

Financial Appraisal

Capital Budget									
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Remaining life	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Estimated build cost	60	35	2,500	705	0	0	0	0	3,300
Total	60	35	2,500	705	0	0	0	0	3,300
Financed by:									
Prudential borrowing	60	35	2,500	705	0	0	0	0	3,300
Total	60	35	2,500	705	0	0	0	0	3,300

Revenue Consequences									
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Remaining life	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income	0	0	(7)	132	201	201	201	5,718	6,446
Expenditure	0	0	0	18	27	27	27	711	810
Net surplus/(deficit)	0	0	(7)	150	228	228	228	6,429	7,256
Financing costs									
Interest payments	0	0	(32)	(65)	(83)	(81)	(79)	(1,188)	(1,527)
Minimum Revenue Provision (MRP)*	0	0	0	0	(75)	(77)	(79)	(3,069)	(3,300)
Net impact on the General Fund balance	0	0	(39)	85	70	70	70	2,172	2,428

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

Sensitivities

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Remaining life	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net impact on the General Fund balance									
Cost of borrowing 0.5% higher	0	0	(46)	72	60	60	60	1,883	2,088
Cost of borrowing 0.5% lower	0	0	(33)	98	81	81	81	2,451	2,758
Cost of construction £500,000 higher	0	0	(43)	79	46	46	46	1,527	1,703
Cost of borrowing +0.5% and construction +£500,000	0	0	(50)	65	34	34	34	1,194	1,312

Net Present Value/(Cost) £000:

1,734

Discounted payback period:

19 years

Incremental Impact of Capital Investment Decisions*	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
	£	£	£	£	£	£	£	£	£
General Fund - equivalent to increase/(decrease) in annual band D Council Tax	0.00	0.00	0.76	(1.62)	(1.32)	(1.30)	(1.29)	(1.27)	(1.46)

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

Assumptions

Appraisal period	30 years	Estimated useful economic life
Construction period	May 2023 to July 2024	Estimate
Tenancies start date	August 2024	
Discount Factor	2.50%	Estimated cost of capital
Income	Offices - circa £120,000 per annum	5 years with 6 months rent free therefore smoothed rent of £108,000 per annum years 1 to 5.
	Industrial units - circa £105,000 per annum	5 years with 3 months rent free therefore smoothed rent of £100,000 per annum years 1 to 5.
		Assumed tenants will renew on same terms and so no further rent free periods.
Lost income	£7,000 per annum	The council currently lets the site for private parking at a rent of £135 per week.
Expenditure	£nil	Maintenance of common areas recoverable via service charge.
Expenditure savings	£27,000 per annum	The council currently has a business liability. This liability will become the tenants' once occupied.
Inflation	nil	For purpose of appraisal no inflation has been applied to income. However, if rental income increases in future years, the forecast surplus will increase as borrowing costs are likely to remain fixed.
Notional interest	2.50%	Rate based on long term borrowing rates available to WCC including margin for prudence
Minimum Revenue Provision	2.50%	As above; applied in the year following the asset becoming operational and over estimated life