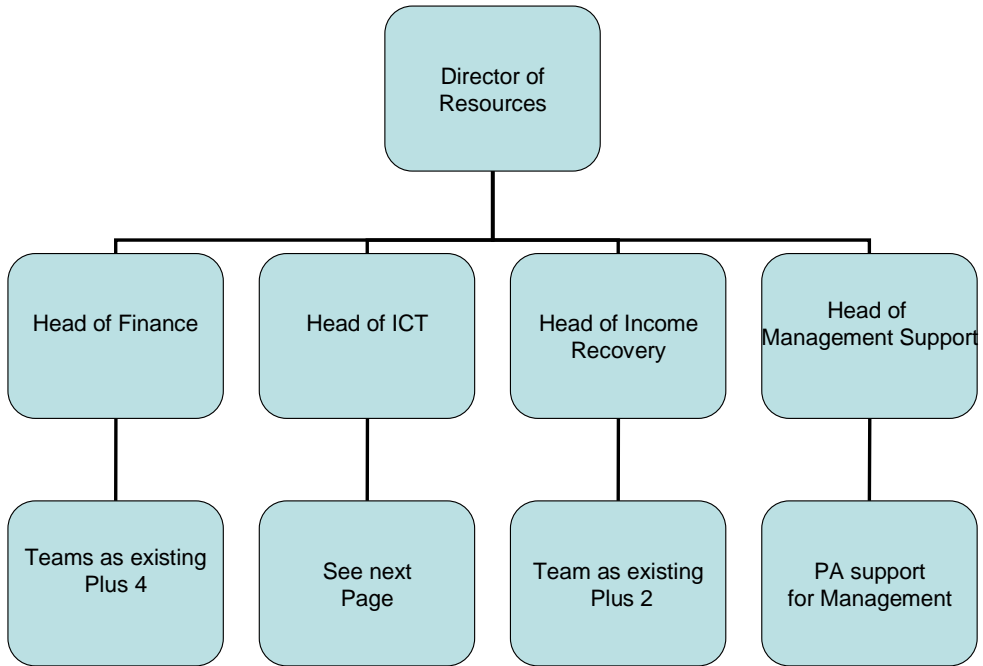
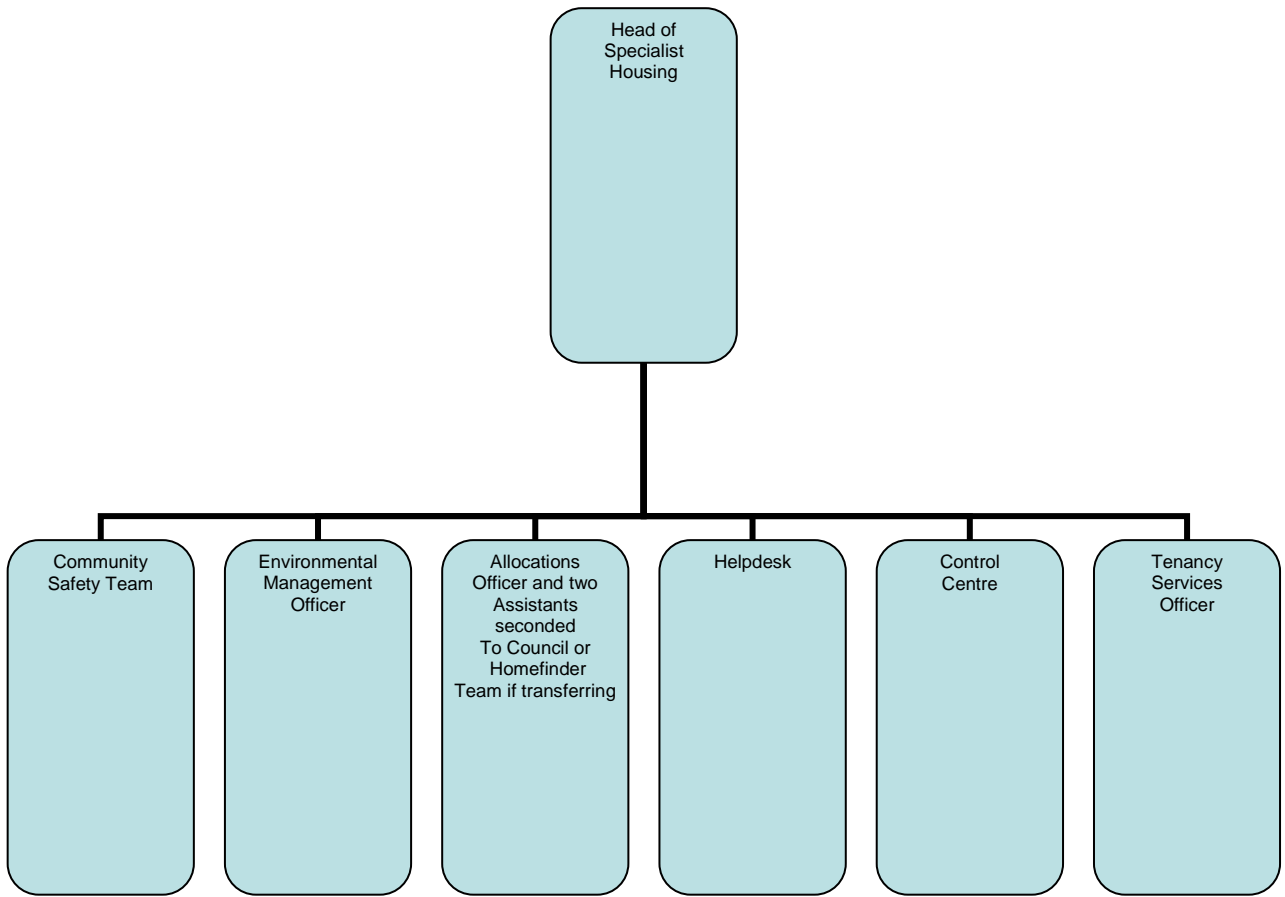
Maurice Morgan is a council Board member and has been a councillor for 11 years. Until recently, he worked for British Telecom as a Technical Officer. He is a graduate of the University of Wales (Cardiff) (BSc Economics) and has a diploma in Human Resources. He represents the Council on the National Association for Councillors and chairs the Council's Scrutiny Coordinating Committee.

