

From:
Sent: 03 March 2016 16:36
To:
Cc:
Subject: Beacons OBC

Hi ,
Further info about the costs of the Beacons Campus is shown below – please come back to either or myself if you want further clarity.

From:
Sent: 03 March 2016 16:21
To:
Subject: Beacons OBC

The total cost (excluding inflation) is £45,423,366.

The current split to this is 45% Powys County Council and 55% NPTC Group of Colleges.

The College's liability is therefore £24,982,850. The Council and WG liability is therefore £20,440,516.

This is how the College's funding is stated in the OBC:

The amount to be finance by NPTC Group of Colleges will be secured from third party borrowing. There will be no affordability gap. No capital receipt currently applies. Additional revenue will benefit the college, in respect of up to 201 new students (from the closed 6th form provision in Brecon and Gwernyfed High Schools). This conservatively amounts to over £500k per annum.

The College has engaged the services of a funding consultant to review the options available for raising affordable debt finance using non-traditional routes in terms of the Further Education sector. Some of the options investigated at a high level include:

- Bond Issue - a number of private placement Bond issues are taking place currently. They have been used to considerable effect by Housing Associations. The structure typically operates as a 25-year issue at an interest rate fixed at the point of issue and sensitive to Gilt rates at that point.
- Institutional 'Lease' - a very recent entry into the market is the interest from life and pension funds in funding physical projects on a sale and leaseback basis, but which is more like a long term mortgage. Typically, capital funds are advanced against a 35-45 year leaseback, with the 'tenant' having the ability to acquire the freehold interest at the end of the term for a £1 payment. Whilst this is in form a lease, the annual payment is not based on market rent but the agreed percentage of the amount borrowed. The 'rent' is then reviewed annually by reference to RPI or CPI. A number of transactions of this nature are in course at the present time involving both local authorities and educational institutions around the UK. Recent transactions have been secured at c.4% initial rate and there are indications this rate may be pushed even lower due to competition from institutions.
- The Public Works Loan Board - The Local Government Act 2003 introduced the power for

Councils to borrow to invest in capital projects, provided this was affordable and in line with the principles of the Prudential Code. Local Authority loans are usually financed by the Public Works Loan Board, a statutory body. Interest rates are offered at the Standard Rate (currently Gilts + 100 basis points) or at the Certainty Rate (which carries a 20 basis points discount). The current 10-year Gilt rate for comparison is 2.7%.

The gift-aided profits from the College subsidiaries are planned to contribute a minimum of £500k per annum to the College now that the restructuring and transition periods have been completed to put the subsidiaries into strong trading positions.

The College is also pursuing funding from the European Regional Development Fund (ERDF), where current indications provide a number of funding scenarios, from ERDF match to no match at all.

Cyfrifydd Cynllunio Cyfalaf ac Ariannol / Capital and Financial Planning Accountant
Gwasanaethau Ariannol / Financial Services

Mae'r e bost hwn ac unrhyw atodiad iddo yn gyfrinachol ac fe'i bwriedir ar gyfer y sawl a enwir arno yn unig. Gall gynnwys gwybodaeth freintiedig. Os yw wedi eich cyrraedd trwy gamgymeriad ni ellwch ei gopio, ei ddosbarthu na'i ddangos i unrhyw un arall a dylech gysylltu gyda Cyngor Sir Powys ar unwaith. Mae unrhyw gynnwys nad yw'n ymwneud gyda busnes swyddogol Cyngor Sir Powys yn bersonol i'r awdur ac nid yw'n awdurdodedig gan y Cyngor.

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