

Appendix 3

District Executive Slide Presentation (October 2015)



Westlands Sport and Leisure Complex

(Executive Decision)

Steve Joel, Assistant Director – Health and Well-Being,
South Somerset District Council

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WLC Report

Purpose

- Present key findings from the surveys.
- Set out the updated financial implications of SSDC potentially entering into an agreement with Finmeccanica – Agusta Westland to take over the management and operation of WLC.
- Provide an indicative budget framework to enable Councillors to undertake further risk analysis and take decisions on the next steps.

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Report Correction

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September Executive

Resolved:

- To give serious consideration to the refurbishment and operation of facilities on a broadly similar basis to their current use.
- That prior to considering the published recommendations 8.1 to 8.6, the Executive requires regular monitoring of the risk log by the Project Board, and in particular the following items:
 - Roof structures.
 - The condition and remaining life of the electrical services installation and mains equipment.
 - The condition and remaining life of the mechanical services installation.
 - A structural assessment of retaining walls around the site.
 - Previous hire and bookings.

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Survey Findings

■ Roofs:

- No major issues.
- Replace flat roof coverings.
- Replace downpipes.
- Treat end lap corrosion and corroded fixings.

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Survey Findings

■ Mechanical and electrical services

- Confirms M & E services are operating beyond their serviceable life.
- Identifies items that need to be repaired or replaced.
- Split into 3 categories.
- Opted to replace the elements as whole systems on a planned basis as part of the refurbishment proposals.

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Survey Findings

■ Retaining wall structures

- 1 issue found to the wall to the corner of the Wessex suite.

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Hire Analysis

- Report sets out the main findings.
- Triangulated 'Function and Facility Hire' figures for last two years.
- Indicates that reported income was understated.
- £31K over the 2 years.

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Sport Facility Option

- AW prepared to consider and present the option to their Board.
- Preference is for SSDC to take over the whole complex.
- No financial support.
- Operating subsidy between £110K-£135K year to SSDC.
 - Income: £102K
 - Expenditure: £235
 - (Loss): -£135K
- Additional capital costs – circa £200K-£250K.
- Capital couldn't be financed from Ticket Levy receipts.

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Risk Log

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WLC Financial Impact

- Capital
- Revenue
- Balances

**Donna Parham, Assistant Director – Finance and
Corporate Services, South Somerset District Council**

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Principle of Capital Spend

Capital Receipts can be used for capital spend only e.g. buying or enhancing and extending the life of an asset.

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Capital Spend

Estimated Expenditure

Total Refurbishment Cost	£2,628,893
Project Management Fee	£75,000
Total Overall Cost	£2,703,893

Estimated Income

S106 Income	£385,847
Grant Income	£453,000
Total Overall Income	£838,847

Net Costs to Finance through Loan £1,865,046

Internal Borrowing at PWLB rates

30 Year Loan at 2.96%

Annual Repayment £89,850

Funded from ticket levies
from year 2 -£89,850

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Impact on Capital Receipts

Current Uncommitted Capital Receipts £25,074,000

Allocation to AW Project as a loan £1,865,046

Remaining Capital £23,208,954

Annual Repayment to Capital £62,168

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Benefits of Internal Borrowing

Interest is greater than current short-term market rates

Capital is repaid to fund other projects

Making SSDC's Capital work for the community

Reduces exposure to current Treasury Market risks

The loan is unlikely to affect future capital spend as receipts are currently sufficient to fund the estimated future demand for the next 10 years

Possible Issues

Capital returned over longer term i.e. 30 years

Borrowing hedges against increases in interest rates

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Revenue

Figures outlined are very prudent - annual cost of £132,495 with contributions of £70,000 from AW and YTC the cost to SSDC is £62,495.

This needs to be added to the MTFP as a permanent commitment for 2017/18 if agreed.

Possible for complex to be more profitable once up and running.

There will need to be a "truing up" between the Octagon and the Complex.

Support costs for services such as payroll, HR, accountancy etc. will be absorbed i.e. no need for additional staff.

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SSDCs Budget Position

Savings required over the next 5 years	£5.4 m
Savings target 2016/17	-£1.6m
Remainder to find 2017/18 and beyond	£3.8m
Current Net Budget	£17.4m
Current Gross Expenditure	£31.8m
Current Gross Income	£13.6m

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So Can SSDC Afford it?

Is this a priority for members?

Forward Budget Issues and Opportunities:-

- Priorities through the Council Plan
- Shared Services
- Transformation
- Devolution
- Income generation
- Outsourcing/ commissioning
- Internal restructuring
- Service demand
- Changing demographics
- Interest rates
- Business rates
- Grant reduction
- Cost shunting

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Balances

Balances are used to manage financial risks and in-year or once off expenditure outside of the normal budget process.

In this case there will be a period of closure for work to be carried out and no income will be received.

There is also a need to prepare some of the works pending final Agreement of the lease.

Balances are needed to fund the loan initially as levies on the Octagon will be delayed as current contracts do not include them. Also the complex cannot raise levies until open for business.

The required sum is £212,345 – this will only be drawn down when and if required

This does not affect the minimum level of balances required to meet the Council's key risks