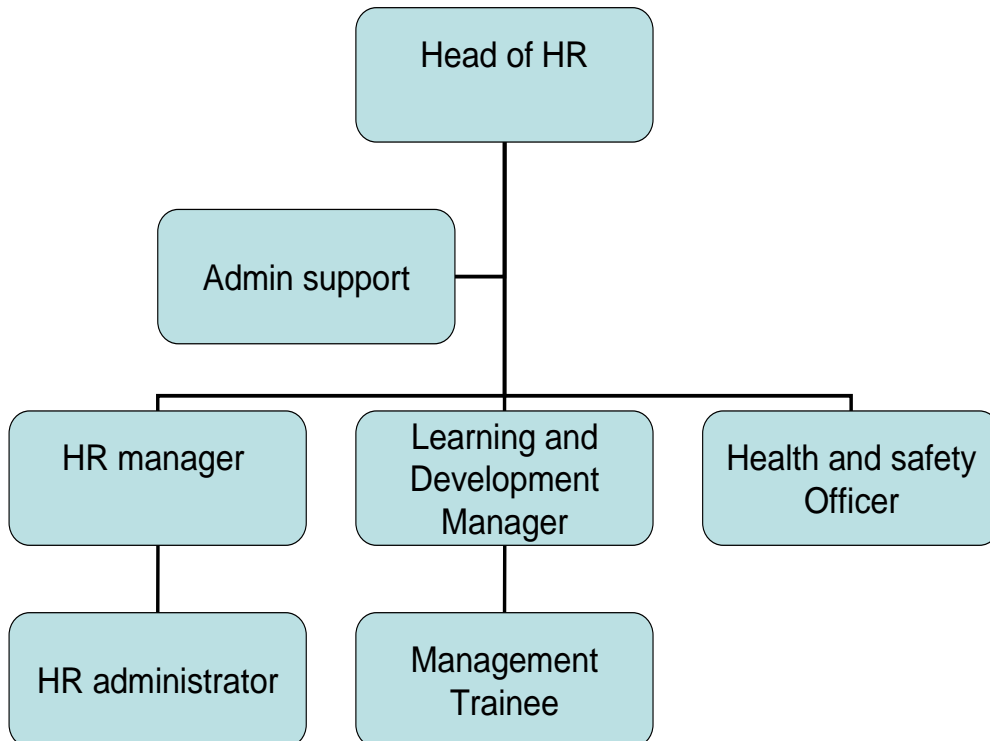
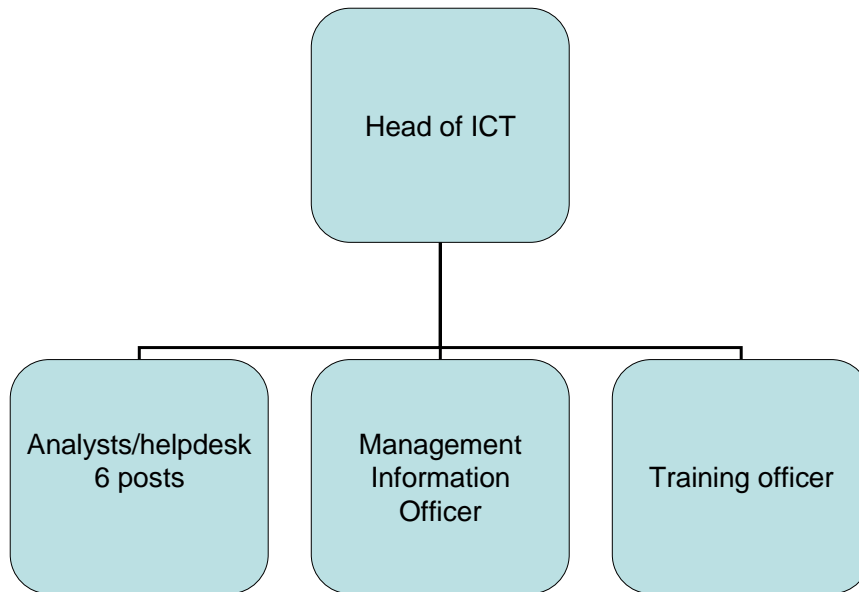
Sarah Richards M.B.E is a council Board member. She is retired and worked in the insurance and accountancy sector spending 24 years as an office manager for a firm of insurance brokers. She has lived in Torfaen all her life. She has been a councillor for many years and is involved in a variety of voluntary activities including vice chair of Age Concern Torfaen and a school governor. She received the MBE in 2004 for services to the community.

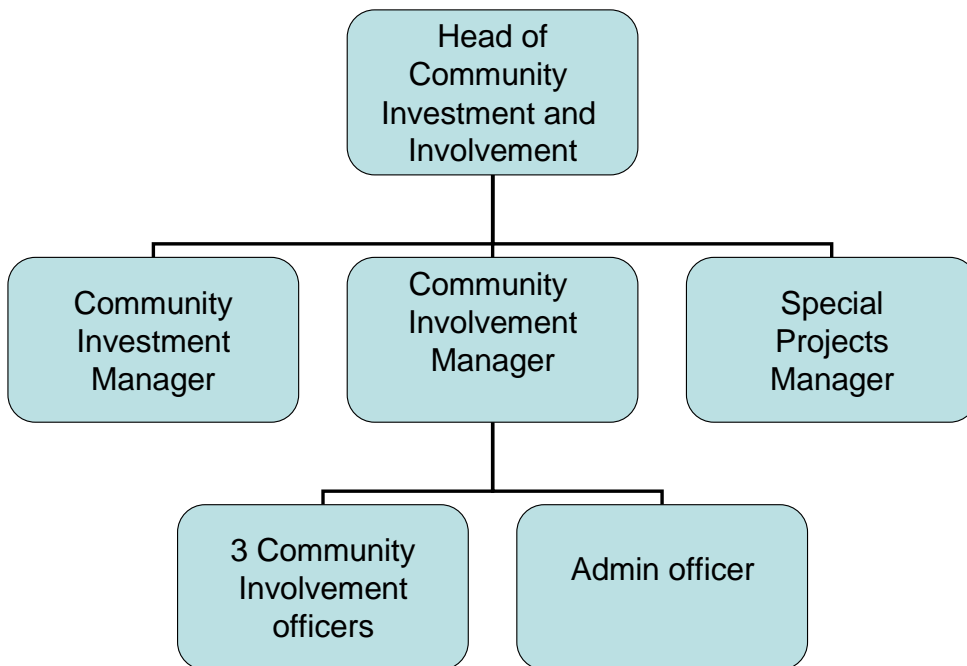
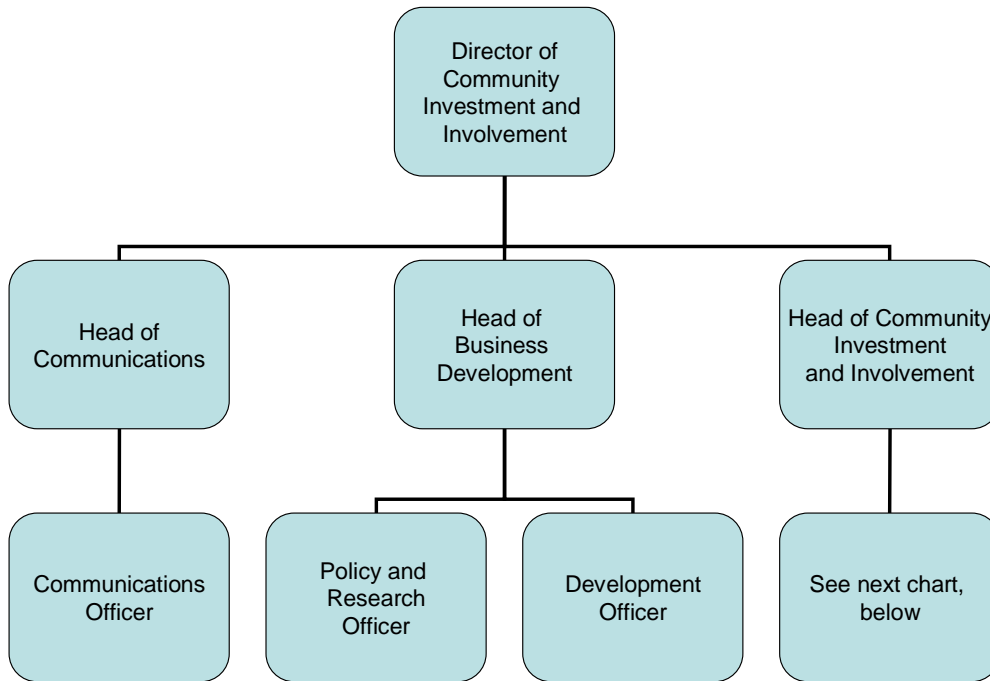
Appendix II
Staffing Structure

