



## Guidance for Financial Appraisal Tool

This guidance has been written for users of the National CLT Network's free Appraisal Tool. It should be read alongside other guidance and general information on our website, including the CLT Handbook.

### Table of Contents

Before you start .....	2
Project Information worksheet.....	5
Development Cash Flow worksheet .....	8
Professional Fees worksheet .....	10
Social Rent worksheet.....	11
Affordable Rent worksheet.....	12
Market Rent worksheet .....	13
Shared Ownership worksheet.....	14
Limited Equity Sale worksheet.....	15
Outright Sale worksheet .....	16
Commercial Property worksheet.....	17
Outputs from the Model.....	18

Appraisal Tool and guidance developed by **Jon Watson** of JonWatsonconsulting, October 2017.

**JonWatsonconsulting**

## Before you start

### General

The workbook has been set up for new build development, for a range of procurement options and tenure types. Works to existing buildings are too varied in character to be capable of incorporation into a standard appraisal spreadsheet, as they can encompass everything from an “existing satisfactory” house requiring only catch-up repairs, to conversion of a derelict non-residential building to houses or flats. The different assumptions for works to existing buildings, in terms of **Build Costs**, **On-costs** and time-scales, do not lend themselves to a standard appraisal tool such as this.

The development period is limited to three years, but the date of site/property acquisition automatically sets the first financial year of the period.

Before starting to complete the workbook you should review the checklist below to ensure you have all the information required in order to complete the appraisal.

### Checklist

The following checklist shows the information you will require in order to complete the model. Please note that this checklist relates to new build schemes – if looking at refurbishment or conversion, additional activities are required. It may be worth printing off a copy to complete as you proceed.

	Description	Information complete
1	<b>Procurement type – Traditional, Design &amp; Build or Off the Shelf</b>	Yes/No
2	Tenure mix and numbers of each tenure type including commercial elements	Yes/No
3	Date initial purchase of site complete	Yes/No
4	Start on site date	Yes/No
5	Practical completion date	Yes/No
6	Funding sources (excluding bank funding or <b>Loan Finance</b> ) – grant, local authority grants or other funding including community funding.	Yes/No
7	Local Authority	Yes/No
8	Year rental income will commence – for <b>Social Rent</b> schemes	Yes/No

	Description	Information complete
9	Whether or not you wish to use the Professional Fees sheet	Yes/No
10	<p>There are default values for the following variables. You will need to review these for your individual scheme:</p> <ul style="list-style-type: none"> <li>• Interest rate on debt during development period</li> <li>• Interest rate on long term funding after practical completion</li> <li>• Length of long term loan in years</li> <li>• <b>Discount rate</b></li> <li>• <b>Management costs</b> per unit per year</li> <li>• <b>Maintenance costs</b> per unit per year</li> <li>• <b>Building Fund</b>/Major repairs allowance as % of build cost</li> <li>• <b>Voids</b> rate</li> <li>• Amount of equity sold for <b>Shared Ownership</b> and/or <b>Limited Equity</b></li> <li>• Inflation rates for rental income, management and maintenance costs</li> </ul>	Yes/No
11	<p>Estimate of development costs split between land, build costs and <b>on-costs</b></p> <p>Open market value of completed units</p>	Yes/No
12	Open market value of completed units	Yes/No
13	1999 open market values of Social Rent units	Yes/No
14	Size in m <sup>2</sup> of each type of property	Yes/No
15	Date of sale – for Shared Ownership, Limited Equity and Outright Sale	Yes/No
16	Estimate of rents for <b>Affordable Rent</b> and <b>Market Rent</b> and commercial rents	Yes/No

### Entering data

The workbook should be completed in the following order:

- Project Information
- Development Cash Flow
- Professional Fees sheet if being used
- **Social Rent** (as applicable)
- **Affordable Rent** (as applicable); the same sheet can also be used for **Intermediate Rent** schemes, with the percentage of market rent levels changed accordingly.
- **Shared Ownership** (as applicable)



- **Market Rent** (as applicable)
- **Limited Equity** (as applicable)
- **Outright sale** (as applicable)

**All compulsory fields are indicated by \*\***

A **checklist** sheet is included in the workbook. This allows you to indicate which sheets are complete and which are not. This can be used as a prompt to ensure all sheets are completed.

