

## Project D – Summary of Capital Financial Implications

The proposed phases of work for Project D can be summarised as follows:

<b>Phase 1a</b>	Visitor centre conversion; Andressey Passage enhancements; Food Hall/Water Tower; 8 Town Houses (market); Courtyard area.
<b>Phase 1b</b>	All of the above, plus 22 key worker first homes and Garden of Remembrance enhancement.
<b>Phase 2</b>	Indoor leisure facility; further visitor centre enhancements (new second floor); Bass House; Town House heritage centre; additional car parking; outdoor leisure facilities.
<b>Whole Masterplan</b>	All of Phase 1b and Phase 2 delivered together

The costs for the project can be split into acquisition costs and construction costs.

### Acquisition costs

The project involves the purchase of the Molson Coors High Street Campus and the library building, the latter of which will be acquired through a land swap with Staffordshire County Council. It is proposed that these properties are acquired regardless of which phased approach is taken and their expected costs are as follows:

	<b>Property cost</b>	<b>Stamp Duty Land Tax (4.6%)</b>	<b>Fees (such as legal) (1.5%)</b>	<b>Total</b>
<b>Molson Coors</b>	£5,250,000	£241,500	£78,750	£5,570,250
<b>Library</b>	Nil	£12,650	£4,400	£17,050
				<b>£5,587,300</b>

On this basis, a cost of £5,587,300 has been included in the budgets for Phase 1 works (or the whole masterplan option if the project was undertaken in a single phase).

### Construction costs

Costs and values have been attributed to each of the items delivered by the project, this includes the direct construction cost, cost of delivering to BREAAAM excellent standard, contingencies, and fees. Anticipated capital values have also been attributed to each of the items:

	Development	Cost	BREEAM (2.5%)	Contingency (10%)	Fees (10%)	Total Cost	Anticipated Value	Difference
P1a	Visitor centre (Phase 1)	£3,735,000	£93,375	£382,838	£382,838	£4,594,050	(see note 1)	(see note 1)
	Andressey Passage	£25,000	(see note 2)	(see note 2)	(see note 2)	£25,000	(see note 2)	(see note 2)
	Food Hall/Water Tower	£3,295,000	£82,375	£337,738	£337,738	£4,052,850	£1,370,795	-£2,682,055
	8 Town Houses	£1,536,000	£38,400	£157,440	£157,440	£1,889,280	£2,583,360	£694,080
	Courtyard	£1,183,000	£23,575	£121,258	£121,258	£1,455,090	£195,905	-£1,259,185
P1b	Garden of Remembrance	£50,000	(see note 2)	(see note 2)	(see note 2)	£50,000	(see note 2)	(see note 2)
	22 keyworker first homes	£2,670,400	£66,760	£273,716	£273,716	£3,284,592	£2,923,433	-£361,159
P2	Indoor leisure facility	£5,480,000	£137,000	£561,700	£561,700	£6,740,400	£2,151,613	-£4,588,787
	Visitor centre (Phase 2)	£1,560,000	£39,000	£159,900	£159,900	£1,918,800	(see note 1)	(see note 1)
	Bass House (Residential) (see note 3)	£7,020,000	£175,500	£719,550	£719,550	£8,634,600	£5,037,552	-£3,597,048
	Bass House (Food & Drink)	£1,171,500	£29,288	£120,079	£120,079	£1,440,945	£2,436,028	£995,083
	Town House Heritage Centre	£1,108,800	£27,720	£113,652	£113,652	£1,363,824	£959,072	-£404,752
	Additional Car Parking and repairs	£485,900	(see note 2)	(see note 2)	(see note 2)	£485,900	£181,250	-£416,407
	Outdoor leisure facility	£355,720	£8,893	£36,461	£36,461	£437,536	£12,500	-£425,036

**Note 1:** The anticipated value of the Visitor Centre has been calculated to include both phases of works. As such, the anticipated value is £1,468,157 with a net difference of -£5,044,693.

**Note 2:** The works at Andressey Passage, the Garden of Remembrance and the additional car parking/repairs are included as fixed costs and so no allowance is made for constructing to BREEAM excellent standard or contingencies/fees. Furthermore, for Andressey Passage and the Garden of Remembrance, no anticipated values are attributed as it is presumed they are taken out of the scope of the project once the works are completed.

**Note 3:** The end use for the primary Bass House building (fronting on to the High Street) has not been confirmed at this time and will be subject to market activity and interest as the rest of the project is implemented. As such, this appraisal assumes a possible residential use in order to attribute indicative values to possible build costs and end use asset value.

