A Cinema for Lichfield District – Update

Deputy Leader of the Council and Cabinet Member for Leisure, Parks and Major Projects

Council

Date:	12 December 2023
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Key Decision?	YES
Local Ward Members	All

1. Executive Summary

1.1 This paper provides Council with a further update (since the last update on 27 June 2023) on progress with the creation of a new joint venture partnership, a Limited Liability Partnership (LLP), with Evolve Estates, through which a new cinema and associated food and beverage (F&B) units will be developed in the former Debenhams unit in the Three Spires shopping centre.

1.2 It provides a final update for Council on the outcome of negotiations with Evolve Estates over the structure and detail of the LLP.

1.3 The paper proposes and recommends the introduction of a new clause, requested by Evolve Estates, to commit the council to 'buy-out' their shareholding in the LLP, two years after completion of the development.

2. Recommendations

2.1 Council agree to the inclusion of the new 'Buy Out' clause outlined in the background section. The clause would involve the 'Buy Out' of Evolve Estates interest in the Joint Venture Limited Liability Partnership, two years after completion of the development.

2.2 Full Council approves an update to the Medium-Term Financial Strategy:

i. To increase the budget in the Capital Programme by **£3,999,000** to reflect the central scenario cost of the 'buy out' with funding initially based on the central scenario included in the financial implications section. The plan is for any borrowing need to be funded through internal borrowing.

ii. To continue the approach that the MTFS is based on a neutral (no surplus or deficit or capital receipts are included) budget position until more informed financial projections are provided through the Business Plan. Any future changes following receipt of the Business Plan will be reported in line with the Council's budget monitoring and any budget approvals will be in line with the budget framework.

2.3 Overview and Scrutiny Committee will continue to be involved in the scrutiny of key elements of policy development including the Business Plan and the most appropriate ownership model. This will enable Members to fully understand the strategic, operational, and financial implications of the Council becoming the sole owner of the cinema development and the impact on the MTFS.

3. Background

3.1 On 11 October 2022, Cabinet agreed and recommended to Full Council that Lichfield District Council enter a joint venture Limited Liability Partnership (LLP) with Evolve Estates for the purposes of developing a new cinema and associated food and beverage units in the former Debenhams store on the Three Spires retail site. Full Council subsequently agreed the same, on 20 October 2022. Delegated authority was granted to the Leader and Chief Executive to finalise the details of the LLP, in consultation with the Monitoring Officer and S151 Officer, subject to financial implications remaining within the budget framework recommended for approval.

3.2 On 23 June 2023, an update was brought to Cabinet showing progress of ongoing negotiations and setting out adaptations to the proposed LLP structure and commercial assumptions, for Cabinet to approve and recommend to Full Council. These adaptations were agreed and subsequently approved by Full Council on 11 July 2023 and included:

- *Cabinet agreeing and recommending to Full Council that Lichfield District Council's freehold ownership of the Three Spires Shopping Centre site, excluding the Debenham's building, and six retail units (no's 32 – 44 Baker Street) be exchanged for the leasehold of the same six retail properties.*
- *Cabinet approving the Leader, Chief Executive and another Member of Leadership Team being the Council's three representatives on the LLP Board.*
- *Cabinet approving delegated authority to the Cabinet Member for Finance and Commissioning in consultation with the Assistant Director – Finance and Commissioning (S151) and Monitoring officer (as non-LLP Board Members) to approve the Business Plan and any other documents pertinent to the operation of the LLP on behalf of the Council subject to financial implications remaining within the approved budget framework.*
- *Cabinet delegating authority to the Leader and Chief Executive in consultation with the Monitoring Officer and the Section 151 Officer to complete all contracts and demolition related to enabling works on the Birmingham Road Site subject to the financial implications being within Approved Budgets.*
- *Cabinet recommends to Council to update the Medium-Term Financial Strategy:*
    - i. *To reflect the financial and accounting implications related to the land exchange, the projected payment of Stamp Duty Land Tax for the leasehold units of **£85,000** and to fund this cost from the former car park reserve approved to deliver the Lichfield City Masterplan.*
    - ii. *To increase the budget in the Capital Programme for the Joint Venture loan advance to reflect additional cost inflation by **£439,000** from **£5,349,000** to **£5,788,000** and to fund this additional capital investment from the former car park reserve approved to deliver the Lichfield City Masterplan.*
    - iii. *To continue with the approach that the revenue budget is based on a budget neutral (no surplus or deficit is included) position. In addition, capital receipts related to the loan repayment will at this stage not be included in projections until more informed financial projections are provided through the Business Plan. Any future changes following receipt of the Business Plan will be reported in line with the Council's budget monitoring and any budget approvals will be in line with the budget framework.*