This sheet also includes a table of **warnings**. The warnings will only appear if obvious errors have been made in the completion of the workbook. An example of this is having practical completion before the start on site date, or sales being before practical completion.

In all worksheets, manual input is required where a field is shaded **blue**. Where a field is shaded **yellow**, a calculation is included in the cell. Where better information is available, you can be over-write it with your own data. The output sheets are all password protected to avoid them being overwritten inadvertently, thus corrupting the results. The password is TRUST if you do wish to over-write them deliberately.

Some versions of Excel will ask if you wish to have macros enabled. If prompted, settle to have them enabled.

### **Risk Management**

The workbook also has an important role to play in risk management. As well as illustrating the financial consequences of a particular course of action, it should also be used to test the sensitivity of an appraisal to changes such as building cost overruns, delays in the development period or delays in sales. Therefore, once an appraisal has been constructed, a number of those key variables can be changed in order to see whether the financial consequences can be sustained by the CLT.

We suggest that the following are tested:

- Development costs increase by 10%
- Construction period increases by 10%
- Sale prices (if the scheme contains outright sale, equity share or Shared Ownership) decrease by 10%
- Rent levels reduced by 10%
- Sales delayed by 3 months

## Project Information worksheet

### Appraisal Tool - Project Information

KEY		
Manual Input (if applicable)		
Formula with Manual Input Capability if needed		
Protected cells		
** denotes compulsory field		

Project Details		Other Information	
Project Name	Example Scheme **	Local Authority	Newcastle upon Tyne **
Project Manager		HCA Region	North East
Procurement Type	Design & Build **		
Project Mix		No of Units	
Tenure Type - 1	Affordable Rent	5	Rent Year
Tenure Type - 2	Shared Ownership	4	2019/20 **
Tenure Type - 3			HCA Allocation Year (if applicable)
Tenure Type - 4			2019/20
Tenure Type - 5			Date Last Updated
Tenure Type - 6			
Tenure Type - 7			Using Professional Fee Tab ?
			YES
			Professional Fee % of Build Costs (if not using tab)
			12.5%

Cash Flow Dates	
Appraisal Start (Protected cell cannot be overwritten)	01-Apr-18
Purchase Completion (Land Acquisition)	01-May-18 **
Start on Site	01-Jun-18 **
Practical Completion	01-Jun-19 **
Last Sales Completion	01-Dec-21

Assumptions	
Interest Rate Dev Loan	7.5% **
Interest Rate Long Term Loan	4.5% **
Length of Long Term Loan Years	50
Discount rate	6.0% **

General Needs	
Management Costs Per Unit	£424 **
Maintenance Costs Per Unit	£768 **
Major Repairs Provision %age	0.4% **
Voids	2.0% **

Shared Ownership	
Equity Sold	50.00% **
Rent Cap	2.75% **

Inflation	
Social Rents inflation to 2019/20	3.0%
Rents (CPI plus 1%)	3.0% **
Management Costs	3.0% **
Maintenance Costs	3.0% **

Community Bond Assumptions	
Amount	0
Month/Year Rec'd	December-19
Interest Rate	5.0% **
Bullet Repayment Term/Capital repayment holiday (Yrs)	5
Roll up Interest	Yes
Bullet Repayment	Yes
Repayment Term (Yrs)	5

Commercial Property Assumptions	
Management Costs per unit	£260
Maintenance Costs per unit	£260
Voids Rate	5.0%
Rental Inflation	3.0%
Management Costs Inflation	3.0%
Maintenance Costs Inflation	3.0%

GRANT		
Source	Amount	Mth/Yr Rec'd
HCA-Social/Affordable Rent		N/A
HCA-Shared Ownership/Shared Equity		
Local Authority	100,000	July-18
Other	50,000	August-18
TOTAL	150,000	

Contract Term - weeks	
	52

The following fields should be completed.

