

Fairfield Halls, funding and accounting arrangements

Following the decision in February 2021, the Council decided not to continue with the arrangements for funding the refurbishment of Fairfield Halls which was undertaken on behalf of the Council by Brick by Brick. Under that arrangement the refurbishment was supposed to be undertaken at no cost to the Council by the transfer and development of the adjacent College Green site.

The whole of this process is subject to an investigation by the external auditor and any final decision taken by the Council on how this is to be treated in the accounts will be subject to the results of that investigation.

The Council has funded the refurbishment through a mixture of loans (some specific and some non-specific), together with a grant for some of the works from C2C. The loans appear on the Council's balance sheet and the accrued interest on the loan will appear as a debtor in the accounts. There has been an adjustment to the Capital values on the balance sheet. None of the Council's loans or interest have been repaid.

As at 31st March 2021, the specific loan outstanding, as reflected in the Council's accounts, relating to Fairfield Halls was £59.508m and accrued interest was £7.06m. The expenditure incurred by Brick by Brick falls into four main areas, these sums excludes accrued interest.

	£
Fairfield Halls main refurbishment works:	68.805m
Fairfield Halls car park:	0.175m
Fairfield Halls public domain works:	0.181m
College Green housing redevelopment:	4.185m
Total Cost of Scheme:	73.346m

This has been directly funded from the following sources:

	£
Direct loan:	59.508m
C2C grant:	6.500m
Loan from generic council loans:	7.338m
Total:	73.346m

In the light of the decision to not transfer the college green site and no longer building that site out. The reasoning behind the loan and funding arrangement is no longer valid. The Council, therefore, has to reconsider how this expenditure is reflected in the Council's accounts.

The Council's asset has had work undertaken on it, the costs of that should be reflected in the Council's accounts, in the absence of anything to the contrary it is proposed that the expenditure above now be treated as capital expenditure in respect of the sites excluding College green. In addition to this, the Council will consider the capitalisation of the interest borrowed as allowed for under the CIPFA Code of Practice. The associated loans and accrued interest bills will also need to be reversed.

The exact mechanics of how this transfer will take place is still to be determined, but

it may involve same day cash transfers between BBB and the Council. The mechanism will also need to ensure that it does not inadvertently generate a tax liability for either the Council or Brick by Brick.

With regard to the college green site, the associated costs may have added value to the site in that it has a deemed planning permission. However, those costs cannot be treated as capital until a decision is made on the disposal of the site and therefore any decision on the costs and funding relating to that site will need to be deferred until then and to take into account the wider accounting treatment of loan costs relating to other sites with or without planning permission that are now not being developed by Brick by Brick.

It is proposed that as part of the 2020/21 accounts closure that the above transactions be undertaken and appropriate adjustments made to the Council's accounts. No prior year adjustments are proposed at this time although it is recognised that these may be required as a result of ongoing investigations being made by Grant Thornton over the way that the arrangements were originally established.

The Council is in the process of novating the contracts held by Brick by Brick for the works to the Council. There are apparently no disputes with contractors but there may be some accounts that need to be settled (currently do not have estimates for) and some works that were either not fully specified or outside the scope of the refurbishment that need to be undertaken to make the centre operational. The Council is appointing specialist surveyors with particular expertise in venues similar to Fairfield Halls to see what additional works needs to be undertaken to make the building usable.

The Council has not to date provided any Minimum Revenue Provision (MRP) for redeeming the loans to Brick by Brick. It is the intention once the loans have been replaced with actual build costs in the Council's accounts and when the works are complete to start to provide for MRP in line with the prudential code, the Council's policy and advice received from the Council's Treasury management advisors.

The revenue costs of this are included within the Medium Term Financial Strategy.