3.3 Since Full Council on 11 July 2023, the Chief Executive, with support from the S151 Officer, and through continuous engagement with the Leader and Deputy Leader of the Council, has sought to conclude negotiations with Evolve Estates over the final details of the LLP.

3.4 Towards the end of this summer as negotiations were concluding, the Council was approached by Evolve Estates about one amended and two new clauses they sought to include into the agreement:

- **Amended** - That the Council's independent valuation of the freehold for the former Debenhams building (46 Bakers Lane) was incorrect and should be revalued.
- **New** - That all elements of the cinema scheme must be pre-let before the LLP was concluded.
- **New** – That the council commits to a buy-out of Evolve Estates shareholding two years after completion of the scheme.

3.5 The first two of these issues have been resolved through negotiation. Evolve Estates accepts the Council's valuation of the freehold to 46 Bakers Lane, and we have agreed a need to constitute the LLP before we finalise leases and pre-lets, as many of the potential tenants require this themselves.

3.6 The issue of the Council agreeing to buy-out Evolve Estates shareholding requires Cabinet and ultimately Full Council's support.

Why does Evolve Estates want a buy-out clause?

3.7 Evolve Estates purchase (through Rookman holdings) of the Three Spires shopping centre has been a positive for the city and district. They are a very present landlord, aligned with the Council's ambition to ensure a vibrant city centre shopping experience for residents and visitors. In the last twelve months we have seen long term vacant units on the site populated with brands such as Starbucks, Edinburgh Wool Mill and latterly KFC.

3.8 In October 2022, Full Council supported entering a joint venture (LLP) with Evolve Estates to bring forward an ambitious place shaping ambition for the district, to introduce a high-quality cinema operator and complementary food and beverage outlets to add to the already well-established independents the city enjoys.

3.9 Due diligence undertaken from October 2022 to June 2023 proved for Full Council that Evolve Estates was the right commercial partner, with an aligned ambition for the site and understanding of the greater benefits the development would bring to the remainder of the city centre regeneration aspirations of the Council.

3.10 None of the above points has changed. Evolve Estates remain a committed partner, determined to deliver the cinema complex at the heart of their Three Spires estate – and this report seeks final sign off from Cabinet, and a recommendation to Full Council, that we do the same.

3.11 See confidential appendix.

3.12 See confidential appendix.

3.13 See confidential appendix.

3.14 See confidential appendix.

3.15 This sale of shareholding is already accounted for in the structure of the LLP contract, which currently states both parties will hold their shareholding for a minimum of two years. At that point, if one party would like to divest themselves of the investment, the remaining party has what is known as 'first refusal rights', the right to buy-out the partner shareholding.

3.16 Through their request for the introduction of a strengthened clause to this part of the LLP agreement, Evolve Estates is making clear its intention to sell its shareholding – specifically - two years following completion of the development. Evolve Estates is simply requesting a firmer commitment from the Council now that it will buy-out their shareholding at that point.

What the new clause means

3.17 If agreed by Council, signing up to the new clause will result in one of two outcomes, two-years after completion of the development:

a) The Council will purchase Evolve Estates shareholding in full, for a pre-agreed price initially estimated at £3.5m (the most appropriate ownership model will be determined). This £3.5m is made up of two parts (see confidential appendix).