### Project Details

Enter the following details:

- Project name
- Project manager
- Procurement** type – select from the drop down list: **Traditional, Design & Build** or **Off the Shelf**.

### Project Mix

Enter the following details:

- Tenure – select from the drop down list, i.e. **Social Rent, Affordable Rent, Shared Ownership, Market Rent, Limited Equity** or **Outright Sale**.
- Enter a line for each type required.

### Cash Flow Dates

Enter the following dates:



- Purchase completion – the appraisal period start date is calculated automatically by the model. The first year of the appraisal starts on 1 April prior to site/property acquisition.
- Start on site
- Practical Completion
- Last sales completion – only applicable for **Shared Ownership** , **Limited Equity** or **Outright Sale**.

#### *Grant*

Enter the following details as appropriate:

- Amount of HCA grant: split between **Social Rent**, **AffordableRent**, **Shared Ownership** or **Limited Equity**.
- Amount of Local Authority grant and the date this is likely to be received.
- Amount of any other funding and the date this is likely to be received.

#### *Commercial Property Assumptions*

- Management costs per unit
- Maintenance costs per unit
- Voids rate
- Rent Inflation
- Management Costs Inflation
- Maintenance Costs inflation

#### *Other Information*

Enter the following details:

- Local authority – select from the drop down list; please note that the list of LAs relates to the areas in the **National Rent Regime** data, and does not reflect the most recent local government reorganisation.
- HCA Region – select from the drop down list
- Rent year – this is the year the **Social Rent** units will be completed. The rent year runs from 1 April to 31 March.
- HCA Allocation year. This also runs from 1 April to 31 March.
- Date last updated – this is the date the model was last updated to aid version control.

#### *Professional Fees sheet*

Users will need to decide whether or not to use the professional fee sheet. The sheet gives the option to enter each professional fee separately together with the date that the fee will occur. Alternatively you can decide not to use the sheet and the model will then use the professional fee % to calculate a global allowance for professional fees.

#### *Assumptions*

The Assumptions can all be defined by the user. The values included in the model are suggestions and can be adjusted as appropriate. Those included in the model are:

- Funding



- Interest rate Dev Loan – this is the interest rate that is being charged by the funder over the development period.
- Interest rate L/T Loan – this is the interest rate that is being charged by the funder once the development is complete.
- Length of L/T Loan this is the period of the long term loan
- **Discount Rate** – the default value is set at the same rate as the long term loan but a different rate may be appropriate, depending on risk profile.
- General Needs Rent
  - **Management costs** per unit
  - **Maintenance costs** per unit
  - **MRP %** - this is the **Major Repair %**, sometimes also called a **Building Fund**. In this case it is 0.4% of the build costs per annum.
  - **Voids**
- **Shared Ownership**
  - Equity Sold – the amount of equity sold as a first tranche
  - Rent Cap – percentage of the rent charged on the unsold equity
- Inflation
  - Rents – the current Rent Standard Guidance limits rent increases to CPI +1%. The model assumes that CPI will be in line with the government target of 2% so that the overall increase will be 3% per annum. .
  - Management Costs – expect to increase at RPI+0.5% or CPI+1%
  - Maintenance Costs – expect to increase at RPI+0.5% or CPI+1%
- **Community Bond Assumptions**
  - Amount – enter the amount of the **Community Bond**
  - Month/Yr Rec'd – enter the month and year that the **Community Bond** will be received.
  - Interest Rate – rate to be charged over the life of the bond
  - Bullet Repayment Term/Capital Repayment Holiday (Yrs) – where the **Bond** is repayable in full at the end of the term (Bullet repayment) enter the term in this box. Where the loan is not repayable in full (Bullet repayment) but has a period where only interest is paid, enter the period of capital repayment holiday (Interest only) in this box.
  - Roll Up Interest – where no interest is paid but the interest is rolled up into the loan amount, answer Y here. Where interest is to be paid enter N.
  - Bullet Repayment – Where the bond is repayable in full at the end of the term (Bullet repayment) enter Y here. Otherwise enter N,
  - Repayment Term (Yrs) – Enter the number of years (Term) of the loan in this box where the loan is not a Bullet Repayable loan.

