

FINANCIAL APPRAISAL - HOUSING EXECUTIVE 5 FEBRUARY 2008

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).

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

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 staggered 10% commission on sales

All new licensees from April 2007 to be liable to 10% sale commission. All others will pay % dependant upon when sale takes place - in line with suggestion from Cliffdale residents.

: If sold before 31 March 2009 - 0% commission payable.

: If sold between 1 April 2009 and 31 March 2010 - 3% commission payable.

: If sold between 1 April 2010 and 31 March 2011 - 6% commission payable.

: If sold between 1 April 2011 and 31 March 2012 - 10% commission payable.

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.

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 6.7% 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.

FINANCIAL APPRAISAL - HOUSING EXECUTIVE - 5 February 2008

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.

	A	B	C
1	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
2	Option 1 - Carry on as now	-0.2 million	-1.1 million
3	Option 2 - Re-introduce a staggered 10% commission on sales between now and April 2012	-3.1 million	-2.7 million
4	Option 3 - Re-introduce a 10% commission only for "new" licensees not "existing" licensees.	-2.4 million	-2.1 million
5	Option 4 - Increase plot fees by 6.7% above inflation each year over 10 years to generate same NPV as Option 2, introducing immediate 10% commission now.	-3.1 million	-2.7 million
6	Option 5 - Sell both sites	-2.6 million	-2.4 million

	A	B	C	D	E	F	G
1	Mobile Home Sites Option 1 - Carry on as		Total	Total	Total	Total	Total
2	now, no commission charge		years	years	years	years	years
3			1-5	6-10	11-20	21-30	1-30
4	Cliffdale Gardens	Income	£'000	£'000	£'000	£'000	£'000
5		Rent					
6	£23.53 per week plot rent, 27 plots	Single site small	(165)	(165)	(330)	(330)	(990)
7	£26.63 per week plot rent, 13 plots	Single site large	(90)	(90)	(180)	(180)	(540)
8	£29.62 per week plot rent, 9 plots	Double site	(69)	(69)	(139)	(139)	(416)
9		Commission	0	0	0	0	0
10							
11		Total site income	(324)	(324)	(649)	(649)	(1,946)
12							
13		Expenditure					
14		Grounds Maintenance-contract	2	2	5	5	14
15		Cleaning	6	6	12	12	36
16		Electricity	1	1	3	3	8
17		Water-PWC	27	27	53	53	160
18		Telephone-payphone	3	3	6	6	18
19		Repurchase Plot	47	47	47	94	235
20		Contingency	40	40	80	80	240
21		Planned Maintenance	125	125	251	249	750
22		Responsive Repairs	15	15	30	30	90
23							
24		Total site expenditure	266	266	487	532	1,551
25							
26		Net Expenditure	(58)	(58)	(162)	(117)	(395)
27							
28	Henderson Road	Income					
29		Rent					
30	£23.53 per week plot rent, 44 plots	Single site small	(258)	(251)	(502)	(502)	(1,513)
31	£26.63 per week plot rent, 2 plots	Single site large	(14)	(14)	(28)	(28)	(84)
32	£29.62 per week plot rent, 21 plots	Double site	(162)	(162)	(323)	(323)	(970)
33		Commission	0	0	0	0	0
34							
35		Total site income	(434)	(427)	(853)	(853)	(2,567)
36							
37		Expenditure					
38		Grounds Maintenance-contract	1	1	2	2	6
39		Cleaning	0	0	0	0	0
40		Electricity	0	0	0	0	0
41		Water-PWC&SWC	35	35	71	71	212
42		Telephone	0	0	0	0	0
43		Repurchase Plot	47	0	94	47	188
44		Contingency	40	40	80	80	240
45		Planned Maintenance	149	125	251	274	799
46		Responsive Repairs	26	26	52	52	156
47							
48		Total site expenditure	298	227	550	525	1,600
49							
50		Net Expenditure	(136)	(200)	(303)	(328)	(967)
51							
52		Employee Costs	256	179	358	358	1,151
53							
54	Both Sites	Income					
55		Cliffdale	(324)	(324)	(649)	(649)	(1,946)
56		Henderson	(434)	(427)	(853)	(853)	(2,567)
57							
58		Expenditure					
59		Cliffdale	266	266	487	532	1,551
60		Henderson	298	227	550	525	1,600
61							
62		Staff Costs	256	179	358	358	1,151
63							
64		Net Expenditure	62	(79)	(107)	(87)	(211)
65							
66							
67	Net Present value over 30 years	3.5% discount rate					£-1.1 million

