

New build of HRA properties at Watts Road Car Park - Financial Appraisal - SUMMARY

	A	B	C	D
1	SUMMARY OF OPTIONS	Total capital cost for PCC - Housing Investment Programme	Total revenue effect over 30 years	Net Present Value
		£ million	£ million	£ million
2	Option 1 - Build 12 new properties at Watts Rd	£0.35	(£0.61)	(£0.08)
3	Option 2 - Do	£0.00	£0.00	£0.00

NOTES

Option 1 is the preferred option as it generates a positive return on the initial investment

Option 1
is part

Financial Appraisal - New build of HRA properties at Watts Road

KEY ASSUMPTIONS

General Assumptions

- All valuations have been agreed by Asset Management Services

Revenue Account and/or General Fund are included. Others such as depreciation are not included

- Net Present Value discount rate used is 3.5%, the Government recommended "Green Book" rate.
- The Net Present Value takes account of capital costs and the estimated effects of remaining debt & the value of assets at the end of the 30 year period.

Dwellings

- Assume that properties are exempt from HRA Subsidy System, Rent Rebate Subsidy Limitation and Pooling of capital receipts from Right to Buy sales as per Housing and Regeneration Act 2008, Section 313
- There will be **12** homes built and all will be held by the Housing Revenue Account
- Rents are calculated in accordance with Government Rent Restructuring arrangements using 1999 values supplied by Asset Management Service
- Repairs and Maintenance - based on the life cycle costing data from the Somerstown Phase 2 PFI bid financial modelling
- No additional HRA management costs assumed for managing these **12** new

Right to buy

- Assume 11 out of 12 properties are sold after 10 years (one property being a disabled persons flat therefore not eligible for Right to Buy)

point

Financial Appraisal - New build of HRA properties at Watts Road Car Park

This appraisal measures the cost of using a mix of PCC capital resources, Housing Corporation Grants, and Prudential Borrowing to fund building 12 new properties at Watts Rd Car Park. Assumption is made that 11 out of the

CAPITAL EFFECTS

CAPITAL EXPENDITURE	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL after 30 years
	£	£	£	£	£	£
Option 1: - Build 12 new properties at Watts Rd	1,655,850					1,655,850
TOTAL CAPITAL EXPENDITURE	1,655,850	0	0	0	0	1,655,850

CAPITAL FUNDING	2010/11	2011/12	2012/13	2013/14	2014/15	
	£	£	£	£	£	£
Grant Funding - Homes and Communities Agency - funding at £70,000 per unit	840,000					840,000
Prudential borrowing - at £38,750 per unit	465,000					465,000
HIP Funding - Section 106 funding	120,000					120,000
HIP Funding - Capital Receipts - Wecock Farm	125,000					125,000
HIP Funding - Funding from the Housing Investment Programme	105,850					105,850
TOTAL CAPITAL FUNDING	1,655,850	0	0	0	0	1,655,850

Year on year (suplus)/deficit between funding and expenditure	2010/11	2011/12	2012/13	2013/14	2014/15	
	0	0	0	0	0	0

REVENUE EFFECTS

Year number

0

1

2

3

4

HOUSING REVENUE ACCOUNT (HRA)	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL after 30 years
	£	£	£	£	£	£
Expenditure						
Cost of Maintenance	0	16,428	16,428	16,428	16,428	191,658
Prudential Borrowing repayments	0	35,665	34,981	34,298	33,614	641,014
Debt due to HCA if property sold (liability)	0	0	0	0	0	676,728
Total Expenditure	0	52,093	51,409	50,725	50,042	1,509,400
Income						0
Rent & Service Charge Income	0	(66,245)	(66,245)	(66,245)	(66,245)	(752,319)
Sale of Property after discount	0	0	0	0	0	(1,262,000)
Asset value at end of 30 years (asset)	0	0	0	0	0	(110,000)
Total Income	0	(66,245)	(66,245)	(66,245)	(66,245)	(2,124,319)
HRA - Total Net (Income)/Expenditure	0	(14,152)	(14,836)	(15,519)	(16,203)	(614,918)
TOTAL CITY COUNCIL NET (INCOME)/EXPENDITURE - including HIP funding	350,850	(14,152)	(14,836)	(15,519)	(16,203)	(264,068)

NET PRESENT VALUE OF TOTAL CITY COUNCIL NET (INCOME)/EXPENDITURE, INCLUDING REMAINING DEBT & VALUE OF ASSETS AFTER 30 YEARS	-£79,875
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