



CIPFA FINAL TEST OF PROFESSIONAL COMPETENCE

FINANCE AND MANAGEMENT CASE STUDY

November 2007

NUNSUCH LEISURE ARENA JOINT BOARD - TUTORIAL GUIDE

1. General Comments

- (a) It is essential that candidates answer all the questions as set.
- (b) Where illustrative figures or information are asked for in a question, or their use is implied in the data, then they must be shown in the candidate's answer.
- (c) Evasion of the terms of the question on the grounds that the situation depicted in the Case Study is unlikely to have arisen or occurred, or is improbable in concept, should be penalised.
- (d) Working papers submitted with answers should be scrutinised and used to test the candidate's line of argument in unfinished work and as a guide to the method by which the candidates have utilised their acquired knowledge to deal with the various aspects of the Case Study.
- (e) Detailed calculations are set out in the appropriate attached appendices. It must be emphasised that these are not 'model answer' figures but are based upon what are judged to be the 'best' assumptions made in answering the question. Candidates should not therefore be judged on whether they got the figures 'right', but on how they reached their figures and how reasonable are their assumptions and arguments.

2. Synopsis of case

The Nunsuch Leisure Arena [NLA] project aims to provide state of the art sports and fitness facilities for Nunsuch, a rapidly expanding town within the county of Utopia, which forms part of the Republic of Atlantis. Nunsuch District Council [NDC] and Utopia County Council [UCC] have formed a Joint Board, a separately accountable local government body, which has responsibility to provide and operate the NLA.

Phase 1 was opened on 01 April 2007 and comprises a health and fitness suite (with a target of 1,345 Fitness Club members to be achieved by March 2011) and an athletics track. Construction of Phase 2 is due to start in April 2008 and it is due to open to the public on 30 June 2009. Phase 2 will include a multi use sports hall, hockey and rugby pitches, club rooms, and bar and catering facilities. Tenders for the construction of Phase 2 have recently been invited.

Capital finance is being provided by the Atlantis State Lottery Board, by various other public bodies and private sponsors, and by the two local authorities.

Both local authorities have agreed to contribute to the running costs of the NLA. The projected size of their contributions was set out in a Medium Term Financial Plan (MTFP) approved in March 2007, but there is concern that the MTFP figures

may understate the extent of support that will actually be required. In particular, it appears that recruitment of members for the Fitness Club (the main source of trading income) is falling below target and that the average monthly fee per member is turning out lower than anticipated.

The Joint Board has eleven members in total and is responsible for directing the NLA's affairs within the available funding. Members are appointed on the following basis:

- Utopia County Council - three members
- Nunsuch District Council - three members
- Sport Atlantis - one member
- Co-opted persons - four members

The current Chairman is Councillor Sam Arkand, who is a nominee of Nunsuch District Council.

All members of the Joint Board are required by law to act in the best interests of the NLA when they are dealing with NLA business.

The Joint Board has placed operation of the NLA in the hands of a leisure management company, Body and Soul Leisure [BSL], under a seven year contract, running from the opening date of Phase 1. BSL's remit extends to promotion of all sections of the NLA, as well as day-to-day operations. It employs the Arena's operational staff, collects the trading income and pays most of the running costs as agent for the Joint Board.

The Joint Board takes direct responsibility for:

- Monitoring the service delivery and financial performance achieved by BSL, which provides monthly operational management reports to the Board.
- Future development plans.
- Capital expenditure and funding transactions.
- Maintaining good relations with sponsors.
- Negotiation of revenue support from the two local authorities.
- Insurance arrangements.
- Major maintenance works.

The Joint Board has made three part-time appointments, a Chief Executive (Jack Carter), a Treasurer (Sarah Yavo) and a Secretarial Assistant. However, Ms Yavo has recently left her post to move to another part of Atlantis and the Joint Board expects that it may take some months to recruit a suitable replacement. It has therefore been agreed that UCC's Assistant Director of Resources (Technical), Val Ensia, will be seconded on a part time basis to act as Interim Treasurer and financial adviser to the Joint Board until a new appointee is in post.

The candidate is Alex Andrea, Senior Accountant (Technical) with UCC, who will be assisting Ms Ensia with various aspects of her NLA responsibilities over the coming months, including preparation of reports for the Joint Board.

Question 1 (19 marks)

The Interim Treasurer has received a letter from Councillor Anne Twerp, a member of UCC, who has just been nominated to membership of the NLA Joint Board. An urgent reply is necessary and the candidate is asked to prepare an initial draft for review by Ms Ensia.

Councillor Twerp represents the district of Eldorado situated thirty miles from Nunsuch. It is clear that she regards the NLA project with a considerable degree of antipathy, apparently on the grounds that it is unreasonably drawing resources away from leisure facilities in the rest of the county.

Whether through naivety or otherwise, Councillor Twerp appears to believe that Ms Ensia has been appointed to her interim role so that she can restrain spending on the NLA project for the benefit of UCC, and the Councillor offers her assistance to this end. She is particularly scathing about the role of the Joint Board's Chairman, Councillor Arkand, who has been a long-term promoter of the NLA scheme and is a nominee of NDC.

In preparing the reply, candidates need to address the relevant governance and financial issues and also respond to four specific questions raised by Councillor Twerp. These questions relate to various aspects of the case material, i.e. forecasts of catering profit/loss, management and administration costs, choice of contractor for Phase 2, and the loan facility granted by UCC to assist with the funding of Phase 2.

An important element in the reply will be to outline to the Councillor her own responsibilities as a Joint Board member and also Ms Ensia's role as Interim Treasurer. These elements will clearly require particular tact and diplomacy. To answer this question effectively, candidates also need to demonstrate their ability to précis the essential points rather than merely reproducing case material at length.

Question 2 (27 marks)

The tenders for construction of Phase 2 are received on 13 November 2007 and are due to be considered at a special meeting of the Joint Board on 11 December.

Four tenders are received. Three of them are of the conventional type involving a main contractor. Of these, Hercules Construction has put forward the lowest tender price, which is however still £104,000 in excess of the pre-tender estimates considered by the Joint Board. The other two conventional tenders are ruled out of further consideration on grounds of cost. Although Hercules are reported to be sound and competent contractors, they would come with a reputation for exploiting to the full any opportunities to levy extra charges during the course of the contract.

The fourth tender is put forward by Gulliver Associates a firm of project managers. They claim that they could deliver Phase 2 at a price that is £208,000 within the pre-tender estimates, by employing smaller firms as contractors for different elements of the work. UCC's Principal Auditor (Contracts) provides candidates with advice as to the greater range of risk that this type of arrangement would involve.

Candidates also need to consider the available funding for Phase 2 and the conditions that are attached by the various funding sources. A significant element of funding (from the Utopian Enterprise Board) remains uncertain despite the confidence expressed by the NLA's Chief Executive.

The information in the case allows candidates to construct quarterly cash flows for capital payments and receipts for both the Hercules and Gulliver options. The Hercules option would involve the Joint Board in going back to the two local authorities to seek extra funds, while the Gulliver option would result in temporary cash outflows, which could not be financed within the limits of the loan facility made available by UCC.

The candidate is asked to include the following detailed requirements in the report to the Joint Board:

- (a) A brief introduction setting out the purpose of the report, the progress of the scheme, and a note of the overall capital costs and funding for those elements of the scheme (both phases) that have already been spent or committed to date.
- (b) A summary of the approved/expected sources of funding for the further planned spending on Phase 2. In this section, candidates are asked to set out the current status of each contribution and any conditions that are known to apply, including comments and conclusions as to the degree of difficulty in meeting such conditions.
- (c) Details of the tenders received, showing:
 - i. the estimated costs (in £'000s), of proceeding with the Hercules and Gulliver offers, as compared with the previous treasurer's October 2007 projection, and
 - ii. the allocation of the resulting cost variances to the two local authorities.
- (d) An annex showing the quarterly cash flows of payments and funding that will apply for both the Hercules and Gulliver options, including the use that will need to be made in both cases of the UCC loan facility.
- (e) Details of the financial approvals that would need to be obtained in both cases before either the Hercules or Gulliver bids could be accepted.
- (f) A discussion of the potential benefits and risks arising from the Hercules and Gulliver bids, explaining the importance that that should be attached to each of them.
- (g) The candidate's conclusions and recommendation to the Joint Board as to how it should proceed.

