



Financial Performance and Contracts Committee

14 March 2022

Title	Updated West Stand Funding Model
Report of	Cath Shaw, Deputy Chief Executive
Wards	All
Status	Public with exempt appendices. These are exempt under Schedule 12A of the local Government Act 1972 as they contain information relating to the financial or business affairs of a particular person or body including the Council.
Urgent	No
Key	Not Key
Enclosures	Exempt Attachments: 1. Exempt Appendix 1 2. Exempt Appendix 2
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Summary

This paper updates the Financial Performance and Contracts Committee on the Saracens' business plan, for repaying the loan made to Saracens LLP by the London Borough of Barnet

Officers Recommendations

1. That the Committee notes that the assumptions that were in the original business plan have now been updated, remodelled and still demonstrate that there will be sufficient funding to complete the West Stand and sufficient income into Saracens Copthall LLP, to cover the loan repayments, including interest.

1. Why this report is needed

- 1.1 The Financial Performance and Contracts Committee was last updated on 1st February 2022, on recent changes to the overall control of Saracens Copthall LLP (SCLLP) and progress with the construction of the West Stand. The committee asked for evidence that the SCLLP's business plan was still robust, in light of any impact that Covid, and associated construction delays, may have had on the projected income.

2. Reasons for recommendations

- 2.1 LBB currently has an agreement with Saracens Copthall LLP (SCLLP), to lend them £23,174,450 (inclusive of interest), in order for them to be able to build a new West Stand at their stadium at Copthall for completion in May 2022. Drawdown 24 was made in February 2022 bringing the loan balance drawdown to £13.982m. As of 28th February 2022, the total value of interests accumulated was £0.825m and the total value of the drawdown inclusive of interests to date is £14.807m.
- 2.2 There has since been slight slippage and the contractor is currently reporting a practical completion date of 27th May 2022. Delays have been caused by a combination of Covid related implications and material supply issues, most notably, steel.
- 2.3 SCLLP have confirmed that the original building programme aimed for 24 January 2022 as the first access date for Middlesex University (MU) to commence their fit out and to trigger commencement of the tenants 6-month rent free period. The contractor's programme subsequently slipped by approximately two and a half weeks; therefore the MU first access date was 11th February and the commencement of their rent-free period also slipped by the same period.
- 2.4 This slippage has been modelled by SCLLP as a full one-month slippage, which means that the rent commencement date for both MU and Saracens Rugby Club Ltd will be August 2022 and not July 2022 as previously modelled. This then means that the first Barnet debt repayment will commence in August, and not July, as originally planned.
- 2.5 The funding model has now been updated by SCLLP to take into account previous and future loan drawdowns, and anticipated future payments, whilst ensuring that the following remain stable:
- 2.6 That the minimum bank balance held by the SCLLP for the West Stand project remains at or above £200k
- 2.7 That the project budget for the construction and fit out of the West Stand remains at £26.7m (or less)
- 2.8 That all previously paid and reclaimed project related VAT has been fully utilised in the funding of the project
- 2.9 That the total amount of Barnet debt facility drawn as cash, plus the relevant total rolled up interest (to date and anticipated), does not exceed £23.174m. That the debt is fully repaid in line with the Funding Agreement, by Jan 2049. Modelling demonstrates that the one-month delay has a very limited impact on the business case, causing only a £0.1m increase in rolled up interest and a commensurate reduction in available contingency, since December 2021. Up to that point there had been no project delay to MU taking possession of their demise, and therefore no variance to the business case. There is therefore no increased risk to the affordability of the West Stand construction project, at

this time.

- 2.10 Modelling also demonstrates that annual rental income from Saracens and MU (on expiry of the rent free period) will cover the cost of servicing the loan so there is therefore no increased risk to loan repayments back to LBB, at this time.
- 2.11 The Business Plan includes payment of the rent from Saracens Ltd to SCLLP. Saracens Ltd remain confident of their ability to meet this rental obligation, but this will be kept under review as attendances and revenues settle down post-Covid, and as the West Stand fully re-opens. Any emerging concerns that arise will of course be reported to the Committee
- 2.12 The February 22 SCLLP updated funding model, along with supporting calculations are both enclosed, as exempt papers, for reference.