	A	B	C	D	E	F	G
1	Mobile Home Sites Option 2 - Re-introduce a staggered 10% commission on sales to all existing licensees		Total years 1-5	Total years 6-10	Total years 11-20	Total years 21-30	Total years 1-30
2			£'000	£'000	£'000	£'000	£'000
3							
4	Cliffdale Gardens	Income					
5		Rent					
6	£23.53 per week plot rent, 27 plots	Single site small	(165)	(165)	(330)	(330)	(990)
7	£26.63 per week plot rent, 13 plots	Single site large	(90)	(90)	(180)	(180)	(540)
8	£29.62 per week plot rent, 9 plots	Double site	(69)	(69)	(139)	(139)	(416)
9		Commission	(102)	(268)	(536)	(536)	(1,442)
10							
11		Total site income	(426)	(592)	(1,185)	(1,185)	(3,388)
12							
13		Expenditure					
14		Grounds Maintenance-contract	2	2	5	5	14
15		Cleaning	6	6	12	12	36
16		Electricity	1	1	3	3	8
17		Water-PWC	27	27	53	53	160
18		Telephone-payphone	3	3	6	6	18
19		Repurchase Plot	47	47	47	94	235
20		Contingency	40	40	80	80	240
21		Planned Maintenance	125	125	251	249	750
22		Responsive Repairs	15	15	30	30	90
23							
24		Total site expenditure	266	266	487	532	1,551
25							
26		Net Expenditure	(160)	(326)	(698)	(653)	(1,837)
27							
28	Henderson Road	Income					
29		Rent					
30		Single site small	(258)	(251)	(502)	(502)	(1,513)
31		Single site large	(14)	(14)	(28)	(28)	(84)
32		Double site	(162)	(162)	(323)	(323)	(970)
33		Commission	(102)	(268)	(536)	(536)	(1,442)
34							
35		Total site income	(536)	(695)	(1,389)	(1,389)	(4,009)
36							
37		Expenditure					
38		Grounds Maintenance-contract	1	1	2	2	6
39		Cleaning	0	0	0	0	0
40		Electricity	0	0	0	0	0
41		Water-PWC&SWC	35	35	71	71	212
42		Telephone	0	0	0	0	0
43		Repurchase Plot	47	0	94	47	188
44		Contingency	40	40	80	80	240
45		Planned Maintenance	149	125	251	274	799
46		Responsive Repairs	26	26	52	52	156
47							
48		Total site expenditure	298	227	550	525	1,600
49							
50		Net Expenditure	(238)	(468)	(839)	(864)	(2,409)
51							
52		Employee Costs	256	179	358	358	1,151
53							
54	Both Sites	Income					
55		Cliffdale	(426)	(592)	(1,185)	(1,185)	(3,388)
56		Henderson	(536)	(695)	(1,389)	(1,389)	(4,009)
57							
58		Expenditure					
59		Cliffdale	266	266	487	532	1,551
60		Henderson	298	227	550	525	1,600
61							
62		Staff Costs	256	179	358	358	1,151
63							
64		Net Expenditure	(142)	(615)	(1,179)	(1,159)	(3,095)
65							
66							
67	Net Present value over 30 years	3.5% discount rate					£-2.7 million