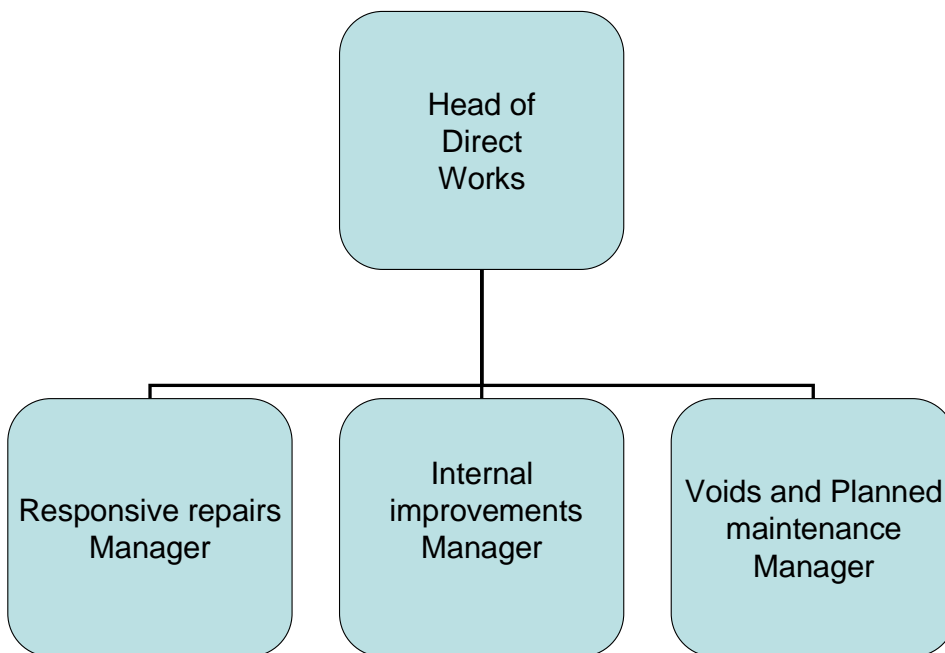
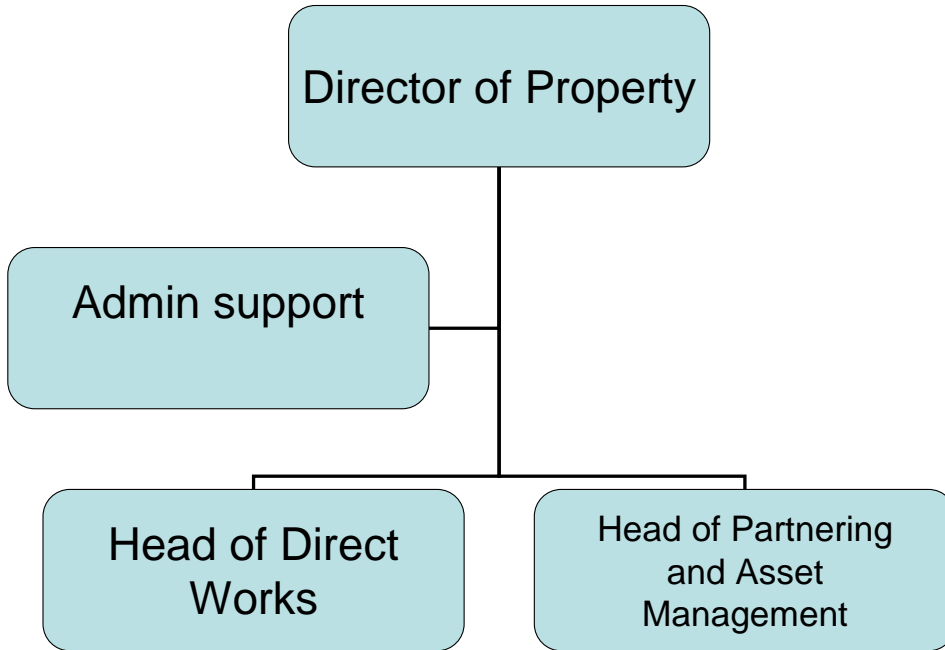


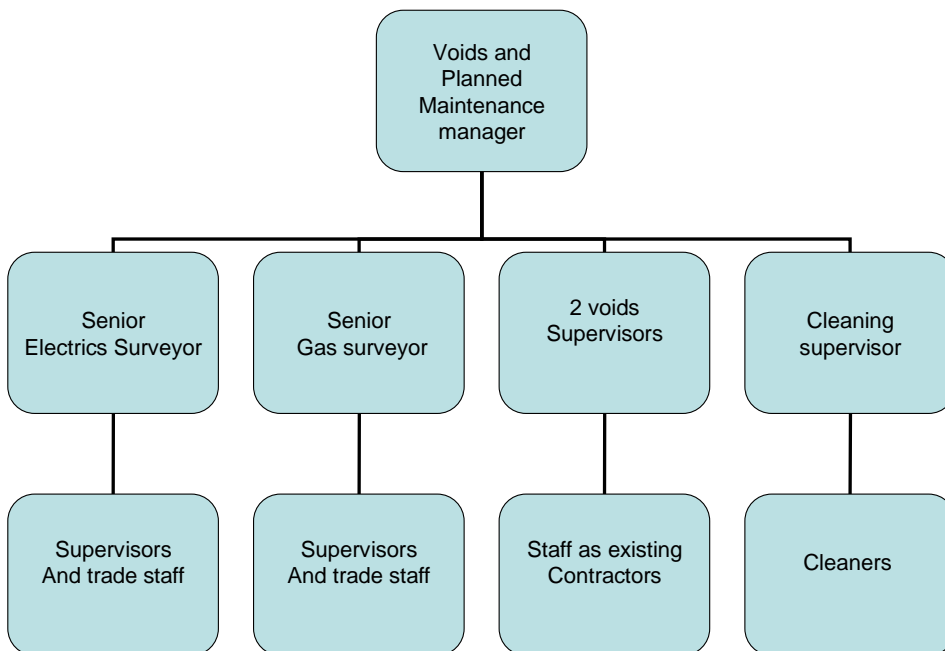
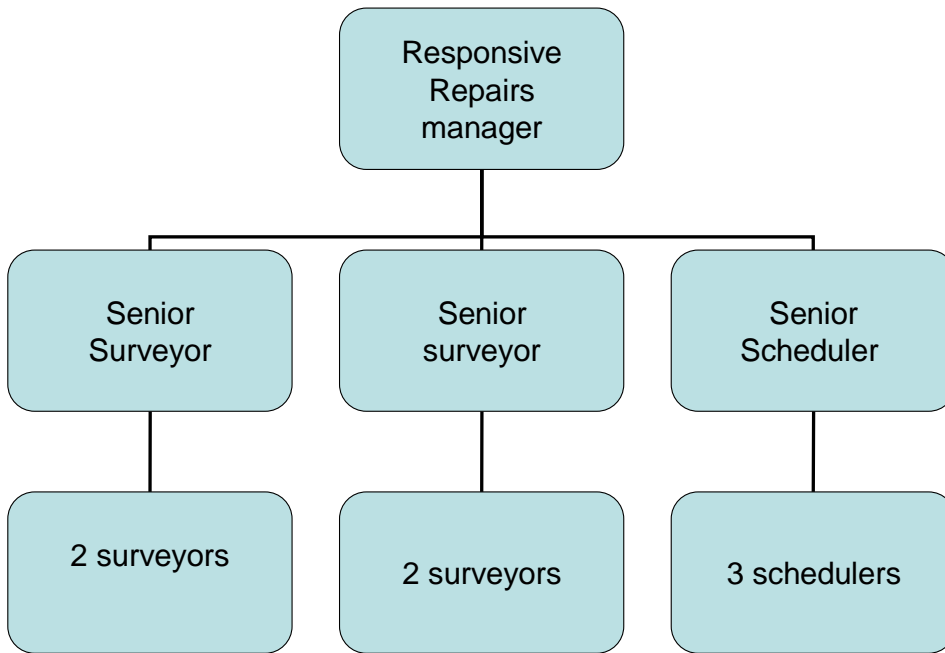