Question 3 (36 marks)

Membership fees from the Fitness Club will form the largest source of income for the NLA, being due to grow to £468,000pa by 2010/11. Although Phase 1 has only been open for seven months, there is already worry that income from the Fitness Club is falling short of expectations and apprehension as to what consequences this could have for future deficits.

At the Joint Board meeting on 23 October, the Chairman and members expressed concern over this issue and the Chairman undertook to examine the issues personally and report back to the next ordinary meeting of the Board.

Although the Chief Executive still felt that the problem represented only a "temporary blip", he instructed Body and Soul Leisure (BSL) to review the position and advise on possible marketing and pricing options to improve matters.

The Chairman reiterated his concerns in a letter to Ms Ensia, quoting relevant benchmarks for typical performance of fitness clubs that he'd obtained from a recent article in "Sport and Leisure World".

Two responses are received from BSL's MD. In the first he mentions general issues that can affect membership recruitment and the average level of fees at different locations. In the second, he suggests three options for the Board to consider involving additional marketing effort, special offers, or an improved service level, giving information on possible additional income in each case.

The Chief Executive is sceptical about the efficacy of these proposals. He notes that the MD has omitted various items of cost from his analysis of the three options.

The candidate is requested by Ms Ensia to prepare a comprehensive briefing note for the Chairman setting out:

- a) A comparison between the MTFP projection of membership fee income and the income targets that would have resulted if the "typical growth pattern" (benchmark) reported in Sport and Leisure World had been applied, together with any comments as to why the NLA may not be expected to exhibit such a "typical growth pattern".
- b) A statistical analysis to demonstrate whether there is any significant difference between the typical breakdown of membership between the various categories as reported in Sport and Leisure World and the actual breakdown observable at the NLA, including conclusions from this analysis (requiring the candidate to carry out a Chi² test).
- c) Details of:
 - The cumulative shortfalls of membership numbers and income up to 31 October 2007 as compared with the levels allowed for in the MTFP.
 - The average monthly income per member up to October 2007.
 - The monthly membership attrition rate up to 31 October 2007.
 - Any specific known factors that may have had influence on recruitment levels at the NLA, together with comments on the average monthly income per member and membership attrition rates.
- d) A revised projection of membership fee income over the four years of the MTFP, based on the actuals to 31 October and the information from BSL. The candidate is asked to show the variances from the MTFP figures, and explain any reservations about the results.

- e) A projection of the financial implications of each of the three options put forward by BSL to improve membership recruitment, together with the candidate's evaluation of each of these options.
- f) A note of any other budget headings in the MTFP that may be affected by increased membership levels, apart from those mentioned by BSL and the Chief Executive. Candidates are not expected to quantify these items.
- g) The candidate's conclusions about these membership issues and a recommendation as to which, if any, of BSL's options should be adopted. Candidates are not expected to explore whether some combination of the three options may be desirable.

Question 4 (18 marks)

At its meeting on 23 October, Ms Ensia advised the Joint Board that the Medium Term Financial Plan (MTFP) needed to be revised so that UCC and NDC could be provided with realistic information for inclusion in their own financial plans. An update report is to be provided for the Joint Board's next ordinary meeting in January 2008, but, at this stage, Ms Ensia asks the candidate to prepare a preliminary discussion paper for her personal consideration setting out the relevant issues.

The discussion paper is to include a revised MTFP income and expenditure projection, and a revised table showing the contributions required from the two authorities.

A Budget Priority Working Party of NDC is recommending unilateral changes to that authority's contribution and the candidate is asked to advise on the impact of this proposal and its potential consequences for the relationship between the Joint Board and the two authorities.

The candidate is also asked to assess whether savings could reasonably be made by reducing provisions for depreciation, for future major repairs and for the creation of a working balance.

Finally, throughout the case, it is evident that there is a tense relationship between the Chairman and Chief Executive of the Joint Board, while the effectiveness of BSL as management operators is also in some doubt. The candidate is asked to provide an assessment of these relationships.

3. Question 1

Aims

- a) To test candidates' understanding of the issues raised in the letter from the Councillor Twerp;
- b) To test candidates' ability under severe time pressure to recognise and analyse the facts and figures relevant to the issues raised;
- c) To test candidates' skill in presenting this information in a clear, concise and relevant draft reply for the Interim Treasurer's signature.

Assessment

a) Explanations of:

- *the high priority accorded to the NLA project by UCC*
- *the respective roles of (i) members of the Joint Board and (ii) the Treasurer to the Board*
- *the relative financial inputs to the project from UCC and NDC, as detailed in the October 2007 capital costs and funding statement and in the MTFP*
- *the weighting of the board representation of the two authorities.*

(8): A–8.

(i) the high priority accorded to the NLA project by UCC

- UCC took the major role in bringing the NLA into existence, following a county wide review of leisure facilities, which identified Nunsuch as suffering from severe under-provision compared with the rest of the county. PS iv
- The successful creation and launch of the NLA are key elements in two sections of UCC's overall Corporate Plan ("Striving for a Better Utopia"), these being the Sports Development Strategy and the Regeneration Strategy. PS iv

(ii) the respective roles of members of the Joint Board and of the Treasurer to the Board

- the role of a member of the Joint Board is to participate in the direction of the NLA's affairs in accordance with the stated objectives of the Joint Board and within the available funding. The objectives are as set out in the pre-seen material. PS ii
- some candidates may also decide to reproduce the direct responsibilities of the Joint Board as listed in the pre-seen. This list might, no doubt, prove helpful to Councillor Twerp, but it should not be viewed as essential to this part of the answer. PS ii
- all members of the Joint Board are required by law to act in the best interests of the NLA when dealing with NLA business. Councillor Twerp should therefore be considering issues before the NLA Joint Board on their own merits. PS ii

- the role of the Treasurer is to provide the NLA with financial management and accounting expertise, to maintain effective financial control on behalf of the Joint Board and to give independent financial advice to the Board
- although she has been seconded from UCC, the Interim Treasurer will be accountable on NLA business to the Joint Board, not to UCC.
- specifically, she will have no part in reporting to UCC or its committees about any matters concerning the NLA

PS iii

PS vi

PS vi

(iii) the relative financial inputs to the project from UCC and NDC as detailed in the October 2007 capital costs and funding statement and in the MTFP

- The relative contributions of the two authorities are:

Capital: UCC - £4.89 million; NDC - £0.55 million, (of a total capital cost of £10.3 million). UCC is also making available an interest free loan facility of up to £0.9 million during the construction of Phase 2.

MF6 &
14

Although NDC's capital contribution to the NLA is much lower than that of UCC, this outcome was the result of an agreement between the two authorities under which NDC contributed the major share of the cost (over £3.5 million) of the Nunsuch Parkway regeneration project.

MF13

Revenue: The contributions from the two authorities were to be allocated on the following basis:

PS v &
vi

	2007/08	2008/09	2009/10	2010/11
<i>Utopia County Council</i>	50%	50%	45%	40%
<i>Nunsuch District Council</i>	50%	50%	55%	60%

As NDC was facing serious problems in setting its budget for 2007/08, UCC agreed to make an additional revenue deficit contribution of £150,000 for that year only.

In return for its making this extra contribution, UCC stipulated that its remaining contributions for the Medium Term Financial Plan (MTFP) period must not exceed the levels shown in the MTFP by more than 4% in any one year. NDC agreed to accept this arrangement.

PS vi

The two authorities further agreed that, for the five years following the MTFP period, any further requirement for revenue support will be met 40% by UCC and 60% by NDC.

In cash terms, the amounts of revenue support anticipated in the MTFP are:

PS vii

	2007/08	2008/09	2009/10	2010/11	Total
	£'000	£'000	£'000	£'000	£'000
<i>Utopia County Council</i>	390	221	189	96	896
<i>Nunsuch District Council</i>	240	221	230	144	835

- The revenue support contributions of the two authorities may be subject to amendment because of the pending review of the MTFP (to be considered at the January 2008 meeting of the Joint Board) MF4
- NDC's share of revenue support costs is growing and will amount to 60% of the total from 2010/11 onwards. PS v
- The Joint Board has just been advised that NDC's Budget Priority Working Party is proposing that that authority's contributions are also capped at no more than 4% above the MTFP levels, in view of its adverse government grant settlement. The potential implications of this proposal are yet to be reported to the Joint Board. MF 26

(iv) the weighting of the board representation of the two authorities.