   Evolve Estates is **not** seeking payment for the value of the asset (the Debenhams building) it is putting into the LLP.

b) If the Council decides not to purchase Evolve Estates shareholding, then Evolve Estates will be entitled to sell its holding on the open market. In the event it did not achieve the pre-agreed price of £3.5m on the open market, then the Council would fund any gap between its sale price and £3.5m.

What this means for the Council.

3.18 If Cabinet and Full Council agree to the inclusion of the new clause, negotiations over the LLP can be concluded and the development of the cinema complex can commence.

3.19 Several months of work by our partners in Evolve Estates has now concluded the deal for a 25-year lease for a cinema operator to move to Lichfield. The ability to exchange contracts with that cinema operator awaits only the conclusion of the LLP now. Alongside the cinema operator, Evolve Estates has successfully pre-let all but one of the food and beverage / leisure units that will be created within the centre. Again, exchange of contracts for these leases awaits only the conclusion of this LLP deal.

3.20 If the LLP amendment set out in this paper is approved, by Cabinet and Full Council, then these contractual negotiations can be concluded and then work on site can commence to complete the development. Once completed, and associated obligations on Evolve Estates as development lead achieved, the development would 'go live' and the clock would start on the buy-out clause.

3.21 At that stage, and assuming Cabinet and Full Council decide to buy out Evolve's shareholding, then the Council will become the 100% owner of the development, its risks, and financial benefits.

3.22 At that point, the Council will have options of its own:

Option 1	**Retain 100% ownership of the development**, alongside 100% of the return. A profitable development of this nature offers significant additional annual revenue to the council to support provision of its services or delivery of its priorities.
Option 2	**Seek to sell on part / all of its ownership** of the development. There may be an argument, once the development is up and running that the Council has achieved its place shaping ambition and should divest itself of the investment to reinvest in other activities in the district.

Financial Implications of buying out Evolve Estates shareholding

3.23 The Council's independent valuer has reviewed the valuation approach and value of the 'Buy Out' to determine if it is in accordance with Best Practice and Best Value to the Council can be substantiated.

3.24 The outcome of this review through quantitative analysis indicated that, in principle and based on the current estimate of costs and the projected 50% Market Value (GDV) the scheme on completion would satisfy the payment required under the proposed buyout clause (see confidential appendix for details).

Implications for the LLP of a buy-out

3.25 A Limited Liability Partnerships (LLP) is by its very nature intended to be a partnership between two or more organisations. The partnership structure allows for each partner's liabilities to be limited to the amount they put into the business. Clearly, if the Council buys Evolve Estates shareholding, then the partnership will only have one party, and as such an LLP structure would not work without changes.

3.26 The Council could transfer the asset and its operation to the Council, seek to change the nature of the company (for example to a Limited Company) or connect the LLP to its existing wholly owned company, Lichfield West Midlands Traded Services, and maintain the LLP as is.

3.27 Alternatively, if the council was minded to sell part of its shareholding at this stage, then it could either retain the LLP and welcome a new partner to it, or indeed sell its entire interest.

Consultation	The Overview and Scrutiny Committee considered the issue on 30 November 2023. The views of the Committee were reported to Cabinet on 5 December 2023 and amendments have been made to the recommendations and other parts of this report to reflect these comments.

Financial Implications

The Approved Medium Term Financial Strategy

Council on 11 July 2023 approved updates to the MTFS detailed and these are summarised below:

- A Capital Programme Loan Advance budget of **£5,788,000** (a project budget of £4,905,000 and client contingency of £883,000 (18%) based on the advice of an independent Quantity Surveyor and PWC) – **APPENDIX A**.
- Capital funding of **(£5,788,000)** provided by United Kingdom Shared Prosperity Fund (UKSPF), capital receipts and earmarked reserves – **APPENDIX A**.
- No borrowing need and therefore no Minimum Revenue Provision (MRP).
- No projections were provided by Evolve Estates although the Council did prepare three scenarios to inform Payback and Investment appraisal information and the budgetary approach to be adopted.
- However, the lack of projections provided by Evolve Estates resulted in the Revenue Budget being based on a budget neutral (no surplus or deficit is included) position. In addition, capital receipts related to the repayment of the capital loan are also not included in projections. This aim was that this approach would be updated when more informed financial projections are provided through the Business Plan. Any future changes following receipt of the Business Plan will be reported in line with the Council's budget monitoring and any budget approvals (such as this one) will be in line with the budget framework.