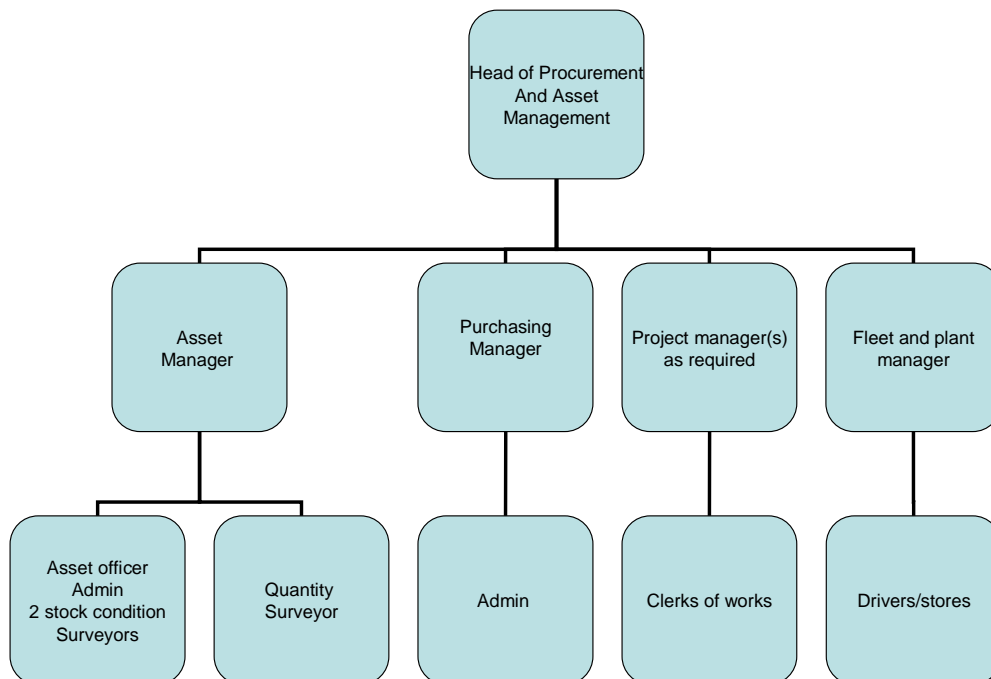
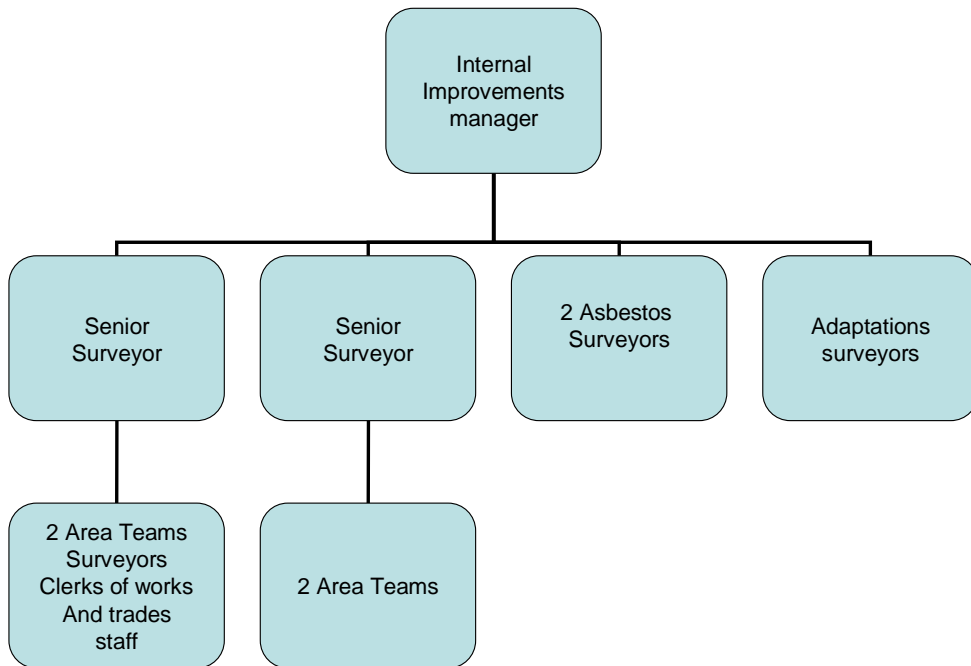












Appendix III
Map of the Torfaen Locality

Map Showing the County of Torfaen



Map Showing Torfaen within Wales



Appendix IV
Stock Condition Survey Report

Grand Total							
Element	Years 1 - 5	Years 6 - 10	Years 11 - 15	Years 16 - 20	Years 21 - 25	Years 26 - 30	Totals
Work required to meet the WHQS	£94,519,800	£30,610,755	£31,981,510	£49,544,955	£23,356,335	£41,251,610	£271,264,965
Improvements	£11,356,500	£0	£0	£121,950	£0	£69,250	£11,547,700
Contingency @ 3%	£3,176,289	£918,323	£959,445	£1,490,007	£700,690	£1,239,626	£8,484,380
Responsive / Void Maintenance	£17,751,786	£15,459,375	£15,459,375	£15,459,375	£15,459,375	£15,459,375	£95,048,661
Cyclical Maintenance	£12,699,684	£7,214,375	£7,214,375	£7,214,375	£7,214,375	£7,214,375	£48,771,559
Related Assets	£2,061,250	£2,061,250	£2,061,250	£2,061,250	£2,061,250	£2,061,250	£12,367,500
Non traditional properties	£1,401,000	£14,438,750	£12,551,400	£84,000	£0	£0	£28,475,150
Asbestos Removal	£3,091,875	£3,091,875	£0	£0	£0	£0	£6,183,750
Environmental Improvements	£8,245,000	£8,245,000	£0	£0	£0	£0	£16,490,000
Grand Total	£154,303,184	£82,039,703	£70,227,355	£75,975,912	£48,792,025	£67,295,486	£498,633,665
Total per annum	£30,860,637	£16,407,941	£14,045,471	£15,195,182	£9,758,405	£13,459,097	£16,621,122
Total Cost per property of the thirty years		£60,477					

All costs are exclusive of Professional Fees, VAT, management and administration costs and are based on today's prices. Costs are inclusive of preliminaries.

