Net Present Value (NPV) Analysis 2015-16

Using the data in our stock condition survey and whole stock NPV analysis carried out in 2012/13, a further analysis was carried out specifically for the Evenwood Court sheltered scheme.

To evidence the void levels, data was extracted from the QL housing Management system, for a period of 3 years from 2012 to 2015. The results in the table below shows a comparison of the number of days void and the number of changes in tenancy a property has had in the 3 year period from 2012 to 2015.

add_1	Property Type	2012-13 days void	2012-13 void instances	2013-14 days void	2013-14 void instances	2014-15 days void	2014-15 void instances
1 Evenwood Court	FLAT	50	1	0	0	0	0
2 Evenwood Court	HSE	0	0	0	0	0	0
3 Evenwood Court	FLAT	0	0	0	0	0	0
4 Evenwood Court	FLAT	0	0	0	0	0	0
5 Evenwood Court	FLAT	43	2	309	1	167	1
6 Evenwood Court	FLAT	36	1	0	0	0	0
7 Evenwood Court	FLAT	0	0	0	0	0	0
8 Evenwood Court	FLAT	0	0	0	0	0	0
9 Evenwood Court	FLAT	0	0	0	0	0	0
10 Evenwood Court	FLAT	0	0	0	0	0	0
11 Evenwood Court	FLAT	0	0	0	0	0	0
12 Evenwood Court	FLAT	57	2	0	0	2	1
13 Evenwood Court	FLAT	0	0	0	0	0	0
14 Evenwood Court	FLAT	0	0	0	0	0	0
15 Evenwood Court	FLAT	0	0	0	0	303	1
16 Evenwood Court	FLAT	364	1	364	1	364	1
17 Evenwood Court	FLAT	63	1	364	1	364	1
18 Evenwood Court	FLAT	0	0	0	0	0	0
19 Evenwood Court	FLAT	0	0	0	0	0	0
20 Evenwood Court	FLAT	126	1	364	1	364	1
21 Evenwood Court	FLAT	0	0	0	0	226	1
22 Evenwood Court	FLAT	0	0	0	0	0	0
23 Evenwood Court	FLAT	21	1	364	1	364	1
24 Evenwood Court	FLAT	364	1	364	1	364	1
25 Evenwood Court	FLAT	91	1	364	1	27	1
26 Evenwood Court	FLAT	0	0	0	0	0	0
27 Evenwood Court	FLAT	0	0	0	0	0	0
28 Evenwood Court	FLAT	0	0	0	0	0	0
29 Evenwood Court	FLAT	0	0	0	0	0	0
30 Evenwood Court	FLAT	0	0	113	1	188	1
31 Evenwood Court	FLAT	0	0	0	0	0	0
32 Evenwood Court	FLAT	0	0	0	0	0	0
33 Evenwood Court	FLAT	0	0	0	0	0	0
34 Evenwood Court	FLAT	0	0	0	0	0	0
35 Evenwood Court	FLAT	0	0	0	0	36	1
36 Evenwood Court	FLAT	119	1	364	1	364	1
37 Evenwood Court	FLAT	0	0	8	1	258	1
38 Evenwood Court	FLAT	0	0	0	0	0	0
39 Evenwood Court	FLAT	0	0	0	0	0	0
40 Evenwood Court	FLAT	0	0	0	0	0	0
41 Evenwood Court	FLAT	323	1	364	1	195	1
42 Evenwood Court	FLAT	64	1	0	0	106	1
43 Evenwood Court	FLAT	0	0	0	0	0	0
44 Evenwood Court	FLAT	42	1	364	1	328	1
45 Evenwood Court	FLAT	0	0	0	0	0	0
46 Evenwood Court	HSE	364	1	364	1	364	1
47 Evenwood Court	FLAT	29	1	0	0	0	0
48 Evenwood Court	FLAT	0	0	99	1	293	1
49 Evenwood Court	FLAT	0	0	22	1	90	1
		2156		4191		4767	
			18		15		20

Average Days Void	3,704.67
Average Void Instances	17.67
Days Void per Dwelling	75.61
Void Instances per Dwelling	0.36

In the financial year 2014/15, it can be seen that 4,767 days rent were lost due to being void for 20 instances or changes in tenancy to 20 dwellings which equates to 41% of the dwellings having a change of tenancy or being continuously vacant in that year. This is considerably greater than in the previous 2 years. From the table it can also be seen that there are 7 properties which have been continuously void for two or more years, which equates to 14% of

the scheme. This has a significant effect on rental income and the level of annual repairs needed for the block.