- The arrangement by which UCC and NDC each nominate three members to the eleven member Joint Board was arrived at following a joint meeting of the two cabinets. MF15

b) Responses to the specific questions posed by Councillor Twerp.

(8): C - 3; A - 5.

- Bar and catering facilities. The MTFP shows deficits on bar and catering as follows: PS viii

	2009/10	2010/11
Catering Suite	£'000	£'000
Gross profit	45	97
Staff costs & operating expenses	75	108
Deficit	(30)	(11)

These figures had been drawn up on a cautious basis, because of the need to build up the necessary volume of business to achieve an overall profit. MF5

However, following consideration of specialist advice, the Board has decided to seek tenders for a five year franchise, with an estimated income of £6,000 for 2009/10 and £12,000 for 2010/11.

- Management and administration costs. Items that could come within these headings for 2007/08 are included in the MTFP as follows:

PS viii

	<i>£'000</i>
<i>BSL administration costs</i>	<i>12</i>
<i>BSL management fee</i>	<i>78</i>
<i>Joint Board staffing costs</i>	<i>52</i>
<i>Joint Board - other management & admin costs</i>	<i>28</i>
	<i>170</i>

Management roles are shared between BSL and the Joint Board, not duplicated.

The BSL costs are incurred in relation to the day-to-day management of the NLA's operations. BSL were awarded their contract following consideration of competitive tenders.

PS iii

The Joint Board costs represent the costs of corporate governance and in particular the cost of discharging the responsibilities listed in the pre-seen material, i.e

PS ii
& iii

- Monitoring the service delivery and financial performance of BSL, which provides monthly operational management reports to the Board.
 - Future development plans.
 - Capital expenditure and funding transactions.
 - Maintaining good relations with sponsors.
 - Negotiation of revenue support from the two local authorities.
 - Insurance arrangements.
 - Commissioning major maintenance works.
- Phase 2 tenders – it would be inappropriate to comment to Councillor Twerp on the tenders received or the content of the confidential tender report in advance of the special meeting of the Joint Board on December 11th (which will be sent out to her in due course as a member of the Joint Board).

The response should therefore be limited to advising her that:

- the four organisations asked to tender by the Joint Board had all previously been vetted by UCC acting on behalf of the Joint Board
- four tenders were opened on 13 November, three from potential main contractors and one from a firm of project managers
- all of these tenders are currently being analysed, taking into account the tender prices and other relevant factors
- a full report will be made to the special meeting of the Joint Board
- the Councillor will be able to ask questions at that meeting about the suitability of any of the firms that are bidding.

MF 4 &
19

If Councillor Twerp still expects to be absent on holiday on December 11th, she may want to forward her comments and questions about the Phase 2 tenders to the Chairman, or to brief another board member to speak on her behalf.

- UCC loan – the loan facility allows for a maximum of £900,000 to be drawn by the Joint Board as required to cover any fluctuations in capital cash flow.

Construction of Phase 2 is due to start in April 2008, so the loan should not be required prior to then. The loan must be repaid by 30 September 2009 and UCC's interest costs are 5% per annum. Therefore, even if the full amount of the facility were drawn for the whole period, the maximum interest cost to UCC would be £67,500 (£900,000 x 5% x 18 months).

However, the period for which the loan will be required may be expected to be much less than the maximum allowable, so the interest cost to UCC should also prove in the event to be much lower.

Candidates should avoid getting entangled in issues regarding the impact of particular tenders on the borrowing requirement and ability to repay, as all of this will be covered in the report on Phase 2 tenders to the special meeting of the Joint Board.

MF14,
PS i

c) *Conclusions, presentation, usefulness, format, tact and general readability.*

(3): P - 3

The ability of candidates to produce a draft reply to the Councillor that is polite, informative and constructive, yet also firm where necessary is a most important aspect of this question. To achieve this result, candidates will need to demonstrate their ability to precis the relevant points, rather than to reproduce case material at full length.

4. Question 2

Aims

- (a) To test the candidates' ability to locate, analyse and process financial and related data in the context of a report to the Joint Board on the tenders received for a major capital project, including funding and cash flow considerations and comments on the results;
- (b) To test candidates' competence in drafting a report to the Joint Board.

Assessment

- a) *A brief introduction setting out the purpose of the report, the progress of the scheme, and a note of the overall capital costs and funding for those elements of the scheme (both phases) that have already been spent or committed to date.*

(2): A - 2

- A description of the purpose of the report and its contents.
- A brief note of the facilities included in Phases 1 and 2 of the project.
 - Phase 1: health and fitness suite and athletics track.
 - Phase 2: multi use sports hall, hockey and rugby pitches, club rooms, bar and catering facilities.
- A note of the timescale for the project, including the opening date for Phase 1, and the intended dates for start of construction and completion of Phase 2.
 - Phase 1: opened for business, 01 April 2007.
 - Phase 2: start on site due April 2008; due to open to the public on 01 July 2009.
- A note of the overall capital costs and funding for those elements of the scheme (both phases) that have already been spent or committed to date.

PS i

MF6

	<i>Actual</i>	<i>Committed</i>	<i>Total</i>
<i>Expenditure</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Preliminary & general costs</i>	724	45	769
<i>Phase 1</i>	4,933	241	5,174
<i>Phase 2 (initial fees)</i>	116	51	167
	5,773	337	6,110
<i>Funding</i>			
<i>Already received</i>			5,758
<i>Firmly committed</i>			352
			6,110

- b) *A summary of the approved/expected sources of funding for the further planned spending on Phase 2. Candidates are asked to set out the current status of each contribution and any conditions that are known to apply and to include comments and conclusions as to the degree of difficulty in meeting such conditions.*

(5):A - 3,R - 2

- Sources of funding, including current status and comments/conclusions are as set out in the table in Appendix A1.
- Candidates may note that total expected funding for balance of Phase 2 (£4,201,000) is already £19,000 less than total expected costs (before consideration of the current tender figures).
- 82% of funding can be considered to be assured (although subject to detailed conditions in some cases) and 18% expected, but not assured.
- The memorandum of 09 November from the Chief Executive leaves significant doubts over the contribution of £650,000 from the Utopian Enterprise Board, despite the Chief Executive's expressed confidence. The Interim Treasurer also refers to the unreliability of the UEB in her e-mail of 25 October 2007.
- The UCC loan facility should prove very useful in covering variations in cash flow, but it is regrettable from the Joint Board's viewpoint that it is fully repayable by 30 September 2009. This could cause problems if there are any delays to the completion date, which could delay release of other funding for the project.

App A1

MF6

App A1

MF1 &13

MF14 &
App A1

- c) *Details of the tenders received, showing (i) the estimated costs of proceeding with either the Hercules or Gulliver offers, as compared with the former Treasurer's October 2007 projection, and (ii) the allocation of the resulting cost variances to the two local authorities.*

(3): C - 3

- As set out in the table in Appendix A2
- The receipt of tenders A and B should be noted, but with the comment that they are ruled out of further consideration on cost grounds.

App A2

MF19

Note: For suggested calculations see Appendix A2, but note comments in 1 (e) above (page 1).

- d) *An annex showing the quarterly cash flows of payments and funding that will apply for both the Hercules and Gulliver options, including the use that would need to be made in both cases of the UCC loan facility.*

(7): C - 7

- As set out in the table in Appendix A3 & A4

Apps A3
& A4

Note: For suggested calculations see Appendix A3 & A4, but note comments in 1 (e) above (page 1).

e) *Details of the financial approvals that would need to be completed in both cases before either the Hercules or Gulliver bids could be accepted.*

(3): A - 3

- Utopian Enterprise Board – confirmation in writing needed from the UEB that this grant has been approved, including endorsement by the Ministry of Regeneration (applies to both Hercules and Gulliver)
- Grantalot (Lottery Board) – return of claim form by 16 January 2008, including NLA commitment to Sports Development Plan and acceptance of other Grantalot conditions (applies to both Hercules and Gulliver)
- Joe Hannesburg Trust – the NLA needs to respond to the conditions set out in the Trust's letter of 29 October 2007 and obtain written confirmation that the Trust is satisfied with the NLA's responses (applies to both Hercules and Gulliver).
- UCC and NDC (Hercules) – the Hercules tender would involve estimated costs of £123,000 in excess of available funding. In the absence of any other additional funding, UCC and NDC would need to be asked if they would be prepared to share the extra costs (£102,500 UCC; £20,500 NDC).
- Although the Hercules bid does not involve the UCC loan facility of £900,000 being exceeded, it comes close to that point in quarter ending 31 March 2009. A small change in cash flows could therefore cause a problem in this respect and this aspect needs to be drawn to the attention of the two authorities.
- UCC and NDC (Gulliver) – while the Gulliver tender would appear to produce a substantial saving, it would still require a larger loan facility from UCC to make it viable, so UCC approval would be needed. In view of the greater risks involved with Gulliver (see section (f) below), it would be advisable to consult both authorities about this aspect if the Board were minded to choose Gulliver. Note that any benefit from capital cost savings would accrue to UCC, and not be shared with NDC.