Appendix V
Operating Budget

	Supervision & Management £	Special Services £	Other Repairs £	Total £
Employee Costs				
Salaries	4,116,609	1,204,202	593,485	5,914,296
call outs	0	17,216	0	17,216
Employee Expenses	0	2,050	0	2,050
Post Entry Training	307,425	0	0	307,425
Employee Advertising	4,214	0	0	4,214
Eye Tests	602	0	0	602
First aid allowance	7,104	3,612	0	10,716
Torfaen Training	0	0	30,102	30,102
Agency / Temporary Staff	60,204	0	0	60,204
Health & Safety	18,061	0	0	18,061
CRB's	2,107	0	0	2,107
Occupation Health & Medical Screening	6,020	0	0	6,020
Recruitment / Advertising	24,082	0	0	24,082
Premises Costs				
Contractors	0	7,210	0	7,210
Gas Maintenance - Repairs	0	0	0	0
ext wks re dist init capt	96,820	0	0	96,820
Alterations to Buildings	3,752	0	0	3,752
Programmed Painting	0	0	0	0
High rise Boiler Maintenance	0	0	0	0
Sheltered Boiler / Plant Maintenance	0	0	0	0
Sheltered Lift Maintenance	0	0	0	0
High rise Lifts	0	0	0	0
Health & safety @ work	0	0	0	0
Gas Maintenance - Contract	0	0	0	0
Cyclical Repairs	0	0	0	0
Responsive Repairs , CSD	0	0	0	0
Responsive repairs GKR	0	0	0	0
Pat Testing	1,694	0	0	1,694
paint relets	48,410	0	0	48,410
Grounds Maintenance	46,837	0	0	46,837
Electric	34,067	187,857	0	221,924
Gas	48,019	284,759	0	332,778
Energy & Repairs- Staircase Lighting	28,119	0	0	28,119
Rent	13,184	0	0	13,184
accommodation Re sheltered officers	0	5,150	0	5,150
Service Charges	15,450	0	0	15,450
Nndr	15,141	206	0	15,347
Water Charges	4,429	7,210	0	11,639
Burglar alarm	484	0	0	484
Fire Alarms Maintenance	605	2,421	0	3,026
Smoke Alarm Maintenance Contract	3,389	2,421	0	5,809
Flats - security & door entry	0	0	0	0
Fixtures & Fittings Purchase	12,345	0	0	12,345
security Grills	58,092	0	0	58,092
Cleaning	187,831	0	0	187,831
Window Cleaning	2,299	3,631	0	5,930
Cleaning Materials	2,905	6,656	0	9,561
Refuse Collection	1,573	0	0	1,573
Transport Costs				
Lump Sum	25,173	0	9,319	34,492
Fuel	2,784	0	0	2,784
Transport & Plant Recharge	23,963	0	0	23,963
Essential Car User Allowance	30,982	15,733	16,944	63,659
Casual Allowance	18,849	0	0	18,849
Supplies & services				
equipment	59,665	30,256	0	89,922
Equipment Repair	1,210	3,631	0	4,841
Fire Extinguisher	2,057	8,472	0	10,529
equipment for hire	3,631	0	0	3,631
First Aid Requisites	121	0	0	121
promotional products	1,210	0	0	1,210
Clothing & Uniforms	3,389	1,210	0	4,599
Central printing	14,281	0	0	14,281
Print OS Contractors	60,513	0	0	60,513
paper	1,089	121	0	1,210
Photocopier	8,351	0	0	8,351
Stationery & Typing	19,606	1,331	0	20,937
Book Purchase	2,060	0	0	2,060
Miscellaneous Expenses	89,559	2,421	30,256	122,235
Statutory Advertising	0	0	3,026	3,026
Adverts- comm strategy to tenants	47,926	968	0	48,894
Leaseholder Compact incidental expenses	3,631	0	0	3,631
Course Fees	54,461	6,051	0	60,513
subsistence (tenant exps)	4,841	0	0	4,841
staff con exps (conference)	25,415	0	0	25,415
fees - Better Homes Budget line	30,256	0	0	30,256
Maint. of Intercoms- servicing agreements	48,410	0	0	48,410
Legal Court Costs	102,871	0	0	102,871
court costs asbo	30,619	0	0	30,619
Surveyors fees - external	12,103	0	12,103	24,205
Security Services Cash collection	18,396	0	0	18,396
Piped music	1,936	0	0	1,936
Postage	50,058	0	0	50,058
Telephones calls & rentals	33,766	17,549	0	51,315
Lifeline Telephones - Purchase	20,574	0	0	20,574
Mobile Phones	9,440	13,071	5,083	27,594
Radios	2,299	0	0	2,299
PCs	69,105	0	0	69,105
Hardware purchase	2,784	0	0	2,784
purchase software	34,492	19,969	3,026	57,487
T.V. Rentals / Licences	0	15,975	0	15,975
Housing Applications	134,943	0	0	134,943
Computer Consumables	13,313	0	0	13,313
Agency	36,308	0	0	36,308
Hospitality	4,236	968	0	5,204
Insurance - Fire	421,991	0	0	421,991
Employers Insurance	282,529	0	0	282,529
Grounds Maintenance Running Costs	79,877	0	0	79,877
All Pay - Transaction Costs	88,580	0	0	88,580
Free 0800 Telephone Calls	42,407	0	0	42,407
Transfer Payments				
Transfer payment	12,103	0	0	12,103
Ex Gratia Payments	1,452	0	15,733	17,186
Support Services (BASED ON 2008/09 PRICES)				
Grounds Maintenance SLAs	693,353	0	0	693,353
Environment Management Sewers	0	0	16,450	16,450
IT support	103,165	0	0	103,165
Finance (Includes £27k for internal audit)	56,988	0	0	56,988
legal	153,455	0	0	153,455
Customer Care	232,415	0	0	232,415
Total Expenditure	8,500,863	1,872,326	735,526	11,108,715

Appendix VI
Financial Assumptions
&
30-Year Cashflows

**Bron Afon Community Housing - Draft Business Plan
VALUATION AND BUSINESS PLAN ASSUMPTIONS**

30 YEAR VALUATION PRICE £'000 -47,431
(Unit valuation) £ -5,846

Initial Year Tranfer Date 01-Apr-2008
 Base Year 2008.09
 If Partial Year to be used in Valuation enter Y N

Retail Price Inflation Do Not Apply In Valuation Mode
 Years 2 to 5 2.50%
 6 to 10 2.50%
 11 to 31 2.50%

A) STOCK LEVEL

Opening Stock		Transfer	Voids Category (A or B)
Type 1	Benchmark - subject to RTB	6,659	A
Type 2	4+Bed - subject to RTB	247	A
Type 3	Sheltered Accommo- subject to RTB	940	A
Type 4	Other - Flats & Ho- subject to RTB	245	A
Type 5	Bedsits - not subject to RTB	23	A
Type 6	- not subject to RTB		B
Total		8,114	

B) RATE OF NEW LETTINGS

Relet Rates	Initial Rate	Years of Step Changes	Step Incr / (Decr) in Rate
		5	10
Type 1 Benchmark - subject to RTB	7.28%		
Type 2 4+Bed - subject to RTB	7.28%		
Type 3 Sheltered Accommo- subject to RTB	9.81%		
Type 4 Other - Flats & Hou- subject to RTB	7.28%		
Type 5 Bedsits - not subject to RTB			
Type 6 0 - not subject to RTB			