#### *Unit numbers check*

Once all entries are complete, check that the total number of units shown on the Project Information sheet reconciles to the totals shown on the individual sheets.

## Development Cash Flow worksheet

<u>Cost Type</u>		<b>Estimated Total Project Cost</b>	Project Cost from Apr Yr1 - Mar Yr 3
Acquisition Properties - Off The Shelf	**	0	0
Acquisition Land (n/a for Off The Shelf)	**	200,000	200,000
Stamp Duty Land Tax	**	7,500	7,500
Legal/Valuation Fees		15,000	15,000
Contract Sum (n/a for Off The Shelf)	**	1,023,000	1,023,000
Professional & Project Management Fees (IF USING PROF FEE TAB)		96,320	96,320
Professional & Project Management Fees (IF NOT USING PROF FEE TAB)	**	0	0
Building Regs/Planning Fees	**	0	0
Marketing & Sales Fee (external)	**	4,500	4,500
Other Costs	**	5,000	5,000
Other Costs	**	0	0
<b>TOTAL</b>		<b>1,351,320</b>	<b>1,351,320</b>
Total HCA Grant		0	0
Local Authority Grant		100,000	100,000
Other		50,000	50,000
Community Bond		0	0
Shared Ownership Receipts		0	0
Shared Equity Receipts		0	0
Outright Sale Receipts		0	0
<b>TOTAL INCOME</b>		<b>£150,000</b>	<b>150,000</b>
<b>NET INCOME/(EXPENDITURE)</b>		<b>(£1,201,320)</b>	<b>(1,201,320)</b>
<b>DEVELOPMENT INTEREST</b>			-54,017

The following fields should be completed on the development cashflow:

- **Off the Shelf:** this is applicable where completed homes are being bought directly from a developer.
- In all other cases the new build development costs should be split across the cost categories shown above in blue. The model will split these costs across the development period. However, where better cash flow forecasts are available these should be entered in the development cash flow.
- Please note that, until you enter rent levels and sales prices in subsequent sheets, error messages may appear in "Receipts" cells.
- **Build Costs** should not be confused with the total development cost (also called total scheme cost), which also includes the cost of purchasing the land, and any **On-costs** of





development. These costs are often quoted as a square metre rate, i.e. £/m<sup>2</sup> of the floor area of the houses built. However, it is important to be clear exactly what is included (or not) in any square metre rate quoted. At the very least it will include the costs of sub-structures (foundations and floor slab) and super-structures (everything above ground level). It may also include external works (gardens, footpaths, etc.), infrastructure (highways and services). In certain types of procurement, it may also include design, project management & other professional fees, statutory fees and charges (e.g. planning application & building regulations fees; warranties; highways and drainage bonds).

- The Professional and Project Management fees are protected cells. If you are using the Professional Fees sheet, the model will pick up the amounts from that sheet. If not the model will use the percentage entered in the Project Information sheet. The default is 12.5% of the contract sum.

