

Financial Appraisal - Friarsgate Medical Centre demolition and interim open space

Capital Budget									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Whole life	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Demolition	0	250	0	0	0	0	0	0	250
Interim open space	0	250	0	0	0	0	0	0	250
Total	0	500	0	0	0	0	0	0	500
Financed by:									
Prudential borrowing	0	250	0	0	0	0	0	0	250
Major Investment Reserve	0	250	0	0	0	0	0	0	250
Total	0	500	0	0	0	0	0	0	500

Revenue Consequences									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Whole life	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income	0	0	0	0	0	0	0	0	0
Expenditure (including savings)	0	32	65	33	0	0	0	0	131
Net surplus/(deficit)	0	32	65	33	0	0	0	0	131
Capital financing costs									
Interest payments	0	(3)	(6)	(6)	(6)	(6)	(6)	(160)	(194)
Minimum Revenue Provision (MRP)*	0	0	(3)	(3)	(3)	(3)	(3)	(237)	(250)
Net impact on the General Fund balance	0	29	57	25	(9)	(9)	(9)	(397)	(313)

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

Net Present Value/(Cost) £000:

(376)

Discounted payback period:

n/a

Incremental Impact of Capital Investment Decisions*	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£	£	£	£	£
General Fund - equivalent to increase/(decrease) in annual band D Council Tax	0.00	(0.57)	(1.10)	(0.47)	0.17

*This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax.

Assumptions

Discount factor	2.50%	Estimated cost of capital
Appraisal period	50 years	Demolition - enhancing land value
	2 years	Interim open space - minimum period of 2 years
Financing	Demolition - prudential borrowing	Enhances the value of the underlying land asset and therefore borrowing cost is spread over 50 years.
	Interim open space - Major Investment Reserve	Short duration and therefore no benefit from financing from prudential borrowing
Expenditure savings	Business rates - £34,000 per annum Maintenance - £32,000 per annum	Savings for 2 years as future planned development of the site will remove these costs regardless
Expenditure	Maintenance - £2,000 per annum	Estimated cost of maintaining the interim open space
Interest	2.50%	Reflects long term borrowing rates available to the council plus a small margin for prudence
Minimum Revenue Provision (equivalent to principal loan repayment)	2.50% on an annuity basis	As above; applied in the year following completion of works over estimated life