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1. KEY ASSUMPTIONS TO ST CHAD'S FINANCIAL MODEL

Input	Assumption March 14	Current Assumption October 14	Commentary
Sites	Only St Chad's site is included in this model.	Only St Chad's site is included in this model	"St Chad's Only model" must be viable as a stand alone model.
Property numbers / tenure mix	132 dwellings in a mix of primarily 2B and 3B houses. Initial tenure mix is assumed as 100% affordable rent.	128 dwellings in the following mix: 2B house: 57 3B house: 65 4B house: 6 Initial tenure mix is assumed as 100% affordable rent.	Dwelling mix based on identified need for family houses in Tilbury Initial tenure mix is assumed as 100% affordable rent because sales market in Tilbury currently weak, whereas rental market is strong and affordable rent levels are affordable by most households.
Construction programme	Overall build programme: 1 Feb 2015 to 31 July 2016.	Overall build programme: 1 April 2015 to 28 Feb 2017.	The latest building programme is dependent on obtaining planning consent by Jan/Feb 2015.
Land cost	Land cost £1m for the site modelled as £10k per dwelling until final dwelling numbers known.	Land cost £1m for site - £7.8k per dwelling	The land cost is based on the £1m offer received by the Council from external developers who did not proceed. Gloriana proposes to obtain a formal valuation once planning consent has been obtained. The current valuation is considered prudent

Construction costs (direct)	REDACTED	REDACTED	<p>given the developers did not proceed.</p> <p>The March 14 build cost for St. Chads was based on the contractor's estimate, excluding abnormals but an allowance was added for additional piling and SUDs requirements. The contractor has now priced the scheme being submitted for planning. Note a firm price tender cannot be obtained until planning approved.</p>
Construction costs (indirect)	REDACTED	REDACTED	<p>Allows for planning and preparation costs and sales and marketing costs, including consultants and Council staff (2% of build costs). Fees % reduced as some fees now passed to contractor and included in m2</p>
Affordable Rent sales profile	<p>After 5 years (August 2021) assumed sales of properties start to occur over following 7 years (end July 2028).</p>	<p>After 5 years (March 2022) assumed sales of properties start to occur over following 7 years (end Feb 2029).</p>	<p>The sales programme assumes all properties are rented for a minimum of 5 years following construction. After year 5 it is assumed demand for sale housing will have increased and the affordable rent properties are sold over a 7 year period.</p>
Property sales values	<p>The weighted average sales value (current values) is £193k.</p>	<p>Sales values (current values) are: 2B house: £185,000 3B house: £235,000 4B house: £310,000.</p>	<p>Sales values have been uplifted to reflect recent market improvements. Prior to the next Gateway</p>

		The weighted average sales value (current values) is £216k.	review a full marketing and sales report will be obtained.
Rental income	The weighted average rental income (current values) per dwelling is £715 pcm.	The weighted average rental income (current values) per dwelling is £728 pcm.	Rental levels are set at affordable rents (80% of market rents). Current market rents are: 2B House: £680/mth 3B House: £760/mth 4B House: £840/mth
Rental operating costs	Total operating costs per unit (real) are £1,400 per annum, which covers management, maintenance and lifecycle expenditure.	Current value assumptions are: Management costs: £300/dwg/yr Maintenance costs: £300/dwg/yr Lifecycle costs: £600/dwg/yr	Based on initial analysis undertaken by the Council on its own housing stock, the assumptions in relation to management costs per unit per annum are comparable. The costs for maintenance and lifecycle expenditure have been benchmarked against those provided by Registered Providers. Given the nature of the properties to be built (high quality new build) it has been assumed that no lifecycle provision will be required until year 6 post completion.
Bad debts and voids	5% of gross rents.	No change	Based on the Council's experience of managing and maintaining their housing stock.
Vehicle operating costs (one off and	One off development costs of £250K and annual ongoing costs (real) of	No change	One off development costs covers items such as legal formation costs and other set up

annual)	£100K.		costs. Given that Gloriana will be a lean organisation, the allowance for annual vehicle operating costs (in addition to housing management and development costs) covers accountancy and audit fees etc.
General inflation rate	Inflation index utilised is the Consumer Price Index (“CPI”), which is assumed to be constant at 2.50% pa.	CPI now assumed to be 2% pa	For the purposes of the modelling CPI has been assumed to be 2.00% to reflect a median average over the long term.
Rental income inflation	Income assumed to inflate at CPI+1% pa, i.e. 3.50% pa.	Rental income assumed to inflate at CPI+1% pa – i.e 3%pa	This assumption is aligned to government policy enabling social rents to be inflated at CPI + 1.0% from 2015 to 2025.
House Price Inflation (“HPI”)	Sale receipts assumed to inflate on a variable basis to year 6. Thereafter (from Apl 19) HPI assumed to be constant at 4.00% per annum.	Similar profile – variable over the next five years then 4% pa from year 6.	Further analysis of market projections will be undertaken at the next Gateway review.
Public Works Loan Board (“PWLB”) interest rate	GF prudentially borrows at a fixed rate of 3.40% pa to fund all loans / cash equity investments in the WOC.	No Change	Borrowing arrangements by the GF will be reviewed in detail for the next Gateway review.
WOC interest rate	GF lends funds to WOC at a fixed rate of 5.20% pa, i.e. GF includes a margin of 1.80% on the assumed PWLB borrowing rate.	No Change	The loan funding by the GF to the WOC will need to be state aid compliant. This will be reviewed in detail at the next Gateway review.

