

## DUE TO AN ERROR IN REPRODUCTION

## PLEASE FIND PARAGRAPHS 10.1 AND 10.2 BELOW

- 10.1 The financial risks of such a complex project are numerous but the following table attempts to summarise the key elements in the current scheme using the Council's method of assessment for known financial risks used in the budget setting process. This is an updated version to that provided in the April 2013 report and reflects the Put Option that requires the Council to purchase both 14 and 15 Brand Street if a "Trigger Event" occurs.

When setting the Council's budget for 2013/14 the risk value of £444k was included as part of the General Fund minimum fund balance recommendation. The risk value, should the revised Put Option be agreed, is now assessed at £629k. This will require an increase in the minimum general fund balance to be maintained to cushion against the potential risks. A low risk is defined as 'unlikely', medium as 'possible' and high as 'likely'. Officers have endeavoured to mitigate risks within the terms of the Development Agreement where possible but it is clearly not possible to provide absolute certainty on this point.

Risk	Risk Likelihood	Range of Risk Value	% Allowance	Assessment of Risk Value
The Council pulls out from the project before completion and is deemed to be in material breach of the Development Agreement.  Note: The Council would also need to resource incurred project costs from general fund resources if the project is not completed. This is currently expected to be funded from set aside capital receipts (£154k - £2.5million).	M	£0k - £40k (HTH Ltd costs) & £440k (purchase price of 14 and 15 Brand Street) £278k (costs incurred to date see paragraph 10.3)	25%	£185k
The facility is not ready for opening on the agreed date in the Development Agreement	H	£20k - £50k (per quarter – HTH Ltd costs)	50%	£18k* (per quarter)
HTH Ltd do not repay the loan for legal fees	M	£0K - £20k	25%	£5k*
The HLF stage 2 application is not successful	M	£0k - £831K	25%	£208k
When tendered the construction and fit out costs are higher than expected and the project cannot be completed within	M	£0k - £850k (higher value represents a 20%)	25%	£213k

budget		overspend)		
Procurement Challenge leading to a delay in completion and legal costs.	L	£20k - £50k (per quarter – HTH Ltd costs)	0	0
<b>Total</b>		<b>£758k - £2.5million</b>		<b>£629k</b>

Table 3: Financial risks if revised Put Option agreed

- 10.2 The anticipated funding for the project is shown below, updated for the latest information on HTH Ltd and the £20k (max) loan from the Council for legal fees. Based on previously provided versions of the financial model this repayment should be within the tolerances of the model. However, the repayment of a further loan will delay the ability to reinvest the equivalent amount back into the facility over the period to 2030 unless HTH Ltd are able to achieve surpluses or receive further donations over and above this.

<b>Funding Source</b>	<b>Amount £'000</b>	<b>% of Total Estimated Project Cost</b>
Council Resources (Capital Receipts / Set Aside Receipts)	2,706	57%
Section 106 (estimated)	120	2%
HLF grant (stage 1)	123	3%
HLF grant (stage 2)	831	17%
<b>Total Council Funding</b>	<b>3,780</b>	<b>79%</b>
HTH Ltd contribution	550	11%
(Adventure Capital Fund Grant and Loan)		
HTH Ltd Purchase of 14 Brand Street	300	6%
(Adventure Capital Fund Grant and Loan)		
HTH Ltd Purchase of 15 Brand Street - donation	50	1%
HTH Ltd Purchase of 15 Brand Street – secured loan	140	3%
<b>Total HTH Ltd Funding</b>	<b>1,040</b>	<b>21%</b>
<b>Total Estimated Project Cost</b>	<b>4,820</b>	<b>100%</b>

Table 4: Anticipated funding at April 2013