MF13

MF11

MF8

App A3
& PS v

App A4,
PS v,
MF14

f) *A discussion of the potential benefits and risks arising from the Hercules and Gulliver bids, explaining the importance that should be attached to each of them.*

(3):A - 3

- **Hercules**
Benefits
Established main contractor with good reputation for timely completion of contracts
Risks
Costs are already over budget at tender stage.
NLA may need to alter Phase 2 design - contractor has reputation of being keen to pursue opportunities to claim for additional payments.
- **Gulliver**
Benefits
Lower estimate at tender stage – if brought to fruition, could save £208,000 against budget – opportunity to make good some previous economies?

MF19

App A2
MF23

App
A2

Should be able to accommodate some design changes when letting individual contracts.

Expect to use smaller local firms (but perhaps these firms would also do sub-contract work for Hercules?)

Risks

Gulliver haven't worked in the Utopia area before – may not be familiar with local construction environment

Gulliver's programme provides for completion on 15 June 2009, only two weeks before the intended opening date for Phase 2 (30 June 2009) – this leaves minimal allowance to deal with any delays.

Managed project arrangement - no firm price at tender stage

Risk that individual contracts may prove more expensive than allowed for by Gulliver (but also possibility of savings) – note that demand for construction services in Utopia area is currently high, leading to upward pressure on prices.

Could be difficult to pin down responsibility between project managers and individual contractors, if problems arise (with potential for delays and additional costs).

Joint Board could incur additional monitoring costs if Gulliver are appointed.

- Most serious risk (lack of firm price) is with Gulliver.
- Gulliver is 7.22% cheaper than Hercules, but UCC Principal Auditor recommends that Gulliver should only be chosen if margin of saving is at least 8%.

g) *The candidate's conclusions and recommendations to the Joint Board as to how it should proceed.*

(2): R – 2

- It is clear that no tender should be firmly accepted unless/until the funding issues in (e) above have been cleared.
- While the Gulliver bid is well within budget, it cannot be implemented within the limits of the UCC loan facility.
- There are significantly greater risks with the Gulliver bid, and it doesn't quite meet the 8% lower cost margin recommended by UCC's Principal Auditor.
- There is no "right" recommendation – candidates may consider that pursuing the lower cost projected by Gulliver warrants accepting a greater degree of risk, providing the Joint Board understands the extent of risk involved. On the other hand, they may feel that the security of having Hercules as main contractor is more important, perhaps alongside a search for further savings. What is important is that they should set out logical arguments in support of their choice of recommendation.
- Any recommendations put forward in favour of not proceeding with Phase 2, re-tendering, etc should be considered on their merits, but any such recommendations should take into account potential abortive costs and the risk that some of the already approved funding could be put in jeopardy.

h) *Presentation, usefulness, format, tact and general readability.*

(2):P – 2

MF20

MF19

MF20

MF19 &
PS (i)
MF23

MF19 &
23

MF23

MF24

App
A2

MF24
App A2

5. Question 3

Aims

- a) To test the candidate's ability to locate, analyse, process and critically appraise financial and related data relating to membership recruitment to the NLA's Fitness Club
- b) To test candidates' competence in drafting a briefing note appropriate to the needs of the Chairman.

Assessment

- a) A comparison between the original MTFP projection of membership fee income and the income targets that would have resulted if the "typical growth pattern" reported in Sport and Leisure World had been applied. Use the MTFP average membership income rate of £30.00 per month. Include any comments as to why the NLA may not be expected to exhibit such a "typical growth pattern".

(4): C - 2, A - 2

- Calculations as set out in the table in Appendix B1.
- The MTFP fee income projections are more conservative than the typical growth pattern reported in Sport and Leisure World. Using the S&LW figures would have increased the target income by £94,000 over the four years.

App B1

	<i>MTFP</i>	<i>S&LW</i>	<i>Income difference</i>
			<i>£'000</i>
<i>End of Year 1 (31.03.08)</i>	<i>60.6%</i>	<i>65.0%</i>	<i>1.4</i>
<i>End of Year 2 (31.03.09)</i>	<i>79.9%</i>	<i>90.0%</i>	<i>35.2</i>
<i>End of Year 3 (31.03.10)</i>	<i>93.3%</i>	<i>100.0%</i>	<i>41.0</i>
<i>End of Year 4 (31.03.11)</i>	<i>100.0%</i>	<i>100.0%</i>	<i>16.2</i>
			<i>93.8</i>

- The MTFP projections were based on an extensive study of local market conditions – the S&LW benchmarks would reflect conditions nationally and we don't know how accurate and well researched they may be.
- There are a great many factors affecting demand at a particular site, such as the age composition of the local population, the average disposable income in the area, lifestyle preferences, traffic congestion, the strength of the competition and ease of access to other facilities. Even the weather and sporting events, etc, can have an effect in the short term.

MF9

MF12
MF3 & 4

- The NLA's marketing drive for group membership has been running behind schedule.
- The NLA has outstanding fitness facilities, but Nunsuch is not a particularly wealthy district, compared to other parts of Utopia. This may result in a slower take up of membership.

MF17

MF12

Note: For suggested calculations see Appendix B1, but note comments in 1 (e) above (page 1).

- b) *A statistical analysis to demonstrate whether there is any significant difference between the typical breakdown of membership in the various categories as reported in Sport and Leisure World and the actual breakdown observable at the NLA, including your conclusions from this analysis.*

(5): C – 4, R - 1

- Calculations (Chi² test) as set out in the table in Appendix B2
- The results of the test indicate that there can be confidence at the 95% level (but not at 99%) that the observable membership pattern at the NLA is significantly different from the pattern as reported nationally.
- It is clear from the figures in Appendix B2 that the low level of group members at the NLA is the main factor here, reinforcing the position stated by BSL that their marketing drive for group members is running behind schedule.

App B2

MF17

Note: For suggested calculations see Appendix B2, but note comments in 1 (e) above (page 1).

- c) *Details of:*

- *The cumulative shortfalls of membership numbers and income up to 31 October 2007 as compared with the levels allowed for in the MTFP.*
- *The average monthly income per member up to October 2007.*
- *The monthly membership attrition rate up to 31 October 2007 (as a percentage of the number of members at the start of each month.)*
- *Any specific known factors that may have had influence on recruitment levels at the NLA, together with your comments on the average monthly income per member and membership attrition rates.*

(6): C - 3, A – 3

- The shortfalls of membership numbers and income are summarised in the following table:

	MTFP	Actual	Shortfall	Shortfall (%)
<i>Average no. of Members for October</i>	465	432	33	7.1%
<i>No. of members (31 October)</i>	505	468	37	7.3%
<i>Income for October</i>	£13,950	£12,200	£1,750	12.5%
<i>Cumulative income</i>	£60,690	£55,940	£4,750	7.8%

MF10
&
AppB3

- Average monthly income per month - calculations as set out in the table in Appendix B3.
- Attrition rate to 31 October 2007 - calculations as set out in the table in Appendix B3.
- The specific factors noted under (a) above are again relevant here:

App
B3

- Special promotion offered by a competitor (Fitness Fast) in September 2007.
 - The effect of the Intercontinental Cup football in August 2007.
 - Group membership drive fell behind schedule – now stated to be under way again.
- The position in relation to average income per member appears still to be deteriorating – a calculation of average income per member shows a deterioration from £28.81 in April to £28.24 in October, indicating that recent recruitment has relied more on discounted memberships.
- There is no evidence to indicate that this downward trend is necessarily at an end. On the contrary, the intention to promote group memberships at discounted rates could further depress average income per member.
- The benchmark put forward by Sports and Leisure World is that the attrition rate in the early months should typically amount to 5% of the number of members at the start of the month. Elsewhere in the case, BSL appear to consider that a 6% attrition rate is unexceptional.
- The NLA's attrition rate was below the benchmark figure during May – August 2007. Since then it has increased to 5.8% in September and 6.6% in October.
- There appear to be issues about customer service which may be contributing to the poor attrition rate:
 - The Chief Executive's comments about "a small group of moaners". This indicates that complaints may not always be addressed seriously.
 - The Chairman's comments about some leavers feeling that they had been treated in an "off hand manner".