C) RENTAL INCOME

First Year	Rents Transfer	Relet Rent Uplift	Rents Relet
	£ pw	%	£ pw
Type 1 Benchmark - subject to RTB	£62.31	1.10%	£62.99
Type 2 4+Bed - subject to RTB	£67.11	1.10%	£67.85
Type 3 Sheltered Accommo- subject to RTB	£61.60	1.10%	£62.28
Type 4 Other - Flats & Hou- subject to RTB	£59.77	1.10%	£60.43
Type 5 Bedsits - not subject to RTB	£39.02	1.10%	£39.45
Type 6 0 - not subject to RTB			£0.00
Average Rent	£62.23		£62.92

Number of Rent Weeks 52
 Real Increases / (Decreases) <<< Rents Transfer >>>

Years	Benchmark	4+Bed	Sheltered Accommodation	Other - Flats & Houses	Bedsits	0
2 to 2	1.00%	1.00%	1.00%	1.00%	1.00%	
3 to 3	1.00%	1.00%	1.00%	1.00%	1.00%	
4 to 4	1.00%	1.00%	1.00%	1.00%	1.00%	
5 to 5	1.00%	1.00%	1.00%	1.00%	1.00%	
6 to 6	1.00%	1.00%	1.00%	1.00%	1.00%	
7 to 7	1.00%	1.00%	1.00%	1.00%	1.00%	
8 to 8	1.00%	1.00%	1.00%	1.00%	1.00%	
9 to 9	1.00%	1.00%	1.00%	1.00%	1.00%	
10 to 10	1.00%	1.00%	1.00%	1.00%	1.00%	
11 to 11	1.00%	1.00%	1.00%	1.00%	1.00%	
12 to 12	1.00%	1.00%	1.00%	1.00%	1.00%	
13 to 13	1.00%	1.00%	1.00%	1.00%	1.00%	
14 to 14	1.00%	1.00%	1.00%	1.00%	1.00%	
15 to 15	1.00%	1.00%	1.00%	1.00%	1.00%	
16 to 16	1.00%	1.00%	1.00%	1.00%	1.00%	
17 to 17	1.00%	1.00%	1.00%	1.00%	1.00%	
18 to 18	1.00%	1.00%	1.00%	1.00%	1.00%	
19 to 19	1.00%	1.00%	1.00%	1.00%	1.00%	
20 to 20	1.00%	1.00%	1.00%	1.00%	1.00%	
21 to 21	1.00%	1.00%	1.00%	1.00%	1.00%	
22 to 22	1.00%	1.00%	1.00%	1.00%	1.00%	
23 to 23	1.00%	1.00%	1.00%	1.00%	1.00%	
24 to 24	1.00%	1.00%	1.00%	1.00%	1.00%	
25 to 25	1.00%	1.00%	1.00%	1.00%	1.00%	
26 to 26	1.00%	1.00%	1.00%	1.00%	1.00%	
27 to 27	1.00%	1.00%	1.00%	1.00%	1.00%	
28 to 28	1.00%	1.00%	1.00%	1.00%	1.00%	
29 to 29	1.00%	1.00%	1.00%	1.00%	1.00%	
30 to 30	1.00%	1.00%	1.00%	1.00%	1.00%	
31 to 31	1.00%	1.00%	1.00%	1.00%	1.00%	

* Only until Transfer Tenants rents equals the level of Relet Tenants rents

Real Increases / (Decreases) <<< Rents Relet >>>

Years	Benchmark	4+Bed	Sheltered Accommodation	Other - Flats & Houses	Bedsits	0
2 to 6	1.00%	1.00%	1.00%	1.00%	1.00%	
7 to 11	1.00%	1.00%	1.00%	1.00%	1.00%	
12 to 16	1.00%	1.00%	1.00%	1.00%	1.00%	
17 to 21	1.00%	1.00%	1.00%	1.00%	1.00%	
22 to 31	1.00%	1.00%	1.00%	1.00%	1.00%	

Bron Afon Community Housing - Draft Business Plan													
VALUATION AND BUSINESS PLAN ASSUMPTIONS													
D) VOIDS AND BAD DEBTS													
VOIDS AND BAD DEBTS as a Percentage of Gross Rents													
Years	1	to	15			Category		A	B				
	16	to	31					3.00%	3.00%				
								2.50%	2.50%				
F) OTHER INCOME SOURCES													
Year on Year Other Income:													
								£ pa					
Shared Ownership								115,217					
Garages								581,542					
Other													
support people revenue grant -sprg								610,100					
MISCELL. RECEIPTS <5000								20,000					
Lifeline Telephone Income								115,200					
Water Charges								31,700					
Court Costs								80,000					
Tel money								4,000					
GROUND RENTS								35,200					
Shop Rents								18,600					
Service Charges								617,058					
Insurance Commission								19,500					
Sold Flats								135,000					
Recharge for Repairs Service								29,000					
General Fund Share								37,500					
Other Income								80,000					
recharge to expend. section								11,400					
Recharge for repairs administration								67,500					
Welsh Water Commission								200,000					
Real Increases / (Decreases)													
Years	2	to	5			Shared Ownership Income		Garages Income	Other Income				
	6	to	10			0.5%		0.5%	0.5%				
	11	to	31			0.5%		0.5%	0.5%				
G) MANAGEMENT; SERVICE AND REPAIRS ADMIN COSTS													
Dwellings													
				Housing Managt.		Services		Repairs Admin					
				8,114		8,114		8,114					
Fixed Costs £/annum													
Variable Costs £/unit/annum													
				£8,500,863		£1,872,326		£735,526					
Real Increases / (Decreases)													
Years	2	to	5			0.50%		0.50%					
	6	to	11			0.50%		0.50%					
	12	to	15			0.50%		0.50%					
	16	to	31			0.50%		0.50%					
H) OTHER EXPENDITURE													
Year on Year Other Expenditure - Business Plan & Optional for Valuation													
Capital													
Description				Incl. In Valn.		Revenue							
				(Y/N) £		Description							
						(Y/N) £							
IT Systems				Y 131,600		IT - Revenue including SLA				Y 512,888			
						Membership & Involvements				Y 300,000			
						Cleaning of Communal Areas				Y 200,000			
						Window Cleaning at Sheltered Complex				Y 10,000			
						Decorating Commitments				Y 220,000			
One Off Other Expenditure - Business Plan & Optional for Valuation													
Capital													
Description				Year		Incl. In Valn.		Revenue					
						(Y/N) £ pa		Description					
								Year					
								(Y/N) £ pa					
Kit out new offices				1		N 729,173		ICT Set Up Costs				1	
IT Set Up Costs				1		N 1,500,005							
IT Set Up Costs				1		N 536,505							
IT Set Up Costs				2		N 197,400							
IT Set Up Costs				3		N 587,500							
Office Furniture				1		N 220,000							
Real Increases / (Decreases)													
Years	2	to	5			Other Expend. Capital		Other Expend. Revenue					
	6	to	10			0.50%		0.50%					
	11	to	31			0.50%		0.50%					

**Bron Afon Community Housing - Draft Business Plan
VALUATION AND BUSINESS PLAN ASSUMPTIONS**

I) REPAIRS & MAINTENANCE COSTS (@ 2008.09 prices)

