**Appendix 5**

**Review of Financing Model**

Members will be aware the previous Town Council funding model required a loan from the Public Works Loan Board for £3 million (successfully applied for) with an additional £2.5 million coming from fund raising, council reserves and developer (S106) monies. The plan accepted there would need to be an annual subsidy towards the Beehive’s operating costs of around £40k per year (Colliers’ report) and this would need to be incorporated into the town council’s base line revenue budget.

A more detailed Beehive financial plan has now been developed (the “Nick Dodds” report) and this shows a substantial increase in the annual subsidy required to support the Beehive. The new financial plan shows a subsidy circa £120k in the first year reducing down to £80k by year 3 of operation.

In addition to the increase in subsidy required, fund raising efforts have been slow and it is clear the amount required over and above the PWLB loan of £2.5mil is not attainable.

To progress this project a new approach and funding plan is required and as such the following Capital and Funding plan is being presented to the committee for comment.

**Capital & Funding Plan**

The core of the new model is to apply for an increased loan from the Ministry of Housing, Communities & Local Government (who approve loans to local authorities), reduce the amount required through fundraising, raise money through a public appeal and continue to apply for developer monies. The net result of this model is to create a substantial “working capital” fund that can be used to support the Beehive operation in its first years of operation.

*Inflation*

It should be noted also, the original build costs of £5.5 million was estimated back in 2018 and as such, though inflationary pressures, a new build cost, to include demolition of the existing building and a contingency of £200k, will be in the region of £6 million and this will need to form part of the funding plan.

*Capital funding plan*

£000s

£4,400 New loan from PWLB

£ 240 S106 (MSDC)

£1,250 Fund raising (grants from trust funds)

£ 125 Public appeal

£ 289 BHTC reserves (Beehive fund)

£6,304

Less

£ 295 Transfer to Working Capital (Beehive subsidy fund)

£ 11 Transfer to Revenue Support Fund (highlighted later in report)

**£5,998 Net Capital for build**

*Risks*

* The current PWLB loan approval expires in September of 2020 and a new application for the larger amount will be required. This will be one of the largest (if not the largest) loan requests applied for by a parish or town council. There is no guarantee this loan will be sanctioned and the approval process will demand a high level of scrutiny from the Communities department in regard to affordability and public consultation. The public consultation will require a fresh “vote” from residents to assess their support for the project.
* The fund raising and public appeal will need a substantial communication plan to “sell” not just the project itself, but the need to raise money directly from the public. The previous attempt to raise funds from the public, via the Precept, was rejected by residents.
* S106 monies (via MSDC) will also attract a substantial level of scrutiny as the release of S106 monies will be conditional upon evidence the project can be fully funded.

**Timescale**

With the acceptance it will not be possible to progress the build under the original financial plan combined with the shortfall in fundraising, the new funding model has incorporated a more realistic timeline to complete the project, an outline is shown below but may be subject to change:

Mar 2020 – Nov 2020 Public Consultation including “vote”

Jan 2021 Application for loan to Communities Department

May 2021 Draw-down of loan and commencement of build

May 2023 Beehive opens to public

*Risks*

* The public consultation is a long process and may involve public meetings, presentation displays and a public vote (exact format to be agreed). A considerable level of input from Members and staff will be required to ensure this process is managed within the time frame. Any delay will impact on the loan application as the results and evidence of such public consultation will be required as part of the loan application.
* There is some experience with existing town council officers in regard to preparing the loan application, however, the size of new loan request may require additional documentation to be prepared which could extend the application process.
* A two year build programme has been planned and much of the speed of progress will be in the hands of the developers and beyond direct control of Council. In addition, during this “build time”, a comprehensive operational plan, including staffing structure and recruitment, will need to be developed and implemented.

**BHTC Revenue Budget**

Should the application to the Communities Department for £4.4mil be successful, the loan repayments will be circa £181k per annum and, along with the annual subsidy (previously mentioned), will need to be incorporated as base-line budget items within the Town Council’s revenue budgets going forward.

A new Revenue Budget funding model has been, therefore, developed and looks to minimise the impact on residents by keeping the Band D rate increases to a modest 2.5% in years 1-3 of the model, reducing down further in year 4 onwards. The plan recognises, also, that prior to the growth in the Precept (through the additional revenue from the growth in tax base and Band D rate increases), there will be a cumulative shortfall in revenues to cover the town council’s cost base of circa £63k. The previously noted “Revenue Support Fund” will have sufficient monies to set against this deficit and produce a break-even budget.

*Assumption includes in the plan:*

Tax base increase: 1.75% per annum (2020/21 2.4%)

Band D rate increases: 2.5% 2021/22 through to 2023/24 reducing down to 2% from 2024/25

Salaries and oncosts: 2.5% per annum increase

All other cost increases: 1.5% per annum

Subsidy to Beehive: £120k 2023/24, £95K 2024/25, £80K 2025/24 onwards

Working Capital £295k (as noted in the “Capital and Funding Plan” section of this report).

The purpose of the “Working Capital” is to off-set the Beehive subsidy in years 2023/24 to 2025/26.

Should Members approve, in principle, to the *Capital and Funding* plan detailed in this report, an outline Revenue Budget (forward) plan, incorporating the above assumptions, will need to be presented to the Finance KAG meeting in June.

*Risks*

In addition to the risks associated with the new loan application and fund raising, which have already been highlighted, the Town Council’s Revenue Budget projections include a number of assumptions relating to tax base increases and inflationary costs all of which could move materially to the detriment of the base assumptions which would put pressure on the town council’s finances going forward.