MF3

MF17

App
B3

MF 17

MF16
& MF12

App
B3

MF9

MF16

- The Chairman's comments about BSL needing to provide "a more attentive and committed customer service", together with similar comments from the Chief Executive.

MF15 &
22

- Clearly, the current rate of attrition could increase the shortfall of membership income if not dealt with. Candidates may wish to propose the commissioning of a structured survey of members' views about the facility and its service standards, and, in particular, a survey of recent leavers.

Note: For suggested calculations see Appendix B3, but note comments in 1 (e) above (page 1).

d) A revised projection of membership fee income over the four years of the MTFP, based on the actuals to 31 October and the information from BSL. Show the variances from the MTFP figures and explain any reservations that you may have.

(4): C - 2,A - 2

- Calculations as set out in the table in Appendix B4. Overall membership fee income is now forecast to be £80,000 lower over the four years than had been projected in the MTFP.

App B4

- Reservations:

- The revised figures rely on membership numbers recovering to 815 by 31 March 2008 and then meeting the original MTFP targets. The only evidence put forward in support of this by BSL is that there has been a good response from local firms to group membership offers. As the number of members was 7.9% below target as at 31 October 2007, BSL's view looks optimistic.
- The increasing attrition rate also puts in doubt the achievement of the target membership numbers.
- BSL also state that they think average membership income has now stabilised at £28.24 per month. There is no evidence put forward to support this. Against the original target of £30.00 per month, the average actually achieved has fallen from £28.81 in April to £28.24 in October, indicating a growing reliance on discounted memberships. What is there to show that this downward trend will not continue?
- The additional group memberships relied on by BSL are likely to be offered at discounted rates, which is likely to drive down further the average monthly fee.
- If the average figure of £28.24 per month proves to be too optimistic, then the subsequent estimates for periods up to 31 March 2011 will be overstated.

MF17
&
App B3

Note: For suggested calculations see Appendix B3 & B4, but note comments in 1 (e) above (page 1).

- e) *A projection of the financial implications of each of the three options put forward by BSL to improve membership recruitment, together with your evaluation of each of these options.*

(10): C - 7, A – 3

- Calculations for the three options as set out in the table in Appendix B5, B6 & B7.
- The net benefit up to 2010/11 from option 1 is estimated at £42,200; option 2 - £36,100; option 3 - £24,900. Candidates are not expected to undertake a DCF exercise to compare the three options – such an exercise should not affect the ranking of the net benefit between the options.

Apps B5,
B6 & B7

- Evaluation:

All options

- The income figures are only valid so long as the projected figures for basic membership growth and income per member are valid as per BSL's predictions.
- The benefits held out for the three options rely entirely on assertions from BSL without any back up evidence. More evidence is required, preferably from independent sources.
- Tackling the customer service issues referred to under (c) above could perhaps have a similar beneficial effect on recruitment and retention of members but with minimal extra costs.

MF15 &
22

Option 1 – additional marketing

- Given that there are substantial existing provisions for marketing in the MTFP, why should a relatively modest increase of £10,000 pa have the extent of benefit shown?
- Priorities for spending the existing budget should be re-examined to see if it can be used to greater effect.
- No allowance appears to have been made for the costs of recruiting and training the Fitness Coach.

Option 2 – special offer

- Again there is no supporting evidence to validate the effect of such a special offer.
- All new members (joiners) receive the benefit of the free membership, not just the additional recruits – this is therefore a high cost option.
- The beneficial effect will reduce year by year because of membership attrition – it appears to be too expensive to continue the special offer for the final two years of the MTFP.

Option 3 – improved service

- It would appear to be somewhat doubtful that the recruitment of one additional employee would make such a significant difference to the standard of service offered to all Fitness Club members.
- Has sufficient consideration been given to the possibility that membership cost may be more important to existing members than than higher standard of service? After all, the Chief Executive states that the NLA is already “generally acknowledged” to be the best equipped in the whole of Utopia.
- No allowance appears to have been made for the costs of recruiting and training the Fitness Coach.

MF9

Notes: For suggested calculations see Appendix B5, B6 & B7, but note comments in 1 (e) above (page 1).

f) A note of any other budget headings in the MTFP that may be affected by increases in membership levels and usage, apart from those mentioned by Nick O'Seer and the Chief Executive. (Any such items can be studied in more detail later, so do not attempt to quantify them now).

(2): A - 2

- Possible additional cost items with increased number of fitness members:
 - Building maintenance – additional wear and tear
 - Cleaning and grounds maintenance – extra cleaning and litter picking
 - Administration – extra costs of bank charges, producing and distributing member information, higher telephone costs, etc
 - Depreciation – equipment may need earlier replacement if it is more intensively used
 - Insurances – higher premiums?
- However, there is also the possibility of greater income from:
 - Higher Fitness Suite sales
 - Greater catering sales, once the Catering Suite is open on completion of Phase 2

g) Your conclusions about these membership issues and a recommendation as to which, if any, of BSL's options should be adopted. It is not necessary to consider at this stage whether some combination of the three options may be desirable – to be discussed later.

(3): R – 3

- Conclusions:
 - The MTFP projections were prepared on a more conservative basis than the industry norm quoted in Sport and Leisure World, the difference amounting to £94,000 over the four year period.
 - There is also a significant difference in the breakdown of membership categories, with group memberships being relatively underrepresented at the NLA.
 - There are some specific factors which may have affected member recruitment (as described above). The member attrition rate is now higher than the industry norm as quoted by S&LW and may have been affected by customer service issues.

- On the basis of the revised income and membership assumptions now put forward by BSL, the membership fee income levels allowed for in the MTFP appear to overstate the likely position by £80,000 over the four years, but BSL's assumptions may still be significantly over optimistic.
 - There are significant reservations in respect of each of the three options put forward by BSL to improve membership recruitment, as set out in (e) above.
- In view of the reservations listed in section (e) above, it would probably be safer to conclude that none of the three improvement options should be adopted without considerably more evidence being obtained as to their likely effectiveness.
- The alternative approach of reviewing the use of the existing marketing budget and tackling customer service issues appears to have considerable merit.
- However, candidates may obtain merit from recommending any of the three options, providing that they have cited reasonable grounds for making their choice.

h) Presentation, usefulness, format, tact and general readability.

(2): P – 2

- Although this briefing note is addressed to the Chairman, candidates can demonstrate a tactful approach by ensuring that a copy is also provided for the Chief Executive.

6. Question 4

Aims

- a) To test the candidate's ability to locate, analyse, process financial and related data so as to be able to prepare revised forecasts of the local authority contributions that will be required to support the NLA during the MTFP period.
- b) To test the candidate's ability to analyse the relationships between the various bodies involved in the operation and funding of the NLA, and the management relationships within the NLA.
- c) To test the candidate's competence in setting out these issues in a discussion paper for the Interim Treasurer.

Assessment

- a) *A table showing revised income and expenditure for each year of the MTFP period, allowing for the effect of all of the known variances.*

(3): C – 3

- The variances are as set out in Appendices C1 and C2. Candidates can amend the table at PS viii to show the revised position. A full statement of the revised estimates would clearly represent a more useful response to this part of the question than a simple list of variances.
- If candidates have calculated incorrect projections of fitness club membership income for Question 3, section (d), the incorrect figures may be repeated in their answers for this section. If so, "double jeopardy" should be avoided in awarding marks for this section.
- Some candidates may decide, as a matter of prudence, to reduce projected income levels, because of the reservations about membership fee income noted in section 3 (d) above. Such an adjustment should not be penalised, if reasonable in scale.

App C1 &
C2
PS viii

Note: For suggested calculations see Appendix C, but note comments in 1 (e) above (page 1).