Responsive / Void & Cyclical Costs				Responsive /			
				Void	Cyclical		
Use Stock Condition Survey results (Y/N)				Y	Y		
If N:							
Input cost per unit per annum				£			
If Y:							
SCS weighted average cost per unit per annum				£	£449.00 £230.39		
Real Increases / (Decreases)							
Years	2	to	5	1.00%	1.00%		
	6	to	10	0.00%	0.00%		
	11	to	15	0.00%	0.00%		
	16	to	20	0.00%	0.00%		
	21	to	31	0.00%	0.00%		
Are costs stock sensitive (Y/N)				Y	Y		
Revenue / Capital Split (Enter % treated as Revenue)							
	1	to	5	100%	100%		
	6	to	10	100%	100%		
	11	to	15	100%	100%		
	16	to	20	100%	100%		
	21	to	31	100%	100%		
Planned Maintenance				Planned Maintenance			
Use Stock Condition Survey results (Y/N)				Y			
					If Y SCS		
				If N then	Comparative		
				input	Results		
Replacement Cost				£50,000	£50,000		
Applied Rate				%	%		
Years	1	to	5		5.762%		
	6	to	10		3.038%		
	11	to	15		2.808%		
	16	to	20		3.639%		
	21	to	25		1.946%		
	26	to	31		2.582%		
Real Increases / (Decreases)							
Years	2	to	5	1.0%			
	6	to	10	0.0%			
	11	to	31	0.0%			
Are costs stock sensitive (Y/N)				Y			
Revenue / Capital Split (Enter % treated as Revenue)				% Revenue	% Capital		
	1	to	5	80%	20.00%		
	6	to	10	80%	20.00%		
	11	to	15	80%	20.00%		
	16	to	20	80%	20.00%		
	21	to	31	80%	20.00%		
Catch Up Repairs & Environ. Improv. & Other Improv.				Catch Up Repairs	Environ. Improv.	Other Improv.	
Use Stock Condition Survey results (Y/N)				Y	Y	Y	
If N:							
Input total programme cost				£'000			
Programme duration				Years			
If Y:							
SCS total programme cost				£'000	£0	£18,433	£12,740
Programme duration				Years	0	10	15
Real Increases / (Decreases)							
Years	2	to	5	1.0%	1.0%	1.0%	
	6	to	10	0.0%	0.0%	0.0%	
	11	to	31	0.0%	0.0%	0.0%	
Are costs stock sensitive (Y/N)				N	N	Y	
Revenue / Capital Split (Enter % treated as Revenue)							
	1	to	5	80%	10%	10%	
	6	to	10	80%	10%	10%	
	11	to	15	80%	10%	10%	
	16	to	20	80%	10%	10%	
	21	to	31	80%	10%	10%	

J) DISCOUNT RATE 7.0%

Bron Afon Community Housing - Draft Business Plan
STOCK CONDITION SURVEY
ASSUMPTIONS

		Response & Void Repairs	Cyclical Maintenance	DFG's & DA's	Contingent Major Repairs	Works to Meet WHQS	Improvements	Related Assets	Non Traditional Properties	Asbestos Removal	Environ. Works & Estate Imp.	Totals
Survey Years	Group Code	R&V	CYC	PLR	PLR	PLR	IMP	PLR	PLR	PLR	EIMP	
1	to 1	£ 3,550,357	2,539,937	1,000,000	635,258	18,903,960	2,271,300	412,250	80,200	618,375	1,649,000	31,660,633
2	to 2	£ 3,550,357	2,539,937	1,000,000	635,258	18,903,960	2,271,300	412,250	80,200	618,375	1,649,000	31,660,633
3	to 3	£ 3,550,357	2,539,937	1,000,000	635,258	18,903,960	2,271,300	412,250	80,200	618,375	1,649,000	31,660,633
4	to 4	£ 3,550,357	2,539,937	1,000,000	635,258	18,903,960	2,271,300	412,250	80,200	618,375	1,649,000	31,660,633
5	to 5	£ 3,550,357	2,539,937	1,000,000	635,258	18,903,960	2,271,300	412,250	80,200	618,375	1,649,000	31,660,633
6	to 6	£ 3,091,875	1,442,875	1,000,000	183,665	6,122,151	0	412,250	3,031,750	618,375	1,649,000	17,551,944
7	to 7	£ 3,091,875	1,442,875	1,000,000	183,665	6,122,151	0	412,250	3,031,750	618,375	1,649,000	17,551,944
8	to 8	£ 3,091,875	1,442,875	1,000,000	183,665	6,122,151	0	412,250	3,031,750	618,375	1,649,000	17,551,944
9	to 9	£ 3,091,875	1,442,875	1,000,000	183,665	6,122,151	0	412,250	3,031,750	618,375	1,649,000	17,551,944
10	to 10	£ 3,091,875	1,442,875	1,000,000	183,665	6,122,151	0	412,250	3,031,750	618,375	1,649,000	17,551,944
11	to 15	£ 15,459,375	7,214,375	5,000,000	959,445	31,981,510	0	2,061,250	12,551,400	0	0	75,227,355
16	to 20	£ 15,459,375	7,214,375	5,000,000	1,490,007	49,544,955	121,950	2,061,250	84,000	0	0	80,975,911
21	to 25	£ 15,459,375	7,214,375	5,000,000	700,690	23,356,335	0	2,061,250	0	0	0	53,792,022
26	to 30	£ 15,459,375	7,214,375	5,000,000	1,239,626	41,251,610	69,250	2,061,250	0	0	0	72,295,488
Total		95,048,661	48,771,559	30,000,000	8,484,380	271,264,965	11,547,700	12,367,500	28,195,150	6,183,750	16,490,000	528,353,666
Total per unit		11,528	5,915	3,639	1,029	32,901	1,401	1,500	3,420	750	2,000	64,088
Total stock for survey purposes		8,245										
Total initial stock for Valuation / Business Plan		8,114										
Adjust costs stock sensitive to Valuation / Business Plan Base (Y/N)		Y Y Y Y Y Y Y Y N Y N										
Inflationary Increase from Survey Date to Year 1		3.50%										
Rollover Adjustment factor												
Use rollover adjustment factor (Y/N)		Y Y Y Y Y Y Y Y Y Y Y										
Initial Year Start Date		01-Apr-08										
Annual Rollover Adj Factor		100.00%										

**Bron Afon Community Housing - Draft Business Plan
STOCK CONDITION SURVEY
ASSUMPTIONS**

RATES				Responsive / Void	Cyclical	Planned Maintenance	Catch Up Repairs	Environ. Improv.	Other Improv.
Rates for Fess VAT etc									
Prelims									
1	to	5							
6	to	10							
11	to	31							
Fees									
1	to	5			6.00%	8.00%	8.00%	8.00%	
6	to	10			6.00%	8.00%	8.00%	8.00%	
11	to	31			6.00%	8.00%	8.00%	8.00%	
VAT									
1	to	5		12.89%	12.89%	0.00%	0.00%	0.00%	0.00%
6	to	15		12.89%	12.89%	0.00%	0.00%	0.00%	0.00%
16	to	31		12.89%	12.89%	17.50%	17.50%	17.50%	17.50%

Bron Afon Community Housing - Draft Business Plan
BUSINESS PLAN
CASHFLOW PROJECTIONS EXISTING STOCK
(expressed in money terms)

