

LEISURE COMPLEX FUNDING PAPER

1. Purpose of the Paper

- 1.1 To set out the current funding position in respect of the Leisure Complex and how the potential additional costs of option 2 will be funded including an appraisal of the impact on the anticipated income and the medium term financial plan.

2. Current Funding Plan

- 2.1 The current budget (£32.25m) is funded as follows:

New Homes Bonus (to date £10.9m received, the rest to be recovered over the next 7 years)	£18m
CIL	£ 8m
Capital Receipts	£ 6.25m
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	£32.25m

- 2.2 The impact of this has been built into the medium term financial plan and as it is using existing resources to finance the build, has no negative financial impact on the Council's revenue position.

3. Additional Funding Required

- 3.1 The additional funding required has been identified as £7.67m increasing the total budget for the two schemes to £39.92m.
- 3.2 Owing to the legal constraints around CIL and existing commitments, it is not prudent to allocate any further funding to the project. This would in any case require an amendment to the existing resolution around the use of CIL.
- 3.3 There are no further identified capital receipts available in excess of the £6.25m allocated. It is however within the Council's gift to sell additional assets to finance the additional requirement. However no surplus assets have been identified.
- 3.4 Owing to changes in New Homes Bonus, the existing commitment will take longer than originally anticipated to be delivered.
- 3.5 A number of recent section 106 agreements have included contributions that may be used towards funding the Leisure Complex. To date some £0.589m has been received by the Council and this is expected to increase to a total of £1.4m.
- 3.6 The balance therefore will be funded by borrowing (over 50 years) to match with the useful life of the asset. Borrowing is still cheap and using the annuity method of financing the repayment of debt will result in an annual cost to the Council of approximately £231,500.

4. Revenue Impact of Overall Project

- 4.1 In overall terms the costs of financing the project will be £231,500 a year. This will be fixed for 50 years and therefore be inflation-proof. The current projections for income received by the Council from the profit-share with the Operator mean that although there is anticipated to be a small loss in the first year. The income received will more than cover the cost of financing the debt from year two onwards.
- 4.2 Therefore it is still projected that, based on the information provided by our Consultants, the Leisure Complex will have a positive revenue impact year on year for the Council.

5. Impact on the Medium Term Financial Plan

- 5.1 During the 2017-18 budget process, an amount was added to the Medium Term Financial Plan to reflect an estimate of the likely benefit to the Council from the new Leisure Complex.
- 5.2 Therefore although the project will, in isolation have a positive impact, it will not be as high as anticipated in the short-term. At the lowest point against the current Medium Term Financial Plan, the cumulative reduction will total approximately £600,000 (year 4), before the estimates turn positive. The section 151 Officer has identified funds to offset this shortfall, without having to require savings from services, however it does mean that any future priorities will more likely require additional savings from the outset.

6. Caveats

- 6.1 Interest rates move twice daily and therefore the projection is made using today's interest rate. A 0.5% change in the interest rate will increase / decrease the cost by around £23,000 a year.
- 6.2 The income figures used are estimates. Until the operator is procured it is impossible to know what the actual outcome will be for the City Council.

7. Conclusion

- 7.1 Based on the information provided, the Council can afford to service the additional funding required to deliver the project under option 2.

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