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2. ST CHAD'S FUNDING SUMMARY ((£000s unless otherwise stated)

PWLB Loan		
Council borrowing from PWLB	REDACTED	
Term of Loan	14 years	
Advanced to Gloriana:		
Loan	REDACTED	84%
Cash Equity	REDACTED	16%
Total Cash Advance to Gloriana	REDACTED	100%
Total Interest paid by Council:	6,080	
Total Interest rolled up by Council	4,233	
Total Interest payable by Council	10,313	
Total Interest paid by Gloriana:	10,832	
Total Interest rolled up by Gloriana	3,150	
Total Interest payable by Gloriana	13,983	
Loan Repaid by Gloriana:	REDACTED	
From:		
Annual surpluses (net rental income less interest paid)	REDACTED	Net deficit covered by disposal income
Net Disposal Income	REDACTED	Amount of disposal income used to pay loan – disposal income also pays dividends
Investment Returns		
Cash Equity returned	REDACTED	
Land Equity returned	1,000	

Total Equity returned by Gloriana	REDACTED	
Dividends from Gloriana (above equity returns)	7,913	
Total Return – Equity and Dividend	REDACTED	

3. SUMMARY OF GENERAL FUND IMPACT OF ST CHAD'S DEVELOPMENT BY GLORIANA

	£000s
Interest paid by Gloriana (1)	13,983
Interest paid by Council (2)	-10,313
Net Interest Income (1+2)	3,670
Net surplus on agency arrangements	154
Dividends from Gloriana	7,913
Total Impact	11,737

4. SUMMARY GLORIANA CASH FLOWS – ST CHAD'S FINANCIAL MODEL

Revenue Cash Flows

	£000s
Rental Income	13,255
Rental operating costs	-1,701
Company operating costs	-2,345
Interest paid on Loan	-10,832
Net Revenue Cash Flows	-1,623

Capital Cash Flows

	£000s
Sales Receipts	45,558
Interest on surplus cash balances	43
Development Costs	REDACTED
Pre-Finance Capital Cash Flows (1)	REDACTED
Council Loan to Gloriana	REDACTED
Council Cash Equity in Gloriana	REDACTED
Total Council Cash Advance to Gloriana (2)	REDACTED
Repayment of Council Loan (incl Rolled Up Interest)	REDACTED
Repayment of Cash and Land Equity	REDACTED

Total Repayment of Loan and Equity (3)	REDACTED
Corporation Tax (4)	-1,646
Net Capital Cash Flows (1+2+3+4)	REDACTED

Summary Cash Flows

	£000s
Net Revenue Cash Flows	REDACTED
Net Capital Cash Flows	REDACTED
Dividends to Council from Gloriana	7,913

5. DOWNSIDE SENSITIVITIES – ST CHAD’S FINANCIAL MODEL

	Base case	Build cost + 5%	Sales values - 5%%	HPI constant at 2.50%	Build cost +5% Sales Value -5%	Build cost + 5% Sales Value - 5% NIL Land Value
PWLB Loan	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Repayment of PWLB Loan	31-Mar-28	31-Mar-28	31-Mar-28	31-Mar-30	31-Mar-28	31-Mar-28
Loan to Gloriana	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Cash equity to Gloriana	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Land equity	1,000	1,000	1,000	1,000	1,000	0
WOC loan retirement	31-Mar-28	31-Mar-28	31-Mar-28	31-Mar-29	31-Mar-28	31-Mar-28
Cumulative General Fund Impact (project end)	11,737	9,663	9,824	4,676	7,753	8,665
Cumulative General Fund Impact (year 5)	1,007	1,057	1,007	1,007	1,057	1,057
Equity return (Cash and Land)	6.64%	4.90%	5.18%	0.75%	3.31%	4.78%
Interest cover (max in year shortfall)	-515	-605	-516	-517	-606	-606

6. KEY OUTPUTS – ST CHAD’S – GATEWAY 1 and 2

	Gateway 1 March 2014	Gateway 2 Oct 2014
Total PWLB Loan/Gloriana Funding	REDACTED	REDACTED
Land Equity	£1.1m	£1.0m
Loan Drawdown	1 April 2014	1 April 2015
Repayment of Loan	31 Mar 2027	31 Mar 2028
Repayment of Equity & Wind Up of Gloriana	31 Mar 2030	31 Mar 2030
Gloriana Interest Cover (max shortfall)	£0.32m	£0.65m
General Fund Cumulative Income	£9.9m	£11.7m
Total Dividends to Council	£7.0m	£7.9m
Repayment of Equity (Cash and Land)	REDACTED	REDACTED
Total Equity Cashflow back to Council	REDACTED	REDACTED
Overall Equity return to Council	6.5%	6.64%

7. KEY OUTPUTS – BELMONT RD – GATEWAY 1

	Gateway 1 Oct 2014
Total Gloriana Funding Requirement	REDACTED
Land Equity	£1.3m
Loan Drawdown	1 April 2014
Repayment of Loan	31 March 2027
Repayment of Equity & Wind Up of Gloriana	31 March 2030
Gloriana Interest Cover (max shortfall)	£0.25m
General Fund Cumulative Income (no MRP)	£10.2m
Total Dividends to Council	£8.8m
Repayment of Equity (Cash and Land)	REDACTED
Total Equity Cashflow back to Council	REDACTED
Overall Equity return to Council	9.9%