Year	Year	<<< Income >>>						<<< Expenditure >>>										Operating Surplus (Deficit) £'000
		Transfer Rental Income £'000	Relet Rental Income £'000	Voids And Bad Debts £'000	Net Rental Income £'000	Total Other Income £'000	Total Overall Income £'000	Housing Managt. £'000	Net Service Cost £'000	Repairs Admin £'000	Responive / Void £'000	Planned Cyclical £'000	Mainten ance £'000	Environ. Improv. £'000	Other Improv. £'000	Other Spend £'000	Total Spend £'000	
2008.09	1	25,454	1,011	(794)	25,671	2,809	28,480	(8,501)	(1,872)	(736)	(4,083)	(2,921)	(23,376)	(1,843)	(2,499)	(4,590)	(50,420)	(21,940)
2009.10	2	24,355	3,058	(822)	26,591	2,893	29,484	(8,756)	(1,928)	(758)	(4,225)	(3,023)	(24,194)	(1,908)	(2,586)	(1,619)	(48,997)	(19,514)
2010.11	3	23,306	5,088	(852)	27,542	2,980	30,521	(9,019)	(1,986)	(780)	(4,373)	(3,129)	(25,041)	(1,975)	(2,676)	(2,081)	(51,061)	(20,540)
2011.12	4	22,303	7,104	(882)	28,525	3,069	31,594	(9,289)	(2,046)	(804)	(4,526)	(3,238)	(25,918)	(2,044)	(2,770)	(1,502)	(52,137)	(20,543)
2012.13	5	21,346	9,110	(914)	29,542	3,161	32,703	(9,568)	(2,107)	(828)	(4,685)	(3,352)	(26,825)	(2,115)	(2,867)	(1,547)	(53,893)	(21,190)
2013.14	6	20,431	11,109	(946)	30,594	3,256	33,850	(9,855)	(2,171)	(853)	(4,182)	(1,952)	(14,499)	(2,168)	0	(1,593)	(37,272)	(3,422)
2014.15	7	19,558	13,104	(980)	31,682	3,354	35,035	(10,150)	(2,236)	(878)	(4,286)	(2,000)	(14,861)	(2,222)	0	(1,641)	(38,276)	(3,241)
2015.16	8	18,723	15,098	(1,015)	32,807	3,454	36,261	(10,455)	(2,303)	(905)	(4,394)	(2,050)	(15,233)	(2,278)	0	(1,690)	(39,307)	(3,046)
2016.17	9	17,925	17,096	(1,051)	33,971	3,558	37,528	(10,769)	(2,372)	(932)	(4,503)	(2,102)	(15,614)	(2,335)	0	(1,741)	(40,367)	(2,838)
2017.18	10	17,163	19,099	(1,088)	35,174	3,664	38,839	(11,092)	(2,443)	(960)	(4,616)	(2,154)	(16,004)	(2,393)	0	(1,793)	(41,455)	(2,616)
2018.19	11	16,435	21,111	(1,126)	36,420	3,774	40,194	(11,424)	(2,516)	(988)	(4,731)	(2,208)	(15,160)	0	0	(1,847)	(38,876)	1,318
2019.20	12	15,739	23,135	(1,166)	37,708	3,888	41,596	(11,767)	(2,592)	(1,018)	(4,850)	(2,263)	(15,539)	0	0	(1,903)	(39,931)	1,664
2020.21	13	15,074	25,175	(1,207)	39,041	4,004	43,045	(12,120)	(2,669)	(1,049)	(4,971)	(2,320)	(15,927)	0	0	(1,960)	(41,016)	2,029
2021.22	14	14,438	27,232	(1,250)	40,420	4,124	44,544	(12,484)	(2,750)	(1,080)	(5,095)	(2,378)	(16,326)	0	0	(2,018)	(42,131)	2,414
2022.23	15	13,830	29,311	(1,294)	41,846	4,248	46,094	(12,858)	(2,832)	(1,113)	(5,223)	(2,437)	(16,734)	0	0	(2,079)	(43,275)	2,819
2023.24	16	13,249	31,413	(1,117)	43,546	4,376	47,921	(13,244)	(2,917)	(1,146)	(5,353)	(2,498)	(22,226)	0	(47)	(2,141)	(49,573)	(1,652)
2024.25	17	12,693	33,543	(1,156)	45,081	4,507	49,587	(13,641)	(3,005)	(1,180)	(5,487)	(2,561)	(22,782)	0	(49)	(2,206)	(50,910)	(1,323)
2025.26	18	12,162	35,703	(1,197)	46,669	4,642	51,311	(14,051)	(3,095)	(1,216)	(5,624)	(2,625)	(23,352)	0	(50)	(2,272)	(52,283)	(972)
2026.27	19	11,654	37,897	(1,239)	48,312	4,781	53,094	(14,472)	(3,188)	(1,252)	(5,765)	(2,690)	(23,935)	0	(51)	(2,340)	(53,693)	(599)
2027.28	20	11,169	40,126	(1,282)	50,013	4,925	54,938	(14,906)	(3,283)	(1,290)	(5,909)	(2,757)	(24,534)	0	(52)	(2,410)	(55,142)	(204)
2028.29	21	10,705	42,395	(1,328)	51,773	5,072	56,845	(15,354)	(3,382)	(1,328)	(6,056)	(2,826)	(13,450)	0	0	(2,482)	(44,879)	11,966
2029.30	22	10,261	44,707	(1,374)	53,593	5,225	58,818	(15,814)	(3,483)	(1,368)	(6,208)	(2,897)	(13,786)	0	0	(2,557)	(46,113)	12,705
2030.31	23	9,836	47,064	(1,423)	55,478	5,381	60,859	(16,289)	(3,588)	(1,409)	(6,363)	(2,969)	(14,131)	0	0	(2,634)	(47,382)	13,477
2031.32	24	9,430	49,470	(1,472)	57,427	5,543	62,970	(16,777)	(3,695)	(1,452)	(6,522)	(3,044)	(14,484)	0	0	(2,713)	(48,687)	14,284
2032.33	25	9,042	51,927	(1,524)	59,445	5,709	65,154	(17,281)	(3,806)	(1,495)	(6,685)	(3,120)	(14,846)	0	0	(2,794)	(50,027)	15,127
2033.34	26	8,671	54,440	(1,578)	61,533	5,880	67,413	(17,799)	(3,920)	(1,540)	(6,852)	(3,198)	(24,232)	0	(35)	(2,878)	(60,454)	6,960
2034.35	27	8,316	57,011	(1,633)	63,694	6,057	69,750	(18,333)	(4,038)	(1,586)	(7,024)	(3,278)	(24,838)	0	(35)	(2,964)	(62,096)	7,655
2035.36	28	7,976	59,644	(1,691)	65,930	6,239	72,168	(18,883)	(4,159)	(1,634)	(7,199)	(3,360)	(25,459)	0	(36)	(3,053)	(63,783)	8,386
2036.37	29	7,652	62,342	(1,750)	68,244	6,426	74,669	(19,449)	(4,284)	(1,683)	(7,379)	(3,444)	(26,095)	0	(37)	(3,145)	(65,516)	9,154
2037.38	30	7,341	65,108	(1,811)	70,638	6,618	77,257	(20,033)	(4,412)	(1,733)	(7,564)	(3,530)	(26,747)	0	(38)	(3,239)	(67,296)	9,960

Appendix VII
Funding Profile

LOANS OUTSTANDING

