

Bolton Council

Report to: Corporate Issues Scrutiny Committee

Date: 9th October 2006

Report of: Director of Corporate Resources

Report No:

Contact Officer: S. M. Arnfield

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Report Title: **Castle Hill**

Purpose: To set out the financial arrangements around the Castle Hill development.

Decision: That the report be noted.

Background Doc(s):

1. INTRODUCTION

Castle Hill was developed as a multi-use centre under the Government's PFI initiative. The Centre brings together a range of facilities which include a Primary School, Youth Centre, Library, Training Centre and office accommodation.

A separate Scrutiny Panel was established to look at specific issues around the site and this was concluded and reported earlier in the year.

2. ORIGINAL COSTS OF THE SCHEME

The original capital costs of the scheme was a net figure of £11.8M. This net cost included the sale of several sites that were released as part of the development, particularly New Overdale and Thomasson House. As a PFI the scheme was undertaken by the developer with the developer taking all the risks on the building and any problems that might arise due to contractual problems.

Members will be aware that towards the end of the completion of the scheme the developer went into Administration but the bank behind the PFI arranged for an alternative contractor and picked up all the additional costs associated with the handover to the new contractor.

The scheme was funded primarily through contributions from the Government known as PFI credits. At the time it was recognised that the Council would have to contribute an additional £250,000 per annum which was termed "gap funding". The main reason for this gap funding was the fact that the contractor has to maintain and manage the site for the whole 25 years of the PFI contract and at the end of this period, handover the facility to the Council in a well maintained state. Therefore, any major refurbishment costs during this period will fall on the contractor and not on the Council.

Earlier this year the Council agreed to make an additional contribution towards the cost of Castle Hill amounting to £147,000 in order to rectify issues around the all weather pitch, youth club entrance and the re-financing of the whole Castle Hill scheme. However, these costs were offset by an additional payment made to the Council in respect of the disposal of Thomasson House and New Overdale. The Council had an overage agreement as part of the PFI which meant that any additional profits earned on these sites would be shared with the Council. The Council received an additional £925,000 through this agreement which more than offset the additional cost and in effect has reduced the overall cost of the Castle Hill development to the Council.

3. ONGOING SITUATION

Basically, the Council pays the contractor a fee for use of Castle Hill which is funded from the PFI credits that we receive plus the additional gap funding of £250,000, plus the cost of rates and running costs. These last two items were already included in Council budgets from previous sites. In essence this fee is fixed for the life of the contract and therefore again the contractor takes the majority of risks on any future running and support costs on the Centre. However should the Council wish to change its usage or have alterations made to the site then these have to be agreed by the contractor and the Council has to pay the costs of such alterations or impact on ongoing running costs.