**Note 4:** The construction costs summarised above do not account for marketing, letting or sales fees associated with disposal of assets.

Depending on the approach to planning, there are other preliminary costs to be included, such as planning fees, statutory costs, and demolition costs/removal of materials. These can be grouped as per the below table, please note the Phase 1b costs are inclusive of Phase 1:

	Planning/statutory fees	Demolition & site clearance	Total
Phase 1a	£60,000	-	£60,000
Phase 1b	£90,000	£391,895	£481,895
Phase 2	£330,000	-	£330,000

Furthermore, the business case assumes two other groups of possible costs, which should be revised depending upon the Council's approach to financing the project and delivery:

- Interest on debt costs – this is calculated at a rate of 6% against the anticipated cashflow for the project, which also assumes that any cash inflow from sale of assets will be used to finance the project. Interest is calculated on preliminary works on construction, but it does not include interest associated with land and property acquisition costs.
- Project on value – this is calculated as potential profit that any delivery partners, or the Council, may want to achieve for speculative builds (20%) and pre-let builds (3%). This is calculated at a pessimistic level to reflect potential profits that may need to be added onto build costs, such as those required by contractors or direct developers.

The cash flow identifies the following costs for each phase of works:

	Interest	Profit on value	Total
Phase 1a	£308,189	£607,718	£915,906
Phase 1b	£292,646	£1,189,854	£1,482,500
Phase 2	£511,367	£1,613,091	£2,124,458

Although the interest figure is a useful indicator for the cash flow estimate, it is not practical to include the figure in the gap funding calculations for the project, as the Council's requirements to borrow are not immediate and they would be at a rate lower than 6%. As such, these figures have been excluded from the total project cost figures below, however the profit indicators have been included:

	<b>Project Cost</b>				<b>Total Project Cost</b>
	Preliminary costs	Land acquisition costs	Total construction cost*	Profit costs	
Phase 1a	£60,000	£5,587,300	£12,016,270	£607,718	<b>£18,271,288</b>
Phase 1b	£481,895	£5,587,300	£15,350,862	£1,189,854	<b>£22,609,911</b>
Phase 2	£330,000	£0	£21,133,762	£1,613,091	<b>£23,076,853</b>
Whole plan	£811,895	£5,587,300	£36,484,624	£2,802,945	<b>£45,686,764</b>

\*This is the sum of the total construction costs for each phase, including BREEAM, contingency and fees.

Please note: the 'Whole plan' option is the sum of Phase 1b and Phase 2.

### Funding the project

The primary source of funding available to the project is the initial Towns Fund allocation for Project D: £2,873,239.

With the recent decision to withdraw Project F (Washlands Bridge), it is possible that further Towns Fund monies could be available to this project. As such, the funding gap below has been modelled on the basis of a possible £5,824,901 in further Towns Fund monies:

	<b>Total Project Cost</b>	<b>Project Funding</b>			<b>Gap required for delivery</b>
		<b>Towns Fund original</b>	<b>Towns Fund extra allocation</b>	<b>S106 Commuted Sums ask</b>	
<b>1a</b>	<b>£18,271,288</b>	£2,873,239	£5,824,901	£1,262,840	<b>£8,310,308</b>
<b>1b</b>	<b>£22,609,911</b>	£2,873,239	£5,824,901	£4,000,000	<b>£9,911,771</b>
<b>2</b>	<b>£23,076,853</b>	£0	£0	£0	<b>£23,076,853</b>
<b>Whole</b>	<b>£45,686,764</b>	£2,873,239	£5,824,901	£4,000,000	<b>£32,988,624</b>

Additional funding will be sought from the Council's ring-fenced S106 Commuted Sums for Affordable Housing on the basis of the figures above. This is calculated on the basis of financing up to 25% of the Molson Coors land acquisition cost and fully financing the cost of building the 22 first homes, which are classified as affordable housing. As can be seen, where these residential units are not built in Phase 1a, the funding is removed.

It would also be possible for the Council to work with a private developer on the provision of these housing units, however this project proposals the Council's direct delivery.

### Ongoing funding considerations

Where the Council decides to sell some, or all, of the assets constructed by this project, it would be possible to use some of that capital income to finance future elements of the project (noting that this will not cashflow the project initially or entirely).