## Professional Fees worksheet

	Net	VAT	Amount	Notes	Date Paid
<b>DESIGN &amp; BUILD</b>					
Architects - Pre Contract (DESIGN & BUILD)	20,460		20,460	Default 2% of contract sum	May-2018
Quantity Surveyor (DESIGN & BUILD)	15,345		15,345	Default 1.5% of contract sum	Jun-2018
Employers Agent Fees (DESIGN & BUILD)	20,460		20,460	Default 2.0% of contract sum	Jul-2018
<b>OFF THE SHELF</b>					
Quantity Surveyor (OFF THE SHELF)	0		0	Default 2.0% of contract sum	Jun-2018
<b>TRADITIONAL</b>					
Architects - (TRADITIONAL)	0		0	Default 2.5% of contract sum	May-2018
Quantity Surveyor (TRADITIONAL)	0		0	Default 2.5% of contract sum	Jun-2018
Clerk of Works (TRADITIONAL)	0		0	Default 1.0% of contract sum	Aug-2018
Engineer fee (TRADITIONAL)	0		0	Default 1.0% of contract sum	Oct-2018
<b>OTHER FEES WHERE APPLICABLE</b>					
Project Management	20,460		20,460	Default 2.0% of contract sum	Nov-2018
CDM Co-Ordinator	15,345		15,345	Default 1.5% of contract sum	Sep-2018
Soils Investigation	500		500		Nov-2018
Topographical survey	250		250		Dec-2018
Ecological survey	500		500		Jan-2019
Arbocultural Survey/Landscape assessment	500		500		Dec-2018
Noise assessment	500		500		Nov-2018
Flood risk assessment	500		500		Nov-2018
Mining risk Assessment	500		500		Dec-2018
Air quality assessment	500		500		Dec-2018
Heritage assessment	500		500		Dec-2018

If you have decided to use the Professional Fees sheet option, then details will need to be completed on this sheet.

- The cells highlighted in yellow are automatically calculated by the model. There are 3 sections depending on the type of scheme: **Design and Build**, **Off the Shelf** and **Traditional**.
- The notes column shows the default calculations and these should be reviewed by users. The cells can be overwritten if the defaults are not applicable to a particular scheme.
- The date paid for each professional fee must be entered in the column headed date paid.
- The entries in the blue section are user defined and will not be applicable for all schemes. You should enter details together with the date paid.

## Social Rent

<b>Unit Type</b>	<b>No. of Units</b>	<b>No. of Beds per Unit</b>	<b>No. of Persons per Unit</b>	<b>Property</b>	<b>Individual Floor Area (sq. m.)</b>	<b>January 1999 Valuation (individual unit)</b>	<b>OMV on completion (individual unit)</b>	<b>Target Rent for 2019/20</b>	<b>Weekly Unit Rent for 2019/20</b>	<b>Total p.a.</b>
**	**				**	**	**			
2B4PH	5	2	4	House	85	38,500	95,000	77.57	77.57	20,168
3B4PH	5	3	4	House	95	48,500	125,000	88.57	88.57	23,027
			0	0				0.00	0.00	0
			0	0				0.00	0.00	0
			0	0				0.00	0.00	0
			0	0				0.00	0.00	0
			0	0				0.00	0.00	0
			0	0				0.00	0.00	0
			0	0				0.00	0.00	0
			0	0				0.00	0.00	0
			0	0				0.00	0.00	0
<b>Total Units</b>	<b>10</b>	<b>Total Persons</b>	<b>40</b>		<b>900</b>		<b>1,100,000</b>	<b>Average Rent =</b>	<b>83.07</b>	<b>43,195</b>



### Affordable Rent

KEY
Manual Input (If applicable)
Formula with Input Capability
** denotes compulsory field

[illegible]

## Market Rent worksheet

### Market Rent

KEY
Manual Input (if applicable)
Formula with Input Capability
** denotes compulsory field

Unit Type	No. of Units	No. of Beds per Unit	No. of Persons per Unit	Property	Individual Floor Area (sq. m.)	OMV on completion (individual unit)	Weekly Unit Rent for 2019/20	Total p.a.
**	**				**	**	**	
2B3PH	2	2	3	House	65	175,000	175	18,200.00
3B4PH	3	3	4	House	85	200,000	200	31,200.00
			0	0				0.00
			0	0				0.00
			0	0				0.00
			0	0				0.00
			0	0				0.00
			0	0				0.00
			0	0				0.00
			0	0				0.00
<b>Total Units</b>	<b>5</b>	<b>Total Persons</b>	<b>18</b>		<b>385</b>	<b>950,000</b>	<b>190.00</b>	<b>49,400.00</b>

This sheet should only be completed where the development includes **Market Rent** properties.

