

## Appendix E – Financial Assumptions

<b>Financial Assumption</b>	<b>Details of Assumption</b>	<b>Risk Rating</b>	<b>Sensitivity</b>
Construction Costs	Cost estimated produced by an experienced QS, who has worked on similar schemes before. Costs have been produced in conjunction with architects and structural engineers, to form a more detailed cost plan than would be normally expected at this stage of a project.	<b>Medium</b> - still very early in the project, with more surveys and investigations required to gain greater confidence in the construction costs.	A 5% + / - change in cost would have an approximate impact of £200,000 on the capital costs. This equates to an annual revenue impact of approximately £10,000.
Contractor Preliminaries & Design	An allowance of 35% of construction costs has been included. This is a very high allowance, which reflects the difficult nature of the site i.e. town centre location, difficult access, limited storage area. This equates to roughly £20,000 per week plus design fees, which is deemed to be comparable to other schemes with similar difficult locations.	<b>Low</b> - cost certainty on this will not be achieved until the outcome of any tender exercise, however with the high allowance and contractor competitiveness on preliminaries it is deemed a low risk.	A 5% + / - change in allowance would have an approximate impact of £200,000 on the capital costs. This equates to an annual revenue impact of approximately £10,000.
Construction Risk Allowance	An allowance of 15% of total scheme costs has been included. This is on the high side, with 10% being a typical allowance at this stage of the project. This is due to the number of surveys and investigations that still need to take place on the site, as well as including an allowance for significant design changes.	<b>Low</b> - high level of the allowance for this stage of the project.	A 5% + / - change in allowance would have an approximate impact of £300,000 on the capital costs. This equates to an annual revenue impact of approximately £15,000.

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Council Borrowing Costs	Borrowing costs have been calculated on the current PWLB interest rates.	<b>Medium</b> - current expectations in the financial markets is that interest rates will start to increase during the next financial year. The council will continue to monitor developments as part of its treasury management activities	A 1% + / - change in interest rates would have an approximate impact of £30,000 on the annual revenue position.
Construction Inflation Allowance	Construction is currently estimated to take place in the 2019/20 financial year, so an allowance has been made to inflate current costs to the assumed costs at the time of construction.	<b>Medium</b> - building cost inflation rates are extremely volatile, with the potential to increase as well as decrease based on market factors. The current allowance however is accessed as being a reasonable one.	A 1% + / - change in allowance would have an approximate impact of £140,000 on the capital costs. This equates to an annual revenue impact of approximately £7,500.
Residential Sale Proceeds	Sale guide prices advised by the residential agent Bedford's, who are a firm with excellent knowledge of the local market and with similar types of town centre properties. It is advised that these guide prices are on the conservative side.	<b>Medium</b> - volatility of the housing market makes it difficult to have a high level of certainty on what house prices may be when these come on the market in over 18 months time.	A 5% + / - change in sale proceeds would have an approximate impact of £185,000. This equates to an annual revenue impact of approximately £10,000.

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Retail Rental Income	Rental income for the retail units advised by the commercial agent Jones Lang LaSalle, who are very experience in the market. Income based on rates per sq ft which is deemed achievable in the Bury St Edmunds market.	<b>Low</b> - retail rental income is much less volatile than that of residential prices.	A 5% + / - change in rental income would have an approximate impact of £7,500 on the annual revenue position.