The Projected cost of the 'Buy Out' to the Council

The value of the 'Buy Out' is initially estimated by Evolve Estates to be **£3,500,000** and is based on two components (see confidential appendix).

PWC's advice has been sought on any indirect tax implications and it is not possible to fully quantify the potential Stamp Duty Land Tax (SDLT) implications without information from Evolve Estates. However, to the extent the transfer of Evolve Estate's share is within the scope of the tax, the potential rate of tax is up to 5% of the "chargeable consideration". This is on the basis that the underlying land is commercial. For a Limited Liability Partnership (LLP) based transfer, the chargeable consideration is limited to:

- The % of partnership interest acquired x the market value of the land/property in the Joint Venture.

The above excludes any SDLT which may arise on the initial contribution/purchase of the land by the LLP. Further advice on managing the tax implications will be sought from PWC.

A projection of the full cost of the 'Buy Out' based on three different scenarios is provided in the confidential appendix.

Potential Options to fund the Projected Cost of the 'Buy Out'

The Projected Cost of the 'Buy Out' is not included in the Medium Term Financial Strategy. Therefore, either funding will need to be identified or a borrowing need will be created that will result in an additional cost to the Revenue Budget for capital financing costs.

Potential External Funding

The Council was a member of the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP). There is £20m of funding related to the 8 District/Borough Councils that were members of GBSLEP. This funding is split into two tranches:

- A tranche of £12m that has been equally allocated to each authority resulting in funding of **(£1,500,000)**.
- A further tranche of £8m that was initially set aside for a competitive process for all 8 local authorities to bid against each other for funds to deliver projects on a case by case basis. However, the project administrators are considering removing the £8million pot and allocating the monies equally to the 8 LAs instead. This would result in a further funding of **(£925,000)** (after the deduction of an administration fee of 3%).
- Therefore, total projected funding over a three year period 2024/25 to 2026/27 would be **(£2,425,000)**. This funding could be allocated to fund the Cinema for Lichfield District project.

Potential Funding from Council Sources

The Capital Programme has been reviewed to identify funding from capital receipts and earmarked reserves that could be reallocated to this project. In addition, the element of the projected Collection Fund surplus in 2023/24 more than the level of **(£474,000)** included in the draft MTFS could be utilised to fund the projected full cost of the 'Buy Out'. The three scenarios above together with funding options are shown below:

	Scenario		
	Optimistic £	**Central £**	**Pessimistic £**
Projected Full Cost of the 'Buy Out'	**£3,775,000**	**£3,999,000**	**£4,382,000**

External Funding			
Potential Funding from GBSLEP	(£2,425,000)	(£2,425,000)	(£1,500,000)
Potential Funding from Council Sources			
Loan to the Company	(£150,000)	(£150,000)	(£150,000)
Coach Park	(£274,000)	(£174,000)	
Public Conveniences in Lichfield & Burntwood	(£85,000)		
Zip Wire in Burntwood	(£30,000)		
Projected Collection Fund Surplus > (£474,000)	(£755,000)	(£755,000)	
Projected Borrowing Need	**£56,000**	**£495,000**	**£2,732,000**

In addition, the funding can be revisited following the receipt of the Local Government Finance Settlement for 2024/25 as part of the new MTFS to reduce the Borrowing Need and the consequent capital financing costs potentially further.

Where a Borrowing Need results, this would involve capital financing costs in relation to:

- **Minimum Revenue Provision** (MRP) – the Council's approved policy is based on asset life.
- **Cost of finance** – for internal borrowing this would be the loss of investment income and for external borrowing it would be the cost of the loan.