	A	B	C	D	E	F	G
1	Mobile Home Sites Option 3 - Re-introduce a 10% commission only for "new" licensees		Total years 1-5	Total years 6-10	Total years 11-20	Total years 21-30	Total years 1-30
2			£'000	£'000	£'000	£'000	£'000
3							
4	Cliffdale Gardens	Income					
5		Rent					
6	£23.53 per week plot rent, 27 plots	Single site small	(165)	(165)	(330)	(330)	(990)
7	£26.63 per week plot rent, 13 plots	Single site large	(90)	(90)	(180)	(180)	(540)
8	£29.62 per week plot rent, 9 plots	Double site	(69)	(69)	(139)	(139)	(416)
9		Commission after 11 years	0	0	(536)	(536)	(1,072)
10							
11		Total site income	(324)	(324)	(1,185)	(1,185)	(3,018)
12							
13		Expenditure					
14		Grounds Maintenance-contract	2	2	5	5	14
15		Cleaning	6	6	12	12	36
16		Electricity	1	1	3	3	8
17		Water-PWC	27	27	53	53	160
18		Telephone-payphone	3	3	6	6	18
19		Repurchase Plot	47	47	47	94	235
20		Contingency	40	40	80	80	240
21		Planned Maintenance	125	125	251	249	750
22		Responsive Repairs	15	15	30	30	90
23							
24		Total site expenditure	266	266	487	532	1,551
25							
26		Net Expenditure	(58)	(58)	(698)	(653)	(1,467)
27							
28	Henderson Road	Income					
29		Rent					
30		Single site small	(258)	(251)	(502)	(502)	(1,513)
31		Single site large	(14)	(14)	(28)	(28)	(84)
32		Double site	(162)	(162)	(323)	(323)	(970)
33		Commission	0	0	(536)	(536)	(1,072)
34							
35		Total site income	(434)	(427)	(1,389)	(1,389)	(3,639)
36							
37		Expenditure					
38		Grounds Maintenance-contract	1	1	2	2	6
39		Cleaning	0	0	0	0	0
40		Electricity	0	0	0	0	0
41		Water-PWC&SWC	35	35	71	71	212
42		Telephone	0	0	0	0	0
43		Repurchase Plot	47	0	94	47	188
44		Contingency	40	40	80	80	240
45		Planned Maintenance	149	125	251	274	799
46		Responsive Repairs	26	26	52	52	156
47							
48		Total site expenditure	298	227	550	525	1,600
49							
50		Net Expenditure	(136)	(200)	(839)	(864)	(2,039)
51							
52		Employee Costs	256	179	358	358	1,151
53							
54	Both Sites	Income					
55		Cliffdale	(324)	(324)	(1,185)	(1,185)	(3,018)
56		Henderson	(434)	(427)	(1,389)	(1,389)	(3,639)
57							
58		Expenditure					
59		Cliffdale	266	266	487	532	1,551
60		Henderson	298	227	550	525	1,600
61							
62		Staff Costs	256	179	358	358	1,151
63							
64		Net Expenditure	62	(79)	(1,179)	(1,159)	(2,355)
65							
67	Net Present value over 30 years	3.5% discount rate					£-2.1 million

	A	B	C	D	E	F	G
1	Mobile Home Sites Option 4 - Increase plot fees by 6.7% above		Total	Total	Total	Total	Total
2	inflation annually for 10 years to generate same Net Present		years	years	years	years	years
3	Value as re-introducing 10% commission		1-5	6-10	11-20	21-30	1-30
4	Cliffdale Gardens	Income	£'000	£'000	£'000	£'000	£'000
5		Rent					
6	£23.53 per week plot rent, 27 plots	Single site small	(184)	(250)	(567)	(567)	(1,568)
7	£26.63 per week plot rent, 13 plots	Single site large	(103)	(142)	(323)	(323)	(891)
8	£29.62 per week plot rent, 9 plots	Double site	(79)	(110)	(248)	(248)	(685)
9		Commission	0	0	0	0	0
10							
11		Total site income	(366)	(502)	(1,138)	(1,138)	(3,144)
12							
13		Expenditure					
14		Grounds Maintenance-contract	2	2	5	5	14
15		Cleaning	6	6	12	12	36
16		Electricity	1	1	3	3	8
17		Water-PWC	27	27	53	53	160
18		Telephone-payphone	3	3	6	6	18
19		Repurchase Plot	47	47	47	94	235
20		Contingency	40	40	80	80	240
21		Planned Maintenance	125	125	251	249	750
22		Responsive Repairs	15	15	30	30	90
23							
24		Total site expenditure	266	266	487	532	1,551
25							
26		Net Expenditure	(100)	(236)	(651)	(606)	(1,593)
27							
28	Henderson Road	Income					
29		Rent					
30		Single site small	(299)	(408)	(924)	(924)	(2,555)
31		Single site large	(16)	(22)	(50)	(50)	(138)
32		Double site	(185)	(256)	(580)	(580)	(1,601)
33		Commission	0	0	0	0	0
34							
35		Total site income	(500)	(686)	(1,554)	(1,554)	(4,294)
36							
37		Expenditure					
38		Grounds Maintenance-contract	1	1	2	2	6
39		Cleaning	0	0	0	0	0
40		Electricity	0	0	0	0	0
41		Water-PWC&SWC	35	35	71	71	212
42		Telephone	0	0	0	0	0
43		Repurchase Plot	47	0	94	47	188
44		Contingency	40	40	80	80	240
45		Planned Maintenance	149	125	251	274	799
46		Responsive Repairs	26	26	52	52	156
47							
48		Total site expenditure	298	227	550	525	1,600
49							
50		Net Expenditure	(202)	(459)	(1,004)	(1,029)	(2,694)
51							
52		Employee Costs	256	179	358	358	1,151
53							
54	Both Sites	Income					
55		Cliffdale	(366)	(502)	(1,138)	(1,138)	(3,144)
56		Henderson	(500)	(686)	(1,554)	(1,554)	(4,294)
57							
58		Expenditure					
59		Cliffdale	266	266	487	532	1,551
60		Henderson	298	227	550	525	1,600
61							
62		Staff Costs	256	179	358	358	1,151
63							
64		Net Expenditure	(46)	(516)	(1,297)	(1,277)	(3,136)
65							
66							
67	Net Present value over 30 years	3.5% discount rate					£-2.7 million

