

FINANCIAL APPRAISAL - HOUSING EXECUTIVE 13 NOVEMBER 2007

CLIFFDALE & HENDERSON ROAD MOBILE HOME SITES

Summary of main assumptions

Common assumptions for all Options

The mobile home sites are held within the Housing Revenue Account (HRA) which by law is maintained separately from all other City Council funds. Mobile home sites are therefore effected by the overall financial position of the HRA, including the effects of Housing Revenue Account Subsidy payments to central Government.

Cash flows for each option have been calculated over a period of 30 years

All figures are at current prices

Costs of maintaining and renewing plots and services are borne by the City Council

Costs of removal & installation of mobile homes are borne by licensees

Site values both now & after 30 years will be 90% of current value as advised by external valuers.

Common assumptions excluding options 5a & 5b

Works are undertaken to bring sites up to meet the model Mobile Home standards

Mobile Home sites to be maintained at those standards annually with provision made for planned maintenance on a lifecycle costing basis.

No unexpected events (i.e. changes in the law) arise over the next 30 years requiring special investment by the City Council in excess of the planned maintenance provision.

A plot will be repurchased by the City Council from licensee every seven years in the event that a licensee does not keep to the terms of the licence.

The existing 116 plots remain for the next 30 years (recent planning application failed).

Option 1 - Carry on as now

No commission charged

Licence fees rise annually in line with the retail price index

Option 2 - Re-introduce a 10% commission on sales to all existing licensees now

Assumed to apply from 13 November 2007

Assume sales of 10 plots per year

Sale price based upon average of 95% of asking price for plots marketed between April 2007 and end of September 2007

Licence fees rise annually in line with the retail price index

Option 3 - Re-introduce a 10% commission only for "new" licensees not "existing" licensees

Assumed to apply from 13 November 2007

No income for the next 11 years—being the turnover of 116 plots at 10 per annum, 10 sales per year thereafter

Licence fees rise annually in line with the retail price index

Option 4 - Increase license fees by 7.8% above inflation annually for 10 years to generate same Net Present Value (NPV) as re-introducing 10% commission on sales now

Increase assumed to commence from April 2008

No commission charge made on sales

Options 5a - Sell both sites on the open market at market value or

Option 5b – Sell both sites to all residents at market value

Assume that sales take place before April 2009

Works to bring sites up to meet the model Mobile Home standards undertaken before sale.

Existing licence conditions, including 10% commission on sales, must be adhered to by all new owners in future.

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CLIFFDALE & HENDERSON ROAD MOBILE HOME SITES

This Financial Appraisal covers five "Options" concerning the future of the mobile home sites at Cliffdale Gardens and Henderson Road.

The cash flows for each Option have been calculated over a 30 year period. To enable meaningful comparisons of the financial effects of the five Options a technique termed Discounted Cash Flow has been used to bring the cash flows back to a single "Net Present Value" for each Option. This method assumes that £1 now is worth more than £1 received in the future & is based on a "discount rate" of 3.5% per annum as used by Central Government.

All Options below show net income across 30 years as indicated by the leading minus sign.

DESCRIPTION OF OPTIONS	Total of cash flows over 30 years	Net Present Value over 30 years in £'s including assumed value of sites after 30 years
	£ Millions	£ Millions
Option 1 - Carry on as now	-0.2 million	-1.1 million
Option 2 - Re-introduce a 10% commission on sales now	-3.4 million	-3 million
Option 3 - Re-introduce a 10% commission only for "new" licensees not "existing" licensees.	-2.4 million	-2.1 million
Option 4 - Increase plot fees by 7.8% above inflation each year over 10 years to generate same NPV as Option 2, introducing immediate 10% commission now.	-3.8 million	-3 million
Option 5 - Sell both sites	-2.6 million	-2.4 million

