

## Annex D - Appendix E - Financial Appraisal T4 Results of Stress Testing

Assumption tested	Change made from Base	Peak Debt		Repayment
		£'000	Yr	Yr
Base Position		94,756	15	30
<b>Inflation</b>				
Base assumption RPI 2.5% CPI 2%	RPI and CPI up 1.0%	94,550	15	29
	RPI and CPI up 0.5%	94,676	15	29
	RPI and CPI down 1.0%	94,791	15	31
	RPI and CPI down 0.5%	98,160	25	33
	RPI 3% CPI 2%	668,529	40	40+
<b>Interest rates</b>				
Base assumption weighted average rate of 3.70%	Rates up 1.0%	124,924	25	33
	Rates up 0.5%	104,730	25	31
	Rates down 0.5%	88,464	13	29
	Rates down 1.0%	83,886	13	28
<b>Interest and inflation</b>				
Base assumption weighted average rate of 3.70%	All rates up by 1.0%	111,045	25	30
RPI 2.5% CPI 2%	All rates up by 0.5%	101,474	15	30
	All rates down by 0.5%	88,492	15	30
	All rates down by 1.0%	83,012	13	30
<b>Real rent increases</b>				
Increase / (decrease) in Real Rents Inflation	CPI +2%	55,331	7	15
CPI +1% after initial 2 year period of rent reductions	CPI +1.5%	67,090	10	18
	CPI +0.5%	571,122	40	40+
	CPI flat	1,420,806	40	40+
<b>Base rents</b>				
As per business plan narrative	Base rents +2.0%	69,478	12	26
	Base rents +1.0%	81,193	13	28
	Base rents -1.0%	127,190	25	34
	Base rents -2.0%	167,401	25	37
<b>Real increase in management costs</b>				
Base assumption - no real increase	1.0% real increase	778,785	40	40+
	0.5% real increase	211,049	34	40+
	0.5% real decrease	74,698	11	20
	1.0% real decrease	63,997	10	18
<b>Real increase in repairs &amp; maintenance inflation</b>				
Base assumption - no real increase	1.0% real increase	1,246,148	40	40+
	0.5% real increase	390,186	40	40+
	0.5% real decrease	70,267	10	19
	1.0% real decrease	57,524	7	17
<b>Void rates</b>				
Base assumption 1.8% p.a.	Void rate +1.0%	133,674	25	34
	Void rate +0.5%	110,328	25	32
	Void rate -0.5%	86,268	13	29
	Void rate -1.0%	79,248	13	27
<b>Bad debts</b>				
Base assumptions 4.50% p.a.	Bad debt rate +1.0%	133,674	25	34
	Bad debt rate +0.5%	110,328	25	32
	Bad debt rate -0.5%	86,268	13	29
	Bad debt rate -1.0%	79,248	13	27
<b>Level of management costs</b>				
as per business plan narrative	Management costs 10% higher	365,434	35	40+
	Management costs 5% higher	204,860	25	40
	Management costs 5% lower	59,313	10	19
	Management costs 10% lower	38,154	7	16
<b>Level of repair &amp; maintenance costs</b>				
as per business plan narrative	R&M costs 10% higher	623,792	40	40+
	R&M costs 5% higher	251,532	25	40+
	R&M costs 5% lower	48,655	10	18
	R&M costs 10% lower	26,161	5	12
<b>VAT rates on repairs &amp; maintenance</b>				
VAT @ 20% 25% retained	VAT @25%, 25% retained	232,601	25	40+
	VAT @22.5%, 25% retained	159,522	25	36
	VAT @17.5%, 25% retained	69,842	12	26
	VAT @15%, 25% retained	51,885	10	18