	A	B	C	D	E	F	G
1	Mobile Home Sites Options 5a & 5b - sell sites at market		Total	Total	Total	Total	Total
2	value either on the open market or to all residents		years	years	years	years	years
3			1-5	6-10	11-20	21-30	1-30
4	Cliffdale Gardens	Income	£'000	£'000	£'000	£'000	£'000
5		Rent					
6	£23.53 per week plot rent, 27 plots	Single site small	(66)	0	0	0	(66)
7	£26.63 per week plot rent, 13 plots	Single site large	(36)	0	0	0	(36)
8	£29.62 per week plot rent, 9 plots	Double site	(28)	0	0	0	(28)
9		Commission	0	0	0	0	0
10							
11		Total site income	(130)	0	0	0	(130)
12							
13		Expenditure					
14		Grounds Maintenance-contract	1	0	0	0	1
15		Cleaning	2	0	0	0	2
16		Electricity	1	0	0	0	1
17		Water-PWC	11	0	0	0	11
18		Telephone-payphone	1	0	0	0	1
19		Repurchase Plot	47	0	0	0	47
20		Contingency	10	0	0	0	10
21		Planned Maintenance	49	0	0	0	49
22		Responsive Repairs	6	0	0	0	6
23							
24		Total site expenditure	128	0	0	0	128
25							
26		Net Expenditure	(2)	0	0	0	(2)
27							
28	Henderson Road	Income					
29		Rent					
30		Single site small	(108)	0	0	0	(108)
31		Single site large	(6)	0	0	0	(6)
32		Double site	(65)	0	0	0	(65)
33		Commission	0	0	0	0	0
34							
35		Total site income	(179)	0	0	0	(179)
36							
37		Expenditure					
38		Grounds Maintenance-contract	0	0	0	0	0
39		Cleaning	0	0	0	0	0
40		Electricity	0	0	0	0	0
41		Water-PWC&SWC	14	0	0	0	14
42		Telephone	0	0	0	0	0
43		Repurchase Plot	0	0	0	0	0
44		Contingency	10	0	0	0	10
45		Planned Maintenance	74	0	0	0	74
46		Responsive Repairs	0	0	0	0	0
47							
48		Total site expenditure	98	0	0	0	98
49							
50		Net Expenditure	(81)	0	0	0	(81)
51							
52		Employee Costs	149	0	0	0	149
53							
54	Both Sites	Income					
55		Cliffdale	(130)	0	0	0	(130)
56		Henderson	(179)	0	0	0	(179)
57							
58		Expenditure					
59		Cliffdale	128	0	0	0	128
60		Henderson	98	0	0	0	98
61							
62		Staff Costs	149	0	0	0	149
63							
64		Net Expenditure	66	0	0	0	66
65							
66							
67	Net Present value over 30 years	3.5% discount rate					£-2.4 million