Mobile Home Sites Option 1 - Carry on as now, no commission charge		Total years 1-5	Total years 6-10	Total years 11-20	Total years 21-30	Total years 1-30
		£'000	£'000	£'000	£'000	£'000
Cliffdale Gardens	Income					
	Rent					
£23.53 per week plot rent, 27 plots	Single site small	(165)	(165)	(330)	(330)	(990)
£26.63 per week plot rent, 13 plots	Single site large	(90)	(90)	(180)	(180)	(540)
£29.62 per week plot rent, 9 plots	Double site	(69)	(69)	(139)	(139)	(416)
	Commission	0	0	0	0	0
	Total site income	(324)	(324)	(649)	(649)	(1,946)
	Expenditure					
	Grounds Maintenance-contract	2	2	5	5	14
	Cleaning	6	6	12	12	36
	Electricity	1	1	3	3	8
	Water-PWC	27	27	53	53	160
	Telephone-payphone	3	3	6	6	18
	Repurchase Plot	47	47	47	94	235
	Contingency	40	40	80	80	240
	Planned Maintenance	125	125	251	249	750
	Responsive Repairs	15	15	30	30	90
	Total site expenditure	266	266	487	532	1,551
	Net Expenditure	(58)	(58)	(162)	(117)	(395)
Henderson Road	Income					
	Rent					
£23.53 per week plot rent, 44 plots	Single site small	(258)	(251)	(502)	(502)	(1,513)
£26.63 per week plot rent, 2 plots	Single site large	(14)	(14)	(28)	(28)	(84)
£29.62 per week plot rent, 21 plots	Double site	(162)	(162)	(323)	(323)	(970)
	Commission	0	0	0	0	0
	Total site income	(434)	(427)	(853)	(853)	(2,567)
	Expenditure					
	Grounds Maintenance-contract	1	1	2	2	6
	Cleaning	0	0	0	0	0
	Electricity	0	0	0	0	0
	Water-PWC&SWC	35	35	71	71	212
	Telephone	0	0	0	0	0
	Repurchase Plot	47	0	94	47	188
	Contingency	40	40	80	80	240
	Planned Maintenance	149	125	251	274	799
	Responsive Repairs	26	26	52	52	156
	Total site expenditure	298	227	550	525	1,600
	Net Expenditure	(136)	(200)	(303)	(328)	(967)
	Employee Costs	256	179	358	358	1,151
Both Sites	Income					
	Cliffdale	(324)	(324)	(649)	(649)	(1,946)
	Henderson	(434)	(427)	(853)	(853)	(2,567)
	Expenditure					
	Cliffdale	266	266	487	532	1,551
	Henderson	298	227	550	525	1,600
	Staff Costs	256	179	358	358	1,151
	Net Expenditure	62	(79)	(107)	(87)	(211)

Net Present value over 30 years

3.5% discount rate

£-1.1 million

Mobile Home Sites Option 2 - Re-introduce 10% commission to all existing licensees now		Total years 1-5 £'000	Total years 6-10 £'000	Total years 11-20 £'000	Total years 21-30 £'000	Total years 1-30 £'000
Cliffdale Gardens	Income					
	Rent					
£23.53 per week plot rent, 27 plots	Single site small	(165)	(165)	(330)	(330)	(990)
£26.63 per week plot rent, 13 plots	Single site large	(90)	(90)	(180)	(180)	(540)
£29.62 per week plot rent, 9 plots	Double site	(69)	(69)	(139)	(139)	(416)
	Commission	(268)	(268)	(536)	(536)	(1,608)
	Total site income	(592)	(592)	(1,185)	(1,185)	(3,554)
	Expenditure					
	Grounds Maintenance-contract	2	2	5	5	14
	Cleaning	6	6	12	12	36
	Electricity	1	1	3	3	8
	Water-PWC	27	27	53	53	160
	Telephone-payphone	3	3	6	6	18
	Repurchase Plot	47	47	47	94	235
	Contingency	40	40	80	80	240
	Planned Maintenance	125	125	251	249	750
	Responsive Repairs	15	15	30	30	90
	Total site expenditure	266	266	487	532	1,551
	Net Expenditure	(326)	(326)	(698)	(653)	(2,003)
Henderson Road	Income					
	Rent					
	Single site small	(258)	(251)	(502)	(502)	(1,513)
	Single site large	(14)	(14)	(28)	(28)	(84)
	Double site	(162)	(162)	(323)	(323)	(970)
	Commission	(268)	(268)	(536)	(536)	(1,608)
	Total site income	(702)	(695)	(1,389)	(1,389)	(4,175)
	Expenditure					
	Grounds Maintenance-contract	1	1	2	2	6
	Cleaning	0	0	0	0	0
	Electricity	0	0	0	0	0
	Water-PWC&SWC	35	35	71	71	212
	Telephone	0	0	0	0	0
	Repurchase Plot	47	0	94	47	188
	Contingency	40	40	80	80	240
	Planned Maintenance	149	125	251	274	799
	Responsive Repairs	26	26	52	52	156
	Total site expenditure	298	227	550	525	1,600
	Net Expenditure	(404)	(468)	(839)	(864)	(2,575)
	Employee Costs	256	179	358	358	1,151
Both Sites	Income					
	Cliffdale	(592)	(592)	(1,185)	(1,185)	(3,554)
	Henderson	(702)	(695)	(1,389)	(1,389)	(4,175)
	Expenditure					
	Cliffdale	266	266	487	532	1,551
	Henderson	298	227	550	525	1,600
	Staff Costs	256	179	358	358	1,151
	Net Expenditure	(474)	(615)	(1,179)	(1,159)	(3,427)