From the bottom of the table above it can be seen that the average days void per year for the period is 3,704.67 days, with the average instances per year being 17.67. This equates to 75.61 days void per property and 0.36 instances per property per year.

As a comparison the figures for the same period for all of the housing stock can be seen below.

2012-13 days void	2012-13 Void Instances	2013-14 days void Exstrapolated	2013-14 Void Instances	2014-15 days void	2014-15 Void Instances
37,016		73,974		43,460	
	846		1,146		811

Average Days Void	51,483.33
Average Void Instances	934.33
Days Void per Dwelling	8.30
Void Instances per Dwelling	0.15

As can be seen for 2012- 15 there are on average 51,483 days lost as void across 934 changes of tenancy. This gives an overall average for all stock of 8.3 days void per property, and 0.15 instances per property.

This is considerably better than the average for Evenwood Court.

A discounted cash flow analysis has been carried out for this option which demonstrates the current position if nothing changes and is based upon the following assumptions;

There is no Initial cost as such, as this option spreads the investment over the 30 years based upon the requirements specified in the stock condition survey.
The inflated cost for this is £2,501,542 or £51,052 per dwelling.
Rate of inflation 2.2%
Discounted cash flow rate 6%
Annual management and Repair cost per dwelling £2,964
Starting rent for 1 bedroom flat from £63.75
Starting service charge for 1 bedroom flat from £34.60
The second and third cycle renewals have been accounted for over the 30 years for Kitchens, Boilers, Heating distribution, Communal doors and Communal Decoration.
The Void days where assumed to be those in the 2014-15 column in the void days table above.

The results of the NPV analysis can be seen in the summary below.

|	Total	Per Unit
NPV	-£498,551	-£10,175
STOCK CONDITION INFLATED	£2,501,542	£51,052
MANAGEMENT & REPAIRS INFLATED	£6,081,036	£124,103
RENT INFLATED	£7,552,363	£154,130

The total inflated expenditure over the 30 years including repairs and management costs taken from the NPV analysis spreadsheet is £8,582,578 or £175,154.65 per dwelling. As can be seen from the table above the expenditure exceeds the income of £7,552,363 by -£1,030,215 or -£21,024.79 per property.

The NPV value in the table above shows that in today's money each flat has a negative worth of -£10,175. This is based on the total expenditure on repairs, programmed works (stock Condition Survey) and management fees and the total income from the rent, all of this is inflated and then discounted down for the 30 year period.