The capital financing costs for the period 2025/26 to 2029/30 is provided for scenarios where there is a projected borrowing need based on an asset life of **25 years**, **internal borrowing**, and an investment return of **3.50%**:

Capital Financing Costs	Borrowing Need	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £
Optimistic	**£56,000**	£4,200	£4,120	£4,040	£3,960	£3,890
Central	**£495,000**	£37,130	£36,430	£35,740	£35,050	£34,350
Pessimistic	**£2,732,000**	£204,900	£201,080	£197,250	£193,430	£189,600

An increase in Capital Expenditure and Borrowing Need (Capital Financing Requirement) will also mean that several Prudential and Local Indicators related to replacement of Debt Finance or MRP, the Liability Benchmark, Treasury Management Investments and Internal Borrowing will be updated in the new MTFS.

Projected Revenue Budget Implications

Evolve Estates have only provided rental income projections and in the absence of a Business Plan, an illustrative set of Revenue Budget projections has been prepared. The key assumptions in each scenario are shown below:

	Optimistic	Central	Pessimistic
Full Year rental income	(£600,000)	(£600,000)	(£600,000)

Running Void	0%	5%	10%
Asset Manager Cost Per Annum	£50,000	£75,000	£100,000
Asset Manager Annual Inflation assumption	2%	2%	2%
Desired Sinking Fund Total	£4,236,100	£6,354,150	£7,413,175
Annual Sinking Fund contribution over 25 years	£169,000	£254,000	£297,000
Capital Financing Costs	Report Calculations		

These illustrative Revenue Budget projections from 2025/26 are shown in summary below and in detail at **APPENDIX A** together with a payback period and return on investment:

Revenue Budget Implications (Net Income is enclosed in brackets)						
	2025/26 £	2026/27 £	2027/28 £	2027/28 £	Payback (Years)	Return on Investment
Optimistic	(£376,800)	(£375,880)	(£374,960)	(£374,040)	25	4%
Central	(£203,870)	(£202,570)	(£201,260)	(£199,950)	48	2%
Pessimistic	£61,900	£60,080	£58,250	£56,430	0	0%

It is important to note that these illustrative projections will be revised when the Business Plan is developed. Therefore, until the development is complete, and the Business Plan has been approved it remains prudent to retain the approach that the Revenue Budget is based on a budget neutral (no surplus or deficit is included) position.

The original plan was the acquisition and demolition of the six retail units as part of the land exchange. However, whilst all six units will be acquired, the current plan is for only four to be demolished immediately with the remaining two remaining occupied until their leases end. This will result in the Council retaining rental income (see confidential appendix) although lease obligations could reduce the sum retained.

	<u>Service Charge Budgets</u> Service charges deal with the costs of servicing and operating a property, to comply with the landlord lease obligations for the provision of services. The key elements are: • The service charge arrangement is set down in the lease(s) and the aim is to entitle the owner to recover their charges and any associated administrative costs incurred in the operational management of the property. This will include reasonable costs of maintenance, repair, and replacement (usually where beyond economic repair) of the fabric, plant, equipment, and materials necessary for the property's operation, plus any other works and services the parties agree are to be provided by the owner, but subject to reimbursement by the occupier. • If the property is fully let, the owner will normally be able to recover all expenditure on services through the service charge, except any concessionary discounts or 'caps' the owner may have given. • Usually, there will be a manager who administers those services, for which they will receive a fee. • The Council as owner will inherit or will need to develop Service Charge Budgets that will be recharged to occupiers.
Approved by Section 151 Officer	Yes
Legal Implications	Throughout the cinema project the council has retained legal advisors who have been actively engaged with creating the LLP and providing advice where needed. The council is taking further legal advice on subsidy control with regards to the buyout clause, but given the independent valuer report, it's not needed in order for Council to approve the recommendations.
Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	1. This will particularly support and deliver the Council's strategic objectives of **shaping place** and **developing prosperity** and will enhance the district to visitors. 2. Having a cinema situated within the district supports our **enabling people** to live healthy and active lives. 3. Through the JV approach, it shows that we're **a good council** that is financially sound, transparent and accountable, including further collaborative working with key partners.