Net Present value over 30 years

3.5% discount rate

£-3 million

Mobile Home Sites Option 3 - Re-introduce a 10% commission only for "new" licensees		Total years 1-5 £'000	Total years 6-10 £'000	Total years 11-20 £'000	Total years 21-30 £'000	Total years 1-30 £'000
Cliffdale Gardens	Income					
	Rent					
£23.53 per week plot rent, 27 plots	Single site small	(165)	(165)	(330)	(330)	(990)
£26.63 per week plot rent, 13 plots	Single site large	(90)	(90)	(180)	(180)	(540)
£29.62 per week plot rent, 9 plots	Double site	(69)	(69)	(139)	(139)	(416)
	Commission after 11 years	0	0	(536)	(536)	(1,072)
	Total site income	(324)	(324)	(1,185)	(1,185)	(3,018)
	Expenditure					
	Grounds Maintenance-contract	2	2	5	5	14
	Cleaning	6	6	12	12	36
	Electricity	1	1	3	3	8
	Water-PWC	27	27	53	53	160
	Telephone-payphone	3	3	6	6	18
	Repurchase Plot	47	47	47	94	235
	Contingency	40	40	80	80	240
	Planned Maintenance	125	125	251	249	750
	Responsive Repairs	15	15	30	30	90
	Total site expenditure	266	266	487	532	1,551
	Net Expenditure	(58)	(58)	(698)	(653)	(1,467)
Henderson Road	Income					
	Rent					
	Single site small	(258)	(251)	(502)	(502)	(1,513)
	Single site large	(14)	(14)	(28)	(28)	(84)
	Double site	(162)	(162)	(323)	(323)	(970)
	Commission after 11 years	0	0	(536)	(536)	(1,072)
	Value @ period end					
	Total site income	(434)	(427)	(1,389)	(1,389)	(3,639)
	Expenditure					
	Grounds Maintenance-contract	1	1	2	2	6
	Cleaning	0	0	0	0	0
	Electricity	0	0	0	0	0
	Water-PWC&SWC	35	35	71	71	212
	Telephone	0	0	0	0	0
	Repurchase Plot	47	0	94	47	188
	Contingency	40	40	80	80	240
	Planned Maintenance	149	125	251	274	799
	Responsive Repairs	26	26	52	52	156
	Total site expenditure	298	227	550	525	1,600
	Net Expenditure	(136)	(200)	(839)	(864)	(2,039)
	Employee Costs	256	179	358	358	1,151
Both Sites	Income					
	Cliffdale	(324)	(324)	(1,185)	(1,185)	(3,018)
	Henderson	(434)	(427)	(1,389)	(1,389)	(3,639)
	Expenditure					
	Cliffdale	266	266	487	532	1,551
	Henderson	298	227	550	525	1,600
	Staff Costs	256	179	358	358	1,151
	Net Expenditure	62	(79)	(1,179)	(1,159)	(2,355)