The investment against rent graph below, includes all income and expenditure elements mentioned in the paragraph above, and displays them in a bar graph for each of the 30 years. As can be seen, the expenditure in red is generally greater than the income in green. It also clearly demonstrates that the costs have been inflated, as the rental income in green, rises with a steady gradient.
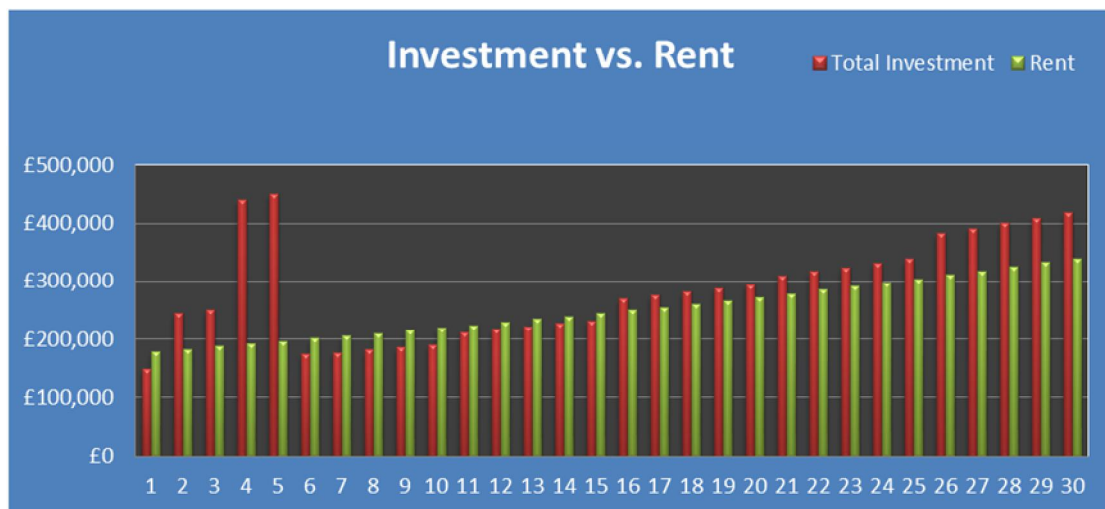
Using the data from the above graph to populate the Repayment Period graph below, it can be seen that if investment and income where to continue as predicted and the graph extrapolated, the flats would not become cost neutral in next 30 years.
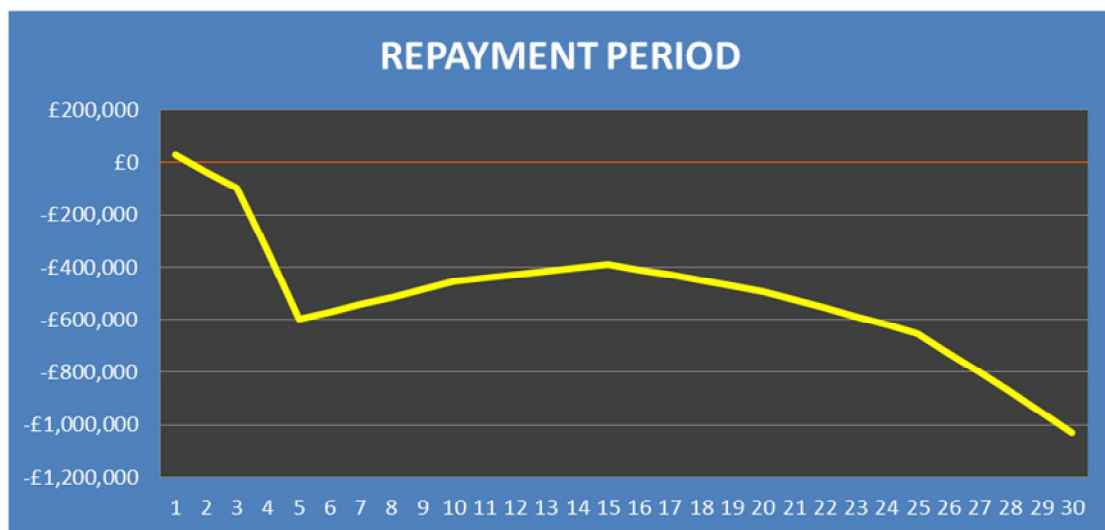
It has to be remembered that this would only be an elemental replacement when predicted failure has occurred, and would not be improving the amenity of the properties or the surrounding area, as could happen with other options. For instance it would not include for thermal upgrades like cavity or loft insulation, or the installation of a new lift to the east block.

Due to the more random form of investment, it would be assumed that the level of repairs would continue at the present level, in part due to the assumed void levels which would be expected to continue at these high levels. Anecdotal evidence for this, from 'Voids and

Allocations' is that they find it difficult to let these properties to new tenants partly due to there being no lift in the east block and the lack of social activities.

This method of investment is not looking at enhancing the amenity of the properties, or rejuvenating the scheme, or targeting specific reasons for vacancy levels, it is purely designed to maintain the scheme at it's current existing condition and standard.

Although potentially a viable option for maintaining the stock at their existing levels, it does nothing for correcting the underlying problems with the scheme, or improving them to raise the standard of Amenity, Fitness or Quality expected by our residents.