

Economic Assumptions Framework For Epping Forest District Council

Operating / Revenue Assumptions

Affordable Rent

Affordable Rent Item	Suggested Value
Investment Period	45 years
Rent Increase (above RPI)	+ 0.50 %
Major Repairs Cost per Unit (from year 7)	0.80 % * £1,300 * GIA
Management Cost per Unit	£1,327
Maintenance Cost per Unit	£910
Voids	1%
Bad Debts	1%

Inflation Elements

Inflation Items	Suggested Value
Long-term inflation forecast	2.50 %
Management Costs Inflation	RPI + 1.00 %
Maintenance Costs Inflation	RPI + 1.00 %
Major Repairs Costs Inflation	RPI + 1.50 %

Funding Elements

Funding Items	Suggested Value
Debt Funding: Development Period	3.3%
Debt Funding: Long-term Financing Period	30 years
Debt Funding: Long-term Financing Rate	3.5%
NPV Discount Rate	3.5%

Approval Criteria

Affordable Rent

Approval Criteria	Suggested Value
Internal Rate of Return (IRR)	5%
Net Present Value (NPV)	> £0
Cost-to-Value (C/V Ratio) ***	100 %
Payback year	< 30 years

Appendix D

Notes

Investment Period

This figure is in line with industry assumptions regarding the useful life of a building and the cyclical replacement of its component parts.

Major Repairs Cost per Unit (from year 7)

This is derived from East Thames research into building lifecycles from the Building Defects Insurance (BLP).

Management Cost per Unit

Based on Current Council costs

Maintenance Cost per Unit

Based on Current Council costs

Voids

Based on Current Council Performance

Bad Debts

Based on Current Council Performance

Long-term inflation forecast

Based on current RPI projections

Management Costs Inflation

The margin above inflation reflects the fact that over the long term, these costs such as the cost of staff, tend to rise above inflation.

Maintenance Costs Inflation

The margin above inflation reflects the fact that over the long term, these costs such as the cost of staff and materials, tend to rise above inflation.

Major Repairs Costs Inflation

The margin above inflation reflects the fact that over the long term, these costs such as the cost of staff and materials, tend to rise above inflation.

Debt Funding Costs and NPV discount rate

The debt funding costs reflect the Council's true borrowing costs and NPV discount rate matches these for the for use in calculating the discounted cashflows.