- b) *A table showing the revised financial support requirement from the two authorities, (before considering NDC's letter of 26 November).*

(3): C - 3

- Revised requirement as set out in Appendix C3. Candidates can amend the table at PS vii to show the revised position.
- Allocation as follows:
 - Agreed percentage basis of contributions as per table in Pre-Seen.
 - UCC later agreed to pay an additional £150,000 lump sum for 2007/08.
 - In return, it was agreed that UCC's contribution should be capped in each year at no more than 4% above the totals shown in the MTFP.

App C3
PS vii

PS v

- o This capping mechanism comes into play in 2008/09 and 2010/11. As a result the total contributions of the two authorities are as follows:

	UCC	NDC
<i>Original MTFP</i>	<i>£896,000</i>	<i>£835,000</i>
<i>Revised MTFP</i>	<i>£947,000</i>	<i>£895,000</i>
<i>Revised MTFP after capping</i>	<i>£922,000</i>	<i>£920,000</i>

- o The estimated additional contribution costs up to 2010/11 are therefore £27,000 for UCC and £84,000 for NDC. (These figures may also work out at £26,000 and £85,000 as a result of roundings).
- o The implications of this change are serious for NDC in view of its difficult financial position and the significance of the NLA contribution as a proportion of its spending.

MF7
& 26

Note: For suggested calculations see Appendix C, but note comments in 1 (e) above (page 1).

- c) *The amounts of any funding shortfalls for the Joint Board that could be expected to result if the recommendations from NDC's Budget Priority Working Party were to be implemented.* **(2): C - 2**

- o Revised requirement as set out in Appendix C3.
- o If the NDC proposal were to be implemented, that authority's contributions would be reduced by £54,000 over the MTFP period. A revenue shortfall of £54,000 would therefore be projected for the Joint Board (£28,000 for 2008/09 and £26,000 for 2010/11).

App C3

Note: For suggested calculations see Appendix C, but note comments in 1 (e) above (page 1).

- d) *Your assessment of whether any of the current MTFP provisions for future maintenance, depreciation and working balance could reasonably be reduced, together with a note of the potential implications of so doing.* **(2): A - 2**

- Over the four years, the NLA will be setting aside £287,000 as contributions to the Major Repairs Reserve, £247,000 for depreciation of furniture and equipment, and £80,000 towards the creation of a working balance.
- Major Repairs Reserve - provision could be re-examined, but reducing provision could lead to the NLA leaving itself without sufficient funds to maintain the facilities properly. There could then be knock on consequences for its future attractiveness, usefulness and capacity to generate income. Reducing provision could also jeopardise the Joe Hannesburg Trust capital contribution.
- Depreciation – depreciation provision is required to comply with standard accounting principles, to recognise the use of capital assets. The method and amount of provision (including the assumed useful life of the relevant assets) could be re-examined. However, reducing provision without proper grounds would be unacceptable and could leave the NLA without

PS vii &
viii

MF8

adequate cash resources in the future to replace worn out items – this could then in turn jeopardise income, e.g. from the Fitness Club.

- Working balance – desirable that the NLA does maintain a working balance, so that it has some capacity to deal with unforeseen costs or loss of income. However, these contributions could be dispensed with if the two authorities were prepared to agree that alternative means of support would be made available, e.g. should unbudgeted expenditure become unavoidable.

e) *The wider implications as you see them for relationships between the Joint Board and the two funding authorities if NDC confirms the action proposed by its Working Party, together with your assessment as to how the Joint Board can seek to create a better understanding with the two authorities over future revenue support.*

(2): A – 2

- The NLA has been progressed as a joint project contributing towards the objectives of both authorities, and enjoying the commitment and support of both of them.
- The two authorities are jointly responsible at law for any revenue deficits incurred by the Joint Board and in the absence of agreement as to their respective contributions, an arbitrator would need to be appointed with binding powers as provided for in the Joint Board's founding documents.
- However, such a step would clearly have undesirable implications for the management of the NLA, for the cohesion of the Joint Board itself and it could undermine the confidence of BSL and other third parties in their dealings with the Joint Board.
- It is therefore highly desirable that all three parties (UCC, NDC and Joint Board) meet at a senior level to discuss the problem over contributions arising from the NDC Working Party's proposal. Preferably, this needs to happen before NDC's Cabinet considers the Working Party's proposal.
- It is clear that both sets of members are seriously concerned about the Joint Board's support requirement, and will presumably look to the Joint Board to put forward measures to improve its "bottom line".
- Whilst we know that NDC's budget problems are serious, it could be the case that UCC is facing an equally difficult situation. Therefore, it would be simplistic to assume that NDC's proposal should automatically be endorsed.

PS iv

PS vi

MF 7
& 26

f) *Your assessment of the effectiveness of current management arrangements within the Joint Board and of the state of the relationship between the Joint Board and BSL.*

(4): A – 4

- There are clearly some significant problems in relationships within the Joint Board and between the Chairman (Cllr Arkand) and Chief Executive (Jack Carter).
- The Chairman is totally committed to the NLA, e.g. in relation to fundraising, but this level of commitment appears to have made it difficult for him to retain objectivity on management issues.

MF2, 9
13 & 22

MF2, 4 &
16

<ul style="list-style-type: none"> • He has adopted a very “hands on” role, particularly in relation to the Fitness Club membership issue, to the exclusion of the Chief Executive. This is obviously creating difficulties in his relationship with the Chief Executive and in the Joint Board’s relationship with BSL. • He appears to have become somewhat remote from local authority financial concerns (e.g. his failure to attend the NDC Working Party meeting), and oversensitive to any criticism of the project. He is viewed by some as being dictatorial in his manner. • He may be withholding support from the Chief Executive, which is having a demoralising effect. 	MF2, 7 & 22
	MF2, 7 & 26
	MF 15 & 22
	MF2
<ul style="list-style-type: none"> • Other Board Members may not be acting as team, and demonstrating their responsibilities towards the Joint Board as well as to their nominating authorities. 	
<ul style="list-style-type: none"> • The Chief Executive’s original appointment was influenced by his great experience of development projects. Has he been able to adjust his priorities now that much of his role concerns the development of the NLA’s operations? It is not apparent that at the time of his appointment he possessed any qualifications or experience of specific relevance to leisure centre management. Has he received any training to assist him to adapt to his changing role? 	PS iii & MF22
<ul style="list-style-type: none"> • He appears to be concentrating on capital development issues at the expense of operational matters. According to the Chairman, he is ineffective in dealing with BSL. Does this indicate that he has a “comfort zone” that is influencing his time allocation? Equally, it is possible that he cannot reasonably be expected to cover an increasing workload within his contracted hours. 	MF 7, 15 & 22
<ul style="list-style-type: none"> • He also appears to be complacent in various respects – Fitness Club membership recruitment, membership attrition and customer satisfaction, and also in relation to the Utopian Enterprise Board grant application. 	MF 9, 13 & 15
<ul style="list-style-type: none"> • In relation to BSL, it may be noted that they were chosen on the basis of “their enthusiasm and commitment”. However, this may now be in doubt, given the indifferent membership figures, apparent customer service issues, and failure to promote group memberships. 	PS iii, MF 16 & 17
<ul style="list-style-type: none"> • They also appear to lack objectivity, e.g. in their belief that average monthly membership fees will not decline further and their confidence that modest additional marketing spending will result in considerable membership growth. 	MF 17 & 18
<ul style="list-style-type: none"> • It may also be noted that Cath Mandoo has spent some time “off site” doing other work for BSL, even though she is their site manager. Was this period of absence agreed with Jack Carter? It should be noted that BSL had previously undertaken that their Site Manager would be based full-time at the NLA. 	MF 12 PS iii
<ul style="list-style-type: none"> • Nevertheless, it may be noted that BSL have been very effective in at least one other respect, i.e. the successful organisation of the Junior Athletics Finals. 	MF 3
<ul style="list-style-type: none"> • Candidates are not specifically asked to set out a proposed course of action relating to the above issues, but should be given credit for any sensible proposals. 	