3. Alternative options considered and not recommended

- 3.1 N/A

4. Post decision implementation

- 4.1 LBB Estates and Finance teams will continue to monitor construction, through to practical completion of the project. Thereafter, Finance will monitor loan repayments.

5. Implications of decision

5.1 Corporate Priorities and Performance

- 5.1.1 The July and October 2018 Policy & Resources Committee reports noted that the granting of this loan helps to meet Corporate Plan 2015-20 strategic objectives. The council has since updated its Corporate Plan to Barnet 2024 and the granting of the loan also supports the objectives contained in that version, in particular “Investing in community facilities to support a growing population” and “Encouraging residents to lead active and healthy lifestyles and maintain their mental wellbeing”.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 All repayments and interest payments come back to LBB. Interest is charged on the loan at a commercial rate of 6% and the loan therefore provides a positive contribution to the Council's Medium Term Financial Strategy.

5.3 Legal and Constitutional References

- 5.3.1 Constitution article 9 para 9.1 .(b).(i.) (a) states that chief officers can make decisions and approve expenditure relating to their functions and the functions of their department , where necessary providing that the sum to be expended is within the approved budget for the department and the amount does not exceed £189k.

5.3.2 Under the Council's Constitution, Article 7, the terms of reference of the Financial Performance and Contracts Committee includes the following responsibilities:

Responsible for the oversight and scrutiny of:

- The overall financial performance of the council
- The performance of services other than those which are the responsibility of the: Adults and Safeguarding Committee; Children, Education and Safeguarding Committee; Community Leadership and Libraries Committee; Environment Committee; and Housing and Growth Committee.
- The council's major strategic contracts including (but not limited to):
 - Analysis of performance
 - Contract variations
 - Undertaking deep dives to review specific issues
 - Monitoring the trading position and financial stability of external providers
 - Making recommendations to the Policy and Resources Committee and/or theme committees on issues arising from the scrutiny of external providers
- At the request of the Policy and Resources Committee and/or theme committees consider matters relating to contract or supplier performance and other issues and making recommendations to the referring committee
- To consider any decisions of the West London Economic Prosperity Board which have been called in, in accordance with this Article.

5.3.3 The council is taking external legal advice on the loan

5.4 **Insight**

5.4.1 N/A

5.5 **Social Value**

5.5.1 Saracens Rugby have and will continue to deliver significant benefits to the local community, as detailed as detailed in previous reports. A report on Saracens' socio-economic impact is due for publication

5.6 **Risk Management**

5.6.1 The corporate risks have been updated.

5.7 **Equalities and Diversity**

5.7.1 The Equality Act 2010 requires organisations exercising public functions to demonstrate that due regard has been paid to equalities in:

- Elimination of unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010.
- Advancement of equality of opportunity between people from different groups.
- Fostering of good relations between people from different groups

5.7.2 The Equality Act 2010 identifies the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership, pregnancy and maternity; race;

religion or belief; sex and sexual orientation; marriage and civil partnership.

5.7.3 In order to assist in meeting the duty the council will:

- Try to understand the diversity of our customers to improve our services.
- Consider the impact of our decisions on different groups to ensure they are fair.
- Mainstream equalities into business and financial planning and integrating equalities into everything we do.
- Learn more about Barnet's diverse communities by engaging with them.

This is also what we expect of our partners.

5.7.4 This is set out in the council's Equalities Policy, which can be found on the website at: <https://www.barnet.gov.uk/your-council/policies-plans-and-performance/equality-and-diversity>

5.7.5 The Council has had regard to the Equalities Act 2010 and has taken account of any relevant matters in the making of its decisions in respect of the relocation and options presented for the Depot.

5.7.6 There are no specific equalities implications from this report, which is for noting.

5.8 Corporate Parenting

5.8.1 None in the context of this report.

5.9 Consultation and Engagement

5.9.1 N/A

5.10 Environmental Impact

5.10.1 There are no direct environmental implications from noting the recommendations.

6. Background papers

6.1 Agenda for Financial Performance and Contracts Committee on Tuesday 1st February 2022:

<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=693&MIId=10802&Ver=4>