

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

|   | A   | B   | C                                  | D                 |
|---|---|---|------------------------------------|-------------------|
| 1 | <b>SUMMARY OF OPTIONS - Figures in brackets are net incomes, all others are net costs</b> | 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  | £0.82   | (£1.26)                            | (£0.10)           |
| 3 | Option 2 - Do Nothing   | £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 now not funded by Prudential Borrowing, as per the stipulations of the Homes and Communities Agency which is supplying a grant for some of the funding required. The remainder of funding is from PCC capital resources

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

### **KEY ASSUMPTIONS**

#### **General Assumptions**

- All valuations have been agreed by Asset Management Services
- Only capital charges which have a real 'bottom line' effect on the Housing 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 homes

#### **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)
- No properties sold until year 10, as Right to Buy discount will not apply until this point

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This appraisal measures the cost of using a mix of PCC capital resources and Housing Corporation Grants to fund building 12 new properties at Watts Rd Car Park. Assumption is made that 11 out of the 12 properties (i.e. all those that are eligible) are sold under Right to Buy after 10 years

### CAPITAL EFFECTS

| CAPITAL EXPENDITURE                             | 2010/11          | 2011/12  | 2012/13  | 2013/14  | 2014/15  | 2015/16  | TOTAL after 30 years |
|---|------------------|----------|----------|----------|----------|----------|----------------------|
|   | £                | £        | £        | £        | £        | £        | £                    |
| Option 1: - Build 12 new properties at Watts Rd | 1,655,850        |          |          |          |          |          | 1,655,850            |
| <b>TOTAL CAPITAL EXPENDITURE</b>                | <b>1,655,850</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>1,655,850</b>     |

  

| CAPITAL FUNDING  | 2010/11          | 2011/12  | 2012/13  | 2013/14  | 2014/15  | 2015/16  | TOTAL after 30 years |
|--|------------------|----------|----------|----------|----------|----------|----------------------|
|  | £                | £        | £        | £        | £        | £        | £                    |
| Grant Funding - Homes and Communities Agency - funding at £70,000 per unit | 840,000          |          |          |          |          |          | 840,000              |
| HIP Funding - Section 106 funding  | 120,000          |          |          |          |          |          | 120,000              |
| HIP Funding - Capital Receipts - Wecock Farm                               | 151,000          |          |          |          |          |          | 151,000              |
| HIP Funding - Funding from the Housing Investment Programme                | 544,850          |          |          |          |          |          | 544,850              |
| <b>TOTAL CAPITAL FUNDING</b>   | <b>1,655,850</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>1,655,850</b>     |

  

| Year on year (suplus)/deficit between funding and expenditure | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | TOTAL after 30 years |
|---|---------|---------|---------|---------|---------|---------|----------------------|
|   | 0       | 0       | 0       | 0       | 0       | 0       | 0                    |

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### REVENUE EFFECTS

| HOUSING REVENUE ACCOUNT (HRA)  | 2010/11          | 2011/12  | 2012/13  | 2013/14  | 2014/15  | 2015/16  | TOTAL after 30 years |
|--|------------------|----------|----------|----------|----------|----------|----------------------|
|  | £                | £        | £        | £        | £        | £        | £                    |
| <b>Expenditure</b>   |                  |          |          |          |          |          |                      |
| Cost of Maintenance  | 0                | 16,428   | 16,428   | 16,428   | 16,428   | 16,428   | 191,658              |
| Debt due to HCA if property sold (liability)   | 0                | 0        | 0        | 0        | 0        | 0        | 676,728              |
| <b>Total Expenditure</b>   | 0                | 16,428   | 16,428   | 16,428   | 16,428   | 16,428   | 868,386              |
| <b>Income</b>  |                  |          |          |          |          |          |                      |
| Rent & Service Charge Income   | 0                | (66,245) | (66,245) | (66,245) | (66,245) | (66,245) | (752,319)            |
| Sale of Property after discount  | 0                | 0        | 0        | 0        | 0        | 0        | (1,262,000)          |
| Asset value at end of 30 years (asset)   | 0                | 0        | 0        | 0        | 0        | 0        | (110,000)            |
| <b>Total Income</b>  | 0                | (66,245) | (66,245) | (66,245) | (66,245) | (66,245) | (2,124,319)          |
| <b>HRA - Total Net (Income)/Expenditure</b>  | 0                | (49,817) | (49,817) | (49,817) | (49,817) | (49,817) | (1,255,933)          |
| <b>TOTAL CITY COUNCIL NET (INCOME)/EXPENDITURE - including HIP funding</b>   | 815,850          | (49,817) | (49,817) | (49,817) | (49,817) | (49,817) | (440,083)            |
| <b>NET PRESENT VALUE OF TOTAL CITY COUNCIL NET (INCOME)/EXPENDITURE, INCLUDING REMAINING DEBT &amp; VALUE OF ASSETS AFTER 30 YEARS</b> | <b>-£103,926</b> |          |          |          |          |          |                      |