g) *Presentation, usefulness, format, tact and general readability.*

(2): P – 2

Nunsuch Leisure Arena - capital funding

FUNDING FOR PHASE 2 (excluding initial fees)					
Funding source	Amount	Status	Conditions	Comments & conclusions	Page reference
NDC grant	£'000 125	Approved	Joint Board must not enter into capital commitments in excess of approved funding.	NDC has to meet 16.67% of any overspends. This grant is not affected by NDC's budget problems.	PS v MF6, 7, 13 & 26
UCC grant	778	Approved	(i) Joint Board must not enter into capital commitments in excess of approved funding. (ii) Repayable to UCC to the extent that total funding exceeds capital costs.	UCC has to meet 83.33% of any overspends.	PS v MF6 & 14
UCC loan	900	Approved	(i) Can be used to cover fluctuations in cash flow. (ii) Must be repaid in full by 30 September 2009.	Interest cost to UCC is 5% pa. Conclusion: a tight repayment date, given that considerable amounts of funding are not receivable until July/August 2009, and depend on physical completion of scheme.	MF14
Utopian Enterprise Board	650	Expected	(i) Not yet formally approved - still requires confirmation from Ministry of Regeneration. It's not clear whether application has yet been made to the Ministry. The Interim Treasurer has referred to past unreliability of the UEB. (ii) At least 30 jobs must be created on NLA site. (iii) Probable drawdown: £400,000, Aug 2008 and £250,000 Aug 2009. (iv) Aug 2009 payment is subject to satisfactory completion on site.	Conclusions: 1. Job creation condition should not prove to be a problem. 2. Approval should not be counted on until received in writing - the UEB has tight budget constraints.	MF1, 6 & 13
Grantalot (Lottery Board)	2,100	Approved	(i) NLA must complete and return the claim form by 16 January 2008. (ii) Commitment by NLA and clubs to implement the Sports Development Plan is a key condition. (iii) Other conditions not yet known - complete list to follow. (iv) Payment in four instalments - dates of payments depend on speed of NLA capital expenditure.	Sport Atlantis to monitor progress on Sports Development Plan. Conclusions: 1. The full list of conditions will need to be carefully scrutinised when received, as they may not all prove acceptable to the Joint Board. 2. Any delays in reaching project milestones could result in delayed payment of grant and consequent cash flow problems.	MF6 & 11

Appendix A1 (continued)

FUNDING FOR PHASE 2 (excluding initial fees) - continued					
Funding source	Amount	Status	Conditions	Comments & conclusions	Page reference
Joe Hannesburg Trust	£'000	Approved	(i) Assurance to JHT that NLA has sufficient funds available to run the Arena properly in its first years, (ii) Assurance to JHT that NLA will put adequate sums aside for future maintenance. (iii) Contribution not available until May 2009. (iv) Hall to be named after JH's daughter.	Conclusion: NLA needs to provide necessary assurances and obtain written confirmation they have been accepted by the JHT.	MF6 & 8
	450				
Local fundraising	98	Expected		Good progress reported by Chairman - 50% expected quarter ending 30.06.08, balance by 30.09.08. However, this source of funding is not guaranteed.	MF6 & 13

TOTAL FUNDING (exc UCC loan)		
Approved	3,453	82%
Expected	<u>748</u>	18%
	4,201	

CAPITAL COSTS FOR PHASE 2				
	Pre-tender projection £'000	Hercules tender £'000	Gulliver tender £'000	Page reference
Capital costs - Phase 2				
Works	3,698	3,802) 4,012) MF6, 19,) 20 & 21)
Fees (excluding initial fees of £167,000)	324	324)	
Equipment	198	198)	
Total costs	4,220	4,324	4,012	
Available funding	4,201	4,201	4,201	MF6
Excess cost/saving (-) compared against available funding	19	123	-189	
Allocation of cost/saving compared against available funding				
Utopia County Council (83.33% of overspends)	15.8	102.5	-189.0	PS v
Nunsuch District Council (16.67% of overspends) (100% of any excess funds are returnable to UCC)	3.2	20.5	-	PS v
Excess cost/saving (-) compared against pre-tender projection	0	104	-208	
Allocation of cost/saving compared against pre-tender projection				
Utopia County Council (83.33% of overspends)	0	86.7	-208.0	PS v
Nunsuch District Council (16.67% of overspends) (100% of any excess funds are returnable to UCC)	0	17.3	-	PS v
Percentage variance from pre-tender estimate	100.0% 0.0%	102.5% 2.5%	95.1% -4.9%	
Percentage variance between tenders		100.0%	92.8% -7.2%	

CASH FLOW - HERCULES TENDER										
Phasing of costs - Hercules		2008/09				2009/10				Page reference
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
% phasing - works and fees		7%	23%	27%	23%	17%	3%			MF20
% phasing - equipment						50%	50%			MF20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Works	3,802	266	874	1,027	874	646	114			MF 19 & 20
Fees	324	23	75	87	75	55	10			MF 6, 20 & 21
	4,126	289	949	1,114	949	701	124			
Equipment	198	0	0	0	0	99	99			MF 6, 20 & 21
Total costs	4,324	289	949	1,114	949	800	223			
Total - cumulative		289	1,238	2,352	3,301	4,101	4,324			
% of total payments		7%	29%	54%	76%	95%	100%			
Available funds - Hercules		2008/09				2009/10				
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
NDC	125	125								MF6, 7 & 13
UCC	778	115	500	163						MF6 & 14
UEB	650		400				250			MF13
Grantalot	2,100			525	525	1,050				MF6, 11, 19 & 20
JH Trust	450					450				MF6 & 8
Local fundraising	98	49	49							MF6 & 13
Total funding	4,201	289	949	688	525	1,500	250			
Cumulative funding		289	1,238	1,926	2,451	3,951	4,201			
Funding shortfall		-0	-0	426	850	150	123			MF14
Use of UCC loan facility		0	0	426	850	150	123			
Balance not covered by UCC loan		0	0	0	0	0	0	SEE NOTE		
Share of final shortfall:										
UCC	83.33%						102			PS v
NDC	16.67%						21			PS v

Note: although the UCC loan could be available during the quarter ending 30 September 2009, it must be repaid at that date.

CASH FLOW - GULLIVER TENDER										
Phasing of costs - Gulliver		2008/09				2009/10				Page reference
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
% phasing		5%	15%	25%	29%	23%	3%			MF20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Works, fees and equipment	4,012	201	602	1,003	1,163	923	120			MF19 & 20
Total - cumulative		201	802	1,805	2,969	3,892	4,012			
% of total payments		5%	20%	45%	74%	97%	100%			
Available funds - Gulliver		2008/09				2009/10				
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
NDC	125	125								MF6, 7 & 13
UCC	778	27	152	599						MF6 & 14
UEB	650		400				250			MF13
Grantalot	2,100				525	525	1,050			MF6, 11, 19 & 20
JHT	450					450				MF6 & 8
Local fundraising	98	49	49							MF6 & 13
	4,201	201	601	599	525	975	1,300			
Cumulative funding		201	802	1,401	1,926	2,901	4,201			
Funding shortfall		0	0	404	1,043	991				
Funding surplus							189			
Use of UCC loan facility		0	0	404	900	900	0			MF14
Balance not covered by UCC loan		0	0	0	143	91	0	SEE NOTE		
Refund due to UCC							189			

Note: Phase 2 cannot proceed on the basis of the Gulliver tender unless a way can be found of obtaining bridging finance to cover the excess funding needed over and above the UCC loan facility during Q4, 2007/08 and Q's 1 & 2, 2008/09.

NLA Fitness Club - membership fee income calculations

COMPARISON BETWEEN MTFP AND "SPORT & LEISURE WORLD" GROWTH PATTERNS						
	MTFP		S&LW			Page reference
	No.	%	No.	%	Average no. in year	
Target membership						
Total	1,345		1,345			PS i
By end of Year 1 (31.03.08)	815	60.6%	874	65.0%	437) MF10
By end of Year 2 (31.03.09)	1,075	79.9%	1,211	90.0%	1,042) MF15
By end of Year 3 (31.03.10)	1,255	93.3%	1,345	100.0%	1,278)
By end of Year 4 (31.03.11)	1,345	100.0%	1,345	100.0%	1,345)
Monthly average fee						
Year 1	£30.00		£30.00) MF25
Year 2	£30.00		£30.00)
Year 3	£30.00		£30.00)
Year 4	£30.00		£30.00)
Annual income	£'000		£'000			
Year 1	156		157			MF10
Year 2	340		375			
Year 3	419		460			
Year 4	468		484			
Total	1,383		1,477			
Additional income on S&LW projection			£'000			
Year 1			1.4			
Year 2			35.3			
Year 3			41.0			
Year 4			16.2			
Total			93.8			

CHI-SQUARE TEST - MEMBERSHIP CATEGORIES

Membership category	NLA (31.10.2007)		National survey			Page ref.
	No.	%	%	No.		
Full membership - individuals	249	49.31%	44.50%	225		MF16 & 27
Full membership - family rate	37	7.33%	6.50%	33		
Off peak membership - individuals	79	15.64%	14.40%	73		
Off peak membership - family rate	12	2.38%	2.40%	12		
Concessionary membership rate	42	8.32%	8.00%	40		
Group membership rate	86	17.03%	24.20%	122		
	505	100.00%	100.00%	505		

* Shaded figures are shown for information - not essential to answer.