Net Present value over 30 years

3.5% discount rate

£-2.1 million

Mobile Home Sites Option 4 - Increase plot fees by 7.8% above inflation annually for 10 years to generate same Net Present Value as re-introducing 10% commission		Total years 1-5	Total years 6-10	Total years 11-20	Total years 21-30	Total years 1-30
		£'000	£'000	£'000	£'000	£'000
Cliffdale Gardens	Income					
	Rent					
£23.53 per week plot rent, 27 plots	Single site small	(188)	(270)	(623)	(623)	(1,704)
£26.63 per week plot rent, 13 plots	Single site large	(105)	(153)	(354)	(354)	(966)
£29.62 per week plot rent, 9 plots	Double site	(81)	(118)	(273)	(273)	(745)
	Commission	0	0	0	0	0
	Total site income	(374)	(541)	(1,250)	(1,250)	(3,415)
	Expenditure					
	Grounds Maintenance-contract	2	2	5	5	14
	Cleaning	6	6	12	12	36
	Electricity	1	1	3	3	8
	Water-PWC	27	27	53	53	160
	Telephone-payphone	3	3	6	6	18
	Repurchase Plot	47	47	47	94	235
	Contingency	40	40	80	80	240
	Planned Maintenance	125	125	251	249	750
	Responsive Repairs	15	15	30	30	90
	Total site expenditure	266	266	487	532	1,551
	Net Expenditure	(108)	(275)	(763)	(718)	(1,864)
Henderson Road	Income					
	Rent					
	Single site small	(306)	(439)	(1,015)	(1,015)	(2,775)
	Single site large	(16)	(24)	(55)	(55)	(150)
	Double site	(189)	(276)	(637)	(637)	(1,739)
	Commission after 11 years	0	0	0	0	0
	Value @ period end					
	Total site income	(511)	(739)	(1,707)	(1,707)	(4,664)
	Expenditure					
	Grounds Maintenance-contract	1	1	2	2	6
	Cleaning	0	0	0	0	0
	Electricity	0	0	0	0	0
	Water-PWC&SWC	35	35	71	71	212
	Telephone	0	0	0	0	0
	Repurchase Plot	47	0	94	47	188
	Contingency	40	40	80	80	240
	Planned Maintenance	149	125	251	274	799
	Responsive Repairs	26	26	52	52	156
	Total site expenditure	298	227	550	525	1,600
	Net Expenditure	(213)	(512)	(1,157)	(1,182)	(3,064)
	Employee Costs	256	179	358	358	1,151
Both Sites	Income					
	Cliffdale	(374)	(541)	(1,250)	(1,250)	(3,415)
	Henderson	(511)	(739)	(1,707)	(1,707)	(4,664)
	Expenditure					
	Cliffdale	266	266	487	532	1,551
	Henderson	298	227	550	525	1,600
	Staff Costs	256	179	358	358	1,151
	Net Expenditure	(65)	(608)	(1,562)	(1,542)	(3,777)

Net Present value over 30 years

3.5% discount rate

£-3 million

Mobile Home Sites Options 5a & 5b - sell sites at market value either on the open market or to all residents		Total years 1-5 £'000	Total years 6-10 £'000	Total years 11-20 £'000	Total years 21-30 £'000	Total years 1-30 £'000
Cliffdale Gardens	Income					
	Rent					
£23.53 per week plot rent, 27 plots	Single site small	(66)	0	0	0	(66)
£26.63 per week plot rent, 13 plots	Single site large	(36)	0	0	0	(36)
£29.62 per week plot rent, 9 plots	Double site	(28)	0	0	0	(28)
	Commission	0	0	0	0	0
	Total site income	(130)	0	0	0	(130)
	Expenditure					
	Grounds Maintenance-contract	1	0	0	0	1
	Cleaning	2	0	0	0	2
	Electricity	1	0	0	0	1
	Water-PWC	11	0	0	0	11
	Telephone-payphone	1	0	0	0	1
	Repurchase Plot	47	0	0	0	47
	Contingency	10	0	0	0	10
	Planned Maintenance	49	0	0	0	49
	Responsive Repairs	6	0	0	0	6
	Total site expenditure	128	0	0	0	128
	Net Expenditure	(2)	0	0	0	(2)
Henderson Road	Income					
	Rent					
	Single site small	(108)	0	0	0	(108)
	Single site large	(6)	0	0	0	(6)
	Double site	(65)	0	0	0	(65)
	Commission after 11 years	0	0	0	0	0
	Net Sale Proceeds					
	Total site income	(179)	0	0	0	(179)
	Expenditure					
	Grounds Maintenance-contract	0	0	0	0	0
	Cleaning	0	0	0	0	0
	Electricity	0	0	0	0	0
	Water-PWC&SWC	14	0	0	0	14
	Telephone	0	0	0	0	0
	Repurchase Plot	0	0	0	0	0
	Contingency	10	0	0	0	10
	Planned Maintenance	74	0	0	0	74
	Responsive Repairs	0	0	0	0	0
	Total site expenditure	98	0	0	0	98
	Net Expenditure	(81)	0	0	0	(81)
	Employee Costs	149	0	0	0	149
Both Sites	Income					
	Cliffdale	(130)	0	0	0	(130)
	Henderson	(179)	0	0	0	(179)
	Expenditure					
	Cliffdale	128	0	0	0	128
	Henderson	98	0	0	0	98
	Staff Costs	149	0	0	0	149
	Net Expenditure	66	0	0	0	66

Net Present value over 30 years

3.5% discount rate

£-2.4 million