Equality, Diversity and Human Rights Implications	1. There are no equality, diversity or human right implications associated with the proposals at this stage.

Crime & Safety Issues	1. As the project moves through the planning and redevelopment phases these elements will be considered further to ensure the proposed development plays a positive role in the reduction of crime and safety.
Data assessment	1. To be added.
Environmental Impact (including	2. Repurposing the former Anchor Store unit as a cinema will give the building an expected additional lifespan of 25 years.

Climate Change and Biodiversity).	3. The design of the development will incorporate sustainable elements in line with Council policies.

GDPR / Privacy Impact Assessment	1. Data processing arrangements will be addressed as part of the LLP Partnership Agreement.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
	Finance			
A	The capital cost of the development exceeds the Approved Budget	Likelihood: Yellow Impact: Red Score: Yellow	Inclusion of Developer contingency, 50:50 cost sharing arrangement and specialist asset management partner. Review by independent Quantity Surveyor and inclusion of Client Contingency. Client Contingency increased based on PWC/QS further review of projected cost inflation to Dec 24.	Likelihood: Green Impact: Yellow Score: Yellow
B	The financial projections including taxation implications are inaccurate or too optimistic leading to budget pressures	Likelihood: Yellow Impact: Yellow Score: Yellow	Three scenarios prepared using different assumptions and recommendation is to initially adopt a budget neutral position with the MTFS. Review by independent set of advisors and subject to approval of Joint Venture Business Plan.	Likelihood: Green Impact: Yellow Score: Yellow
C	The partner in the Joint Venture cannot meet obligations or gets into financial difficulty	Likelihood: Yellow Impact: Yellow Score: Yellow	Financial standing review by independent set of advisors.	Likelihood: Green Impact: Yellow Score: Yellow
D	**NEW** The Stamp Duty Land Tax rate or regime changes increasing the cost	Likelihood: Yellow Impact: Yellow Score: Yellow	Projections has been developed and included in the scenarios based on the current regime. Client contingency budget.	Likelihood: Yellow Impact: Green Score: Yellow
E	**NEW** Service charges do not fully recover costs due to 'caps'	Likelihood: Yellow Impact: Yellow Score: Yellow	The revenue budget is prepared on a 'budget neutral' basis and this provides an element of 'headroom' for operating expenditure increases.	Likelihood: Yellow Impact: Yellow Score: Yellow
F	**NEW** The cost of the 'Buy Out' exceeds the Budget	Likelihood: Yellow Impact: Yellow Score: Yellow	Projections have been developed using different scenarios. Client contingency budget.	Likelihood: Yellow Impact: Yellow Score: Yellow
G	**NEW** The funding from GBSLEP is not fully provided	Likelihood: Yellow Impact: Yellow Score: Yellow	Views from the 8 authorities on preferred approach being sought. Projections have been developed using different scenarios. Client contingency budget.	Likelihood: Green Impact: Yellow Score: Yellow
	Corporate entity and structure			
H	Legal Challenge from another developer.	Likelihood: Yellow Impact: Red Score: Yellow	Legal advice suggests that legal challenge is unlikely when entering a JV through an LLP for the purposes of place shaping.	Likelihood: Green Impact: Yellow Score: Yellow
	Governance			
I	The council need to ensure that once the company is set up it is run day to day in an acceptable manner.	Likelihood: Yellow Impact: Yellow Score: Yellow	Governance arrangements to be agreed with by both partners and implemented as part of the corporate structure.	Likelihood: Green Impact: Yellow Score: Yellow