On that basis, a 'net value cost' has been calculated. This takes the total value of the built assets for each phase and subtracts the 'gap funding' to be identified, resulting in a net cost:

	<b>Value of built assets</b>	<b>Gap required for delivery</b>	<b>Net value cost</b>
<b>1a</b>	£5,618,217	£8,310,308	-£2,692,091
<b>1b</b>	£8,541,650	£9,911,771	-£1,370,121
<b>2</b>	£10,778,015	£23,076,853	-£12,298,838
<b>Whole</b>	£19,319,665	£32,988,624	-£13,668,959

As mentioned, it is prudent to not assume this could be used to cashflow the project, but rather any agreed asset disposal income could be used to offset existing financing, such as borrowing or to replenish reserves.

### Recommended approach

It is proposed that the project is taken forward through two phases, rather than attempting to deliver the whole plan within the set time period for the Towns Fund programme.

Whilst Phase 1b has a funding gap that is £1,601,463 greater than Phase 1a, it also delivers more of the Masterplan (first homes and the garden of remembrance), which in turn creates the opportunity to utilise more of the ring-fenced S106 commuted sums and to create a potential capital income of £2,923,433. This income is greater than the difference in funding gap and so this option presents greater value than Phase 1a.

As such, the project cost would be as follows:

	Total Project Cost	Total funding available	Gap required for delivery
Phase 1b	£22,609,911	£12,698,140	<b>£9,911,771</b>
Phase 2	£23,076,853	£0	<b>£23,076,853</b>

**Therefore, the ask of the Burton Town Deal Board is as follows:**

- To allocate £5,824,901 additional Towns Fund monies from the withdrawn Washlands bridge project (Project F) to Project D on the basis of delivering Phase 1b through the Towns Fund programme.

**And the ask of East Staffordshire Borough Council is as follows:**

- To finance the delivery of Phase 1b through funding the 'gap required for delivery', which is expected to be £9,911,771.
- To pursue the delivery of Phase 2 through other external or private funding, including the submission of Phase 2 to the forthcoming Levelling Up Fund at an expected cost of £23,076,853.

The anticipated programme for the delivery of Phase 1b can be summarised as:

Costs	2022/23	2023/24	2024/25	2025/26
<b>Acquisition</b>	£5,587,300	£0	£0	£0
<b>Preliminaries</b>	£233,695	£156,758	£91,442	£0
<b>Enhancements</b>	£68,750	£6,250	£0	£0
<b>Construction</b>	£1,112,667	£5,066,699	£2,384,609	£4,458,476
<b>Fees and Contingency</b>	£265,022	£1,045,941	£495,210	£891,695
<b>Total</b>	<b>£7,267,434</b>	<b>£6,275,648</b>	<b>£2,971,261</b>	<b>£5,350,171</b>
<b>Overall Total</b>				<b>£21,864,514*</b>

Funding	2022/23	2023/24	2024/25	2025/26
<b>Towns Fund</b>	£4,825,167	£3,872,973		
<b>S106 Commuted Sums</b>	£2,442,267	£1,557,733		
<b>ESBC Investment</b>		£844,942	£2,971,261	£5,350,171
<b>Total</b>	<b>£7,267,434</b>	<b>£6,275,648</b>	<b>£2,971,261</b>	<b>£5,350,171</b>

\*Please note: this is an indicative summary of the programme, which is more detailed in the cashflow appendix. The figures do not exactly match those outlined earlier in the document because of the way in which some of the Cashflow figures are treated by the financial model. For example, the Cashflow does not account for profit levels (but these tables do) and it does account for applying BREEAM percentages to demolition (which this tables do not).

As such, the expected ESBC investment is likely to be around £745,397 greater, as indicated by the 'gap required for delivery' figure and the ask of the Council section earlier. This additional amount would likely be reflected equally across 2023/24, 24/25 and 25/26 at a rate of £248,466 each year, bringing the expected ESBC funding profile to:

Funding	2022/23	2023/24	2024/25	2025/26
<b>Towns Fund</b>	£4,825,167	£3,872,973		
<b>S106 Commuted Sums</b>	£2,442,267	£1,557,733		
<b>ESBC Investment</b>		£1,093,408	£3,219,727	£5,598,637
<b>Total</b>	<b>£7,267,434</b>	<b>£6,524,114</b>	<b>£3,219,727</b>	<b>£5,598,637</b>

On the basis of this programme and the possible additional funding from the Towns Fund, it is not expected that the Council would need to make any additional investment in year 1 (2022/23), from borrowing or otherwise, other than the Towns Fund monies and S106 Commuted Sums.