Complete the following Fields:

- Unit Type – Select each property type from the drop-down list. All property types are in the format 2b3ph being 2 bedroom 3 person house.
- Number of units
- Floor area
- Open market value of completion
- Weekly rent per unit
- Check whether the number of units shown in this sheet agrees with the total on the Project Information sheet.



## Limited Equity Sale worksheet

### Limited Equity



KEY
Manual Input (if applicable)
Formula with Input Capability
** denotes compulsory field

Unit Type	No. of Units	No. of Beds per Unit	No. of Persons per Unit	Property	Individual Floor Area (sq. m.)	Full Value (individual unit)	Equity Sold %	Receipt	Date of Sale
**	**				**	**			**
2B3PH	2	2	3	House	65	175,000	50.00%	87,500	01-Jun-19
3B4PH	2	3	4	House	85	200,000	50.00%	100,000	01-Jul-19
			0	0			50.00%	0	
			0	0			50.00%	0	
			0	0			50.00%	0	
			0	0			50.00%	0	
			0	0			50.00%	0	
			0	0			50.00%	0	
			0	0			50.00%	0	
			0	0			50.00%	0	
<b>Total Units</b>	<b>4</b>	<b>Total Persons</b>	<b>14</b>		<b>300</b>	<b>750,000</b>	<b>50.00%</b>	<b>375,000</b>	

This sheet should only be completed where the development includes **Limited Equity** sales, including properties with a Resale Price Covenant.

Complete the following Fields

- Unit Type – select each property type from the drop-down list. All property types are in the format 3b4ph being 3 bedroom 4 person house.
- Number of units
- Floor area
- Full Value – being the **Open Market Value** on completion
- % of Equity sold
- Date of sale
- Check whether the number of units shown in this sheet agrees with the total on the Project Information sheet.

## Outright Sale worksheet

### Outright Sale

KEY
Manual Input (If applicable)
Formula with Input Capability
** denotes compulsory field



Unit Type **	No. of Units **	No. of Beds per Unit	No. of Persons per Unit	Property	Individual Floor Area (sq. m.) **	Sales Value (individual unit) **	Date of Sale **
2B3PH	2	2	3	House	65	225,000	01-Jun-19
3B4PH	3	3	4	House	85	275,000	01-Jul-19
			0	0			
			0	0			
			0	0			
			0	0			
			0	0			
			0	0			
			0	0			
			0	0			
<b>Total Units</b>	<b>5</b>	<b>Total Persons</b>	<b>18</b>		<b>385</b>	<b>1,275,000</b>	<b>= Total Receipt</b>

This sheet should only be completed where the development includes **Outright Sale** properties.

Complete the following Fields

- Unit Type – select each property type from the drop-down list. All property types are in the format 3b4ph being 3 bed 4 person house.
- Number of units
- Floor area
- Sales Value
- Date of sale
- Check whether the number of units shown in this sheet agrees with the total on the Project Information sheet.





## Commercial Property worksheet

### Commercial Property



KEY
Manual Input (If applicable)
Formula with Input Capability
** denotes compulsory field

Unit Type **	No. of Units **	Individual Floor Area (sq. m.) **	Weekly Unit Rent for 2019/20 **	Total p.a.
Workshop	1	60	150	7,800.00
Office	2	75	200	20,800.00
				0.00
				0.00
				0.00
				0.00
				0.00
				0.00
				0.00
<b>Total Units</b>	<b>3</b>	<b>210</b>	<b>183.33</b>	<b>28,600.00</b>

This sheet should only be completed where the development includes a Commercial element.