J	There will be times when decisions being taken by the joint venture will need to revert to primary organisations.	Likelihood: Yellow Impact: Yellow Score: Yellow	Parameters for decision making set out in the governance arrangements including when there's a need to revert.	Likelihood: Green Impact: Yellow Score: Yellow
	Development failure			
K	The scheme does not attract occupiers.	Likelihood: Yellow Impact: Yellow Score: Yellow	Evolve Estates has now concluded the deal for a 25-year lease for a cinema operator. Evolve Estates has successfully pre-let all but one of the food and beverage / leisure units	Likelihood: Green Impact: Yellow Score: Yellow
L	Developer does not perform.	Likelihood: Yellow Impact: Yellow Score: Yellow	Monitoring of milestones. The developer forms part of the JV and shares the same risks as the council in terms of under performance.	Likelihood: Green Impact: Yellow Score: Yellow

Background documents

A Cinema for Lichfield District – Report to Cabinet 27 June 2023.
A Cinema for Lichfield District - Report to Cabinet 11 October 2022.
PWC Report
Confidential - Aspinall Verdi Report – December 2023
Medium Term Financial Strategy – Report to Council 28 February 2023.
A Cinema for Lichfield District - Report to Cabinet 5 December 2023.

Relevant web links

Approved Capital Programme Budget

	Investment Profile						
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£	£	£	£	£	£	£
Capital Budget	£64,000	£2,443,000	£2,398,000				£4,905,000
Client Contingency		£446,000	£437,000				£883,000
Total Approved Budget	**£64,000**	**£2,889,000**	**£2,835,000**	**£0**	**£0**	**£0**	**£5,788,000**

UKSPF			(£400,000)				(£400,000)
Capital Receipts	(£22,000)	(£850,000)					(£872,000)
Earmarked Reserves	(£42,000)	(£2,039,000)	(£2,435,000)				(£4,516,000)
Total Approved Funding	**(£64,000)**	**(£2,889,000)**	**(£2,835,000)**	**£0**	**£0**	**£0**	**(£5,788,000)**

Borrowing Need	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**

Illustrative Revenue Budget Implications[1]

	Optimistic					
	2023/24	2024/25	2025/26	2026/27	2027/28	2027/28
	£	£	£	£	£	£
Rental Income	£0	£0	(£600,000)	(£600,000)	(£600,000)	(£600,000)
Running Void @ 0%	£0	£0	£0	£0	£0	£0
Asset Manager	£0	£0	£50,000	£51,000	£52,000	£53,000
Asset Owner Sinking Fund	£0	£0	£169,000	£169,000	£169,000	£169,000
Capital Financing Costs	£0	£0	£4,200	£4,120	£4,040	£3,960
Revenue Budget Implications	**£0**	**£0**	**(£376,800)**	**(£375,880)**	**(£374,960)**	**(£374,040)**

	Central					
	2023/24	2024/25	2025/26	2026/27	2027/28	2027/28
	£	£	£	£	£	£
Rental Income	£0	£0	(£600,000)	(£600,000)	(£600,000)	(£600,000)
Running Void @ 5%	£0	£0	£30,000	£30,000	£30,000	£30,000
Asset Manager	£0	£0	£75,000	£77,000	£79,000	£81,000
Asset Owner Sinking Fund	£0	£0	£254,000	£254,000	£254,000	£254,000
Capital Financing Costs	£0	£0	£37,130	£36,430	£35,740	£35,050
Revenue Budget Implications	**£0**	**£0**	**(£203,870)**	**(£202,570)**	**(£201,260)**	**(£199,950)**

	Pessimistic					
	2023/24	2024/25	2025/26	2026/27	2027/28	2027/28
	£	£	£	£	£	£
Rental Income	£0	£0	(£600,000)	(£600,000)	(£600,000)	(£600,000)
Running Void @ 10%	£0	£0	£60,000	£60,000	£60,000	£60,000
Asset Manager	£0	£0	£100,000	£102,000	£104,000	£106,000
Asset Owner Sinking Fund	£0	£0	£297,000	£297,000	£297,000	£297,000
Capital Financing Costs	£0	£0	£204,900	£201,080	£197,250	£193,430
Revenue Budget Implications	**£0**	**£0**	**£61,900**	**£60,080**	**£58,250**	**£56,430**

[1] Updated from the Cabinet and Overview and Scrutiny Committee Reports to reflect summary information included in the financial implications section.