

Financial Impact
Of
Childerditch Development

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Current Financial Position

1.1 Currently the Council receives the following income from Childerditch of approximately £2,720,735

1.2 The interest payable and average MRP (minimum revenue provision) that is charged to the General Fund for the acquisition of this asset is £2,323,167

1.3 Since purchasing the asset the net income has been support the services within the General Fund.

Capital & Revenue Budgets

2.1 The total capital budget for the development is £5,460,293. Split out as following

Table 1 – Total Budget

Cost	Amount £
Preliminary Costs	549,029
Main Contractor	183,009
Site Preparation	83,175
Other Contractor Costs	3,577,000
Contingency	366,018
Professional Fees	702,065
Total Capital Budget	5,460,293

2.2 It is expected that planning will be submitted in November 2022 and the project will start on site Summer 2023. The Capital budget is therefore profiled over 3 financial years

Table 2 – Capital Budget Profile

Year	Budget £
2022/23	938,967
2023/24	4,521,326

Revenue Budget

2.3 The Letting and Marketing Costs of £83,813 are a revenue expense and therefore will be charged to the General Fund Revenue Account. This Budget will be built into the Councils base budget as part of the budget setting process.

2.4 The Tenant incentives of £558,750 is expected to be rent loss rather than capital contributions. The rent loss will impact the General Fund as there will be less income, however it is expected that no rent incentives will be required, if there was any this will have to be funded from the Council's earmark reserves to mitigate the pressure of the revenue loss.

2.5 In addition to revenue costs, the additional economic growth will generate business rate income. This additional income is expected to be approximately £288k of which the Councils share would equate to £114k.

Financing the Project.

2.3 There is currently no capital receipts to part fund this project. Therefore, the total capital budget will be fully funded from borrowing.

2.4 The expected amount of borrowing is £5,460,293. With the MRP charged over 50 years the following table shows the impact on the General Fund Account regarding different interest rates.

Interest Rate	Total Interest pa	Total MRP pa	Total Charge pa
3.5%	191,110	107,065	298,175
4.0%	218,412	107,065	325,477
4.5%	245,713	107,065	352,778
5.0%	273,015	107,065	380,080

2.5 The assumption is that the Council will short-term borrowing for cashflow purposes during the build phase. Upon completion the Council will look to long term borrow. The current economic climate has seen interest rates from PWLB peak at over 5%, it must be stressed that current interest rates are higher than modelled, however, the expectation is that interest's rate should drop by 2024/25 and the Council will achieve its modelled rate of 3.5% to 4%.

2.6 The rental income from Childerditch will increase as the land is currently not generating any income. The income back to BBC is expected to be £505,855 per annum this is an increase of 100% as the land currently generate no income.

2.7 the Proposed Impact of the increased financing costs funded from the increased rental income is tabled below:

Table 3 – Financing Costs

Acquisition Financing Costs	2,323,167
Childerditch Financing Costs (4%)	325,477
Total Financing Costs	2,648,644
Revised Net Income	3,226,590
Surplus Income	577,946

2.7 This income will support the General Fund budget.