Complete the following Fields


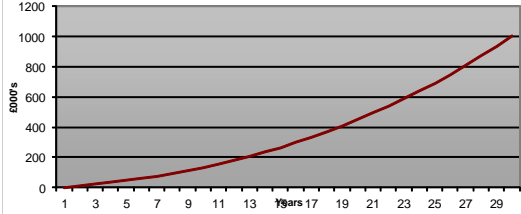
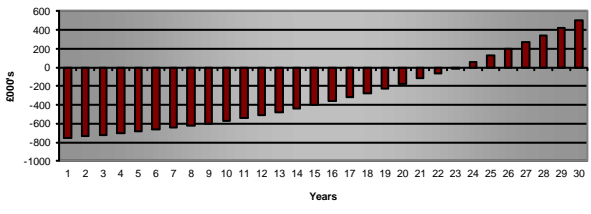
- Unit Type – select the type of commercial property from the drop-down list.
- Number of units
- Floor area
- Weekly Rent
- Check whether the number of units shown in this sheet agrees with the total on the Project Information sheet.

## Outputs from the Model

Once all above the entries have been completed, 4 sheets are automatically calculated:

- Key KPIs
- Summary
- **Cash flow**
- **Balance Sheet**
- **I & E – Income & Expenditure Account**

### Key KPIs

Project Name	Example Scheme	KEY KPI's	
			
		<b>Surplus/(Deficit) on the scheme</b>	
Cash Surplus/(Deficit) Years 1-5	45,477	Overall Development Costs	(1,405,337)
		Less	
Cumulative Cashflow Year 50	2,935,314	Grant income	150,000
		Sales income	500,000
Interest Cover (15 Years)	2.12	Subtotal	(755,337)
Debt Fully Repaid	24	NPV of rental streams (50 Yrs)	1,042,311
		Surplus/(Deficit) on Scheme	286,974
		<b>Cumulative Cash Position</b>	
			
		<b>OVERALL DEBT/CONTRIBUTION (Debt Fully Repaid)</b>	
			

This sheet is designed to give a snapshot of the project. It shows 4 KPI's that give an indication of the viability of the scheme.

The first graph is the cumulative cash position which graphs line 57 from the cash flow. This is the net cash position after all income, expenditure and loan repayments. It is usual for this to be negative in the early years and then go into positive figures.

The second graph is the Overall Debt. This is the sum of the cash position plus the outstanding debt less repayments. In effect, this shows when the project has built up enough cash to repay the debt.



In the example shown, the debt is repaid in year 24 and interest cover is at 2.12. The overall cash surplus over 50 years is extremely positive. It is not unusual for schemes to be in deficit in the first 5 years. This is a real challenge for all developers, especially where there are a high proportion of rented homes.

In addition, the tab shows the overall cost of the development compared to the income and NPV of the rental streams.

### ***Summary***

The summary page is split into two sections. The first section shows the tenure mix and the total square metres of the dwellings together with the number of people to be accommodated on the site. The second section is a financial summary showing the development costs, income from the site, and the funding requirement.

### ***Cash flow***

The cash flow shows all the income and expenditure of the development. Income will be in respect of the development (Grants, **Shared Ownership** receipts, Sales receipts etc) and in relation to the long-term revenue streams (Rents). Expenditure will also take into account the cost of the development and the ongoing cost of managing and maintaining the properties once they are built if they are to be rented. In addition, the loan repayments will be shown on the cash flow. In effect, the cash flow shows the projected bank account of the organisation.

### ***Income & Expenditure Account (I&E)***

The **Income & Expenditure Account** shows the overall net surplus of the organisation. In commercial companies this would be known as profit. Many of the entries in the Cash Flow will appear on the I&E. The major difference is loan repayments. They are shown gross in the cash flow, as they are paid in full, but split between the I&E and Balance Sheet. The interest is shown on the I&E but the capital repayment is shown on the Balance sheet.

### ***Balance Sheet***

This shows the Assets and Liabilities of an organisation. In this case the assets will be the homes retained and the liabilities will be the loan taken out to fund the development. The bank account balance would also be shown on the Balance Sheet.