

**Financial Appraisal - Coitbury House****Option 1 - do nothing**

This option assumes that the council's business rates liability and estimated maintenance will continue until 31 March 2023. If site development has not commenced at that time then the liability will continue beyond the appraisal period.

**Option 2 - Lowe proposal**

In this scenario the council makes a saving on its business rates liability. Over the 2 year appraisal period, the overall cost exceeds is estimated to provide a saving against existing costs. If site development has not commenced by the end of the appraisal period, the cost per annum will reduce to £30,000 as the capital financing costs will be met.

**Option 3 - soft-strip and de-list from ratings list**

The pre-demolition capital costs enhance the value of the underlying land asset and so are spread across 50 years. Although the overall cost is lower, there remains a significant risk that de-listing will be unsuccessful and the council's business rates liability (2020/21 - £47,000) will remain in addition to the costs outlined below.

Option 1 - do nothing									
No capital investment									
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Whole life	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income	0	0	0	0	0	0	0	0	0
Expenditure	(64)	(64)	0	0	0	0	0	0	(128)
<b>Net surplus/(deficit)</b>	<b>(64)</b>	<b>(64)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(128)</b>
<b>Capital financing costs</b>									
Interest payments	0	0	0	0	0	0	0	0	0
Minimum Revenue Provision (MRP)*	0	0	0	0	0	0	0	0	0
<b>Net impact on the General Fund balance</b>	<b>(64)</b>	<b>(64)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(128)</b>

Option 2 - Lowe proposal									
2020/21 capital investment £50,000: £25,000 works and £25,000 contribution to fit-out									
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Whole life	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income	0	0	0	0	0	0	0	0	0
Expenditure	(30)	(30)	0	0	0	0	0	0	(60)
<b>Net surplus/(deficit)</b>	<b>(30)</b>	<b>(30)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(60)</b>
<b>Capital financing costs</b>									
Interest payments	(1)	0	0	0	0	0	0	0	(1)
Minimum Revenue Provision (MRP)*	(25)	(25)	0	0	0	0	0	0	(50)
<b>Net impact on the General Fund balance</b>	<b>(56)</b>	<b>(55)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(111)</b>

Option 3 - soft-strip to remove from ratings list									
2020/21 capital investment: £50,000 pre-demolition (soft-strip)									
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Whole life	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income	0	0	0	0	0	0	0	0	0
Expenditure	(11)	(8)	0	0	0	0	0	0	(19)
<b>Net surplus/(deficit)</b>	<b>(11)</b>	<b>(8)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(19)</b>
<b>Capital financing costs</b>									
Interest payments	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(37)	(44)
Minimum Revenue Provision (MRP)*	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(43)	(50)
<b>Net impact on the General Fund balance</b>	<b>(13)</b>	<b>(10)</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>(80)</b>	<b>(113)</b>

\*Borrowing need is reduced over the life of the asset by applying MRP annually from revenue

**Assumptions**

<b>Option 1 - do nothing</b>		
Appraisal period	2 years	period prior to site development
Expenditure		
- business rates	£47,400 per annum	based on 2020/21 liability
- maintenance, security, and utilities	£17,000 per annum	estimated costs
<b>Option 2 - Lowe proposal</b>		
Appraisal period	2 years	length of initial contract
Notional interest	2.00%	based on 2 year borrowing rates currently available to the council plus margin for prudence
Minimum Revenue Provision	2.00% on an annuity basis	As above; applied in the year following asset acquisition over estimated life
Expenditure		
- utilities	£19,200 per annum	
- landlord maintenance	£4,000 per annum	
- waste management	£2,500 per annum	
- business rates share of savings	£4,700 per annum	10% - estimate based on 2020/21 liability
<b>Option 3 - soft strip and remove from ratings list</b>		
Appraisal period (revenue)	2 years	period prior to site development
Appraisal period (capital)	50 years	pre-demolition works enhance value of underlying land asset
Notional interest	3.00%	based on long-term borrowing rates currently available to the council plus margin for prudence
Minimum Revenue Provision	3.00% on an annuity basis	As above; applied in the year following asset acquisition over estimated life
Expenditure		
- maintenance, security, and utilities	£8,500 per annum	Estimated 50% reduction following soft strip
- rates consultant fee	£2,500 one-off	