



Grant Thornton

Northampton Borough Council

Northampton East Housing PFI
Financial analysis of estate renewal options

3rd December 2009

Paul Williamson - NBC Finance Manager

Ian Davitt - Grant Thornton
National Head of Housing PPP/PFI

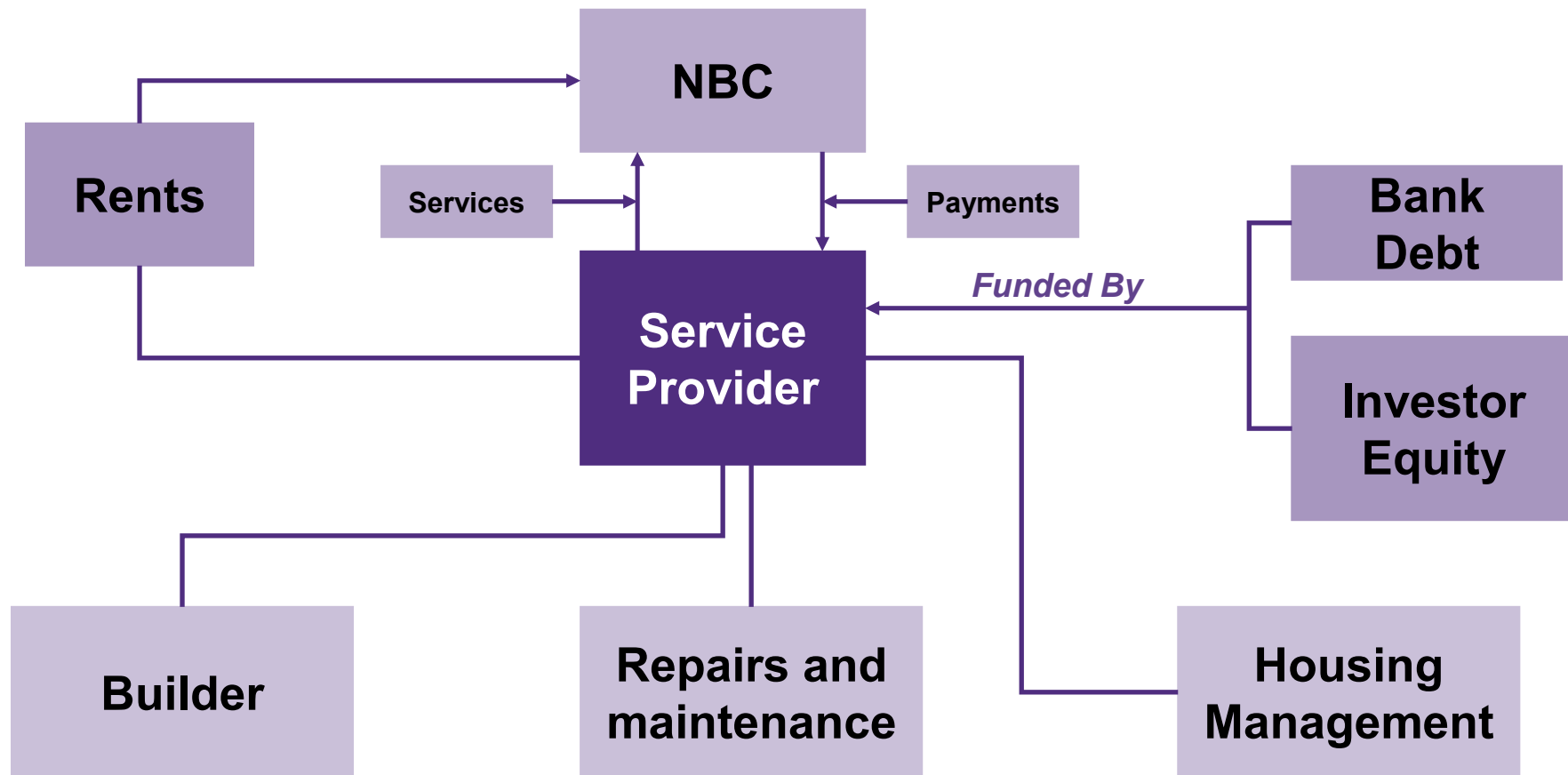


Fundamentals of PFI

Fundamentals of the Project

- Tenants remain tenants of the Council
- Demand risk remains with NBC
- NBC do not raise the finance
- Infill development opportunities are outside of these PFI financing arrangements, but represent a cross subsidy opportunity

Typical Housing PFI structure



Cashflows within PFI

Local Authority Receives:

- PFI credit
- Management and maintenance allowances
- Capital/revenue contributions

PFI credit finances:

- capital costs
- lifecycle repairs
- financing costs

Service Provider Receives:

Unitary charge

Unitary charge finances:

- capital costs
- lifecycle repairs
- operating costs
- finance costs

Risk Transfer

	Risk Allocation	
	NBC	Private Sector
Planning	“	“
Financing		“
Interest rate change pre financial close	“	
Construction costs		“
Construction inflation		“
Future lifecycle costs		“
Lifecycle inflation		“

	Risk Allocation	
	NBC	Private Sector
Future FM costs		“
FM inflation		“
Rent collection		“
Long term demand/voids	“	
Construction delay		“
Contractor default		“
Residual value	“	
Inflation on Unitary Charge	“	

Headline Figures (1)

Option	Estates	PFI Credits £'000
1.	Eastfield & Bellinge	97,832
2.	Eastfield & Blackthorn	116,640
3.	Eastfield & Thorplands	100,176

Headline figures (2)

	Nominal Capital expenditure £'000	No. of dwellings	Nominal U/C WLC £'000	Net present value U/C £'000
1. Ea & Be	58,367	268 new 173 refurb. 441 total	257,286	121,306
2. Ea & BI	70,792	280 new 368 refurb. 648 total	318,081	150,940
3. Ea & Th	59,942	218 new 392 refurb. 610 total	278,140	132,553

Average cost per dwelling

	Nominal Capex per dwelling £'000	Total no. of dwellings	Nominal U/C WLC per dwelling £'000	UC NPV per dwelling £'000
1. Ea & Be	132	441	583	275
2. Ea & Bl	103	648	491	233
3. Ea & Th	98	610	456	217

Homeloss & Disturbance

Eastfield & Bellinge (288 demo.)	£2.304m
----------------------------------	---------

Eastfield & Blackthorn (280 demo.)	£2.240m
------------------------------------	---------

Eastfield & Thorplands (218 demo.)	£1.744m
------------------------------------	---------

(Based on £8k per demolished dwelling and excluded from the PFI model)

Cost benchmarking

£ per unit pa	Council assumption	GT cost benchmark	Difference
Housing Management	£534	£973	£439
Insurance	£15	£275	£260
Maintenance*	*£1,071-£1,127	£995	(£76 - £132)
Lifecycle (met by PFI)	£606	£698	£92

*Varies for each estate option - (East/Bell £1090, East/Black £1127, East/Thorp £1071).

Impact of benchmark costs - Housing management plus insurance

	Net additional cost per dwelling £	No. of dwellings	Annual increased cost £'000
1. Ea & Be	£699	441	£308k
2. Ea & Bl	£699	648	£453k
3. Ea & Th	£699	610	£426k

Impact of benchmark costs - Maintenance

	Net additional cost /(saving) per dwelling £	No. of dwellings	Annual increased cost /(saving) £'000
1. Ea & Be	(£95)	441	(£42k)
2. Ea & Bl	(£132)	648	(£86k)
3. Ea & Th	(£76)	610	(£46k)

Impact of cost benchmarks - Lifecycle

	Council assumption PFI credit	GT benchmark PFI credit	Increase in PFI credits
1. Ea & Be	£97.832m	£98.668m	£0.836m
2. Ea & BI	£116.640m	£117.863m	£1.222m
3. Ea & Th	£100.176m	£101.333m	£1.157m