Null hypothesis: there is no association between the NLA membership breakdown and the national survey results.

(5 degrees of freedom)	Observed frequency	Expected frequency	$(O-E)^2$	$(O-E)^2/E$	χ^2	χ^2
Significance level					5%	1%
Full membership - individuals	249	225	576	2.560		
Full membership - family rate	37	33	16	0.485		
Off peak membership - individuals	79	73	36	0.493		
Off peak membership - family rate	12	12	0	0.000		
Concessionary membership rate	42	40	4	0.100		
Group membership rate	86	122	1,296	10.623		
	505	505		14.261	11.070	15.086

Results: the null hypothesis must be rejected at the 5% significance level, but is accepted at the 1% level.

MEMBERSHIP FEE INCOME SHORTFALL - APRIL - OCTOBER 2007						
	MTFP	Actual	Shortfall	Percent shortfall	Page reference	
No.of members by 31.10.07	505	468	37	7.33%	MF10	
Membership fee income to 31.10.07	£ 60,690	£ 55,940	£ 4,750	7.83%	MF10	

AVERAGE MONTHLY MEMBERSHIP FEE					
	Average no. of members	Income for month	Average fee per member £	Page reference	
MTFP target			30.00	MF3	
NLA actual performance		£	£		
April	95	2,737	28.81	MF10	
May	218	6,281	28.81		
June	267	7,662	28.70		
July	292	8,343	28.57		
August	305	8,681	28.46		
September	354	10,036	28.35		
October	432	12,200	28.24		
		55,940			
Percent shortfall in monthly average fee as at 31.10.07			5.87%		

MEMBERSHIP ATTRITION RATE TO 31 OCTOBER 2007 (As percentage of no. of members at beginning of month)					
	No. of members	No. of leavers	Attrition rate %		Page reference
S&LW benchmark			5.0%		MF16
NLA actual performance					
May	189	8	4.2%	MF10	
June	247	5	2.0%		
July	286	6	2.1%		
August	297	13	4.4%		
September	312	18	5.8%		
October	396	26	6.6%		

ANTICIPATED SHORTFALL AGAINST MTFP MEMBERSHIP FEE INCOME PROJECTIONS						
	2007-08	2008-09	2009-10	2010-11		Page reference
Original MTFP projection						
No. at start of year	0	815	1,075	1,255		MF10
No. at end of year	815	1,075	1,255	1,345		
Average		945	1,165	1,300		
Average monthly income	£30.00	£30.00	£30.00	£30.00		MF3 & 10
	£'000	£'000	£'000	£'000		
Income (MTFP)	156	340	419	468		MF10
Revised projection	2007-08	2008-09	2009-10	2010-11		
No. at start of year	0	815	1,075	1,255) MF10
No. at end of year	815	1,075	1,255	1,345) MF17
Average		945	1,165	1,300		
Average monthly income (from Nov 07)	£28.24	£28.24	£28.24	£28.24		MF17
	£'000	£'000	£'000	£'000		
Income (actual to 31.10.07)	56					MF10
Income (01.11.07 - 31.03.08)	91					MF 17
Income (08/09 onwards)	0	320	395	441		
	147	320	395	441		
Shortfall from original	9	20	24	27		
Overall shortfall				80		

MEMBERSHIP RECRUITMENT OPTION 1 - ADDITIONAL MARKETING						
Option 1-additional marketing		2008-09	2009-10	2010-11		Page reference
Income calculations						
Additional membership at year end		76	130	160		MF18
Average extra membership in year		38	103	145		
Average monthly income (from Nov 07)	£28.24	£28.24	£28.24	£28.24		MF17
Additional income generated		£12,877	£34,905	£49,138		
Cost calculations						
Marketing additional cost	£10,000					MF17
Fitness coach (f/t) - annual cost	£16,000					MF18
Variable costs per additional member per month	£3.00					MF22
Additional costs		£	£	£		
Marketing		10,000	10,000	10,000		MF17
Fitness coach (half time from 01.04.2010)		0	0	8,000		MF22
Variable costs for extra members		1,368	3,708	5,220		MF22
Management Fee bonus calculation						
Average membership in year (MTFP)		945	1,165	1,300		MF10
Average additional members (from above)		38	103	145		
Average total membership - revised		983	1,268	1,445		
Members above 1,200 threshold for Management Fee bonus		0	68	245		PS iv
Members above 1,200 allowed for in MTFP		0	0	100		MF10 & PS viii
Extra members for Management Fee bonus		0	68	145		PS iv
Management bonus cost per extra member		£30.00	£30.00	£30.00		PS iv
Additional cost of management fee		£0	£2,040	£4,350		
Net additional income		£'000	£'000	£'000		
Additional income generated		12.9	34.9	49.1		
Additional costs incurred						
Marketing		10.0	10.0	10.0		
Fitness coach (1/2 time)		0.0	0.0	8.0		
Variable costs		1.4	3.7	5.2		
Management Fee extra bonus		0.0	2.0	4.4		
Total additional costs		11.4	15.7	27.6		
Net extra income		1.5	19.2	21.6		
Cumulative extra net income				42.2		

MEMBERSHIP RECRUITMENT OPTION 2 - SPECIAL OFFERS						
Option 2-special offer (one month's free membership to joiners)						
		2008-09	2009-10	2010-11		Page reference
Income calculation - additional income						
Average extra membership in year		50	85	60		MF18
Average monthly income (from Nov 07)	£28.24	£28.24	£28.24	£28.24		MF17
Additional income generated		£16,944	£28,805	£20,333		
Income calculation - cost of special offer						
<i>N.B. Special offer applies to all "joiners", not just to the additional cohort.</i>						
Gross member recruitment as per MTFP		545				MF18
Additional recruitment from special offer		150				MF18
		695				
Cost of special offer (one free month)		£28.24				MF17
Total cost of special offer		£19,627	£0	£0		
Cost calculations						
Variable costs per additional member per month	£3.00					MF22
Additional costs						
Variable costs for extra members		£1,800	£3,060	£2,160		
Management Fee bonus calculation						
Average membership in year (MTFP)		945	1,165	1,300		MF10
Average additional members (from above)		50	85	60		
Average total membership - revised		995	1,250	1,360		
Members above 1,200 threshold for Management Fee bonus		0	50	160		PS iv MF10 & PS viii
Members above 1,200 allowed for in MTFP		0	0	100		PS iv PS iv
Extra members for Management Fee bonus		0	50	60		
Management bonus cost per extra member		£30.00	£30.00	£30.00		
Additional cost of management fee		£0	£1,500	£1,800		
Net additional income						
Additional income generated		£'000 16.9	£'000 28.8	£'000 20.3		
Less cost of special offer		-19.6	0.0	0.0		
		-2.7	28.8	20.3		
Additional costs incurred						
Variable costs		1.8	3.1	2.2		
Management Fee extra bonus		0.0	1.5	1.8		
Total additional costs		1.8	4.6	4.0		
Net extra income		-4.5	24.2	16.4		
Cumulative extra net income				36.1		

MEMBERSHIP RECRUITMENT OPTION 3 - IMPROVED SERVICE LEVEL						
Option 3 - improved service level		2008-09	2009-10	2010-11		Page reference
Income calculations						
Average membership in year (MTFP)		945	1,165	1,300		MF10
Fee increase for enhanced service		4.0%	2.0%	2.0%		MF18
Enhanced monthly fee	£28.24	£29.37	£29.96	£30.56		MF17 & MF18
Additional fee		£1.13	£1.72	£2.32		
Additional income generated		£12,810	£24,004	£36,132		
Cost calculations						
Fitness coach (f/t)	£16,000					MF18
Additional costs		£	£	£		
Fitness coach		16,000	16,000	16,000		
No increase in no. of members, so no additional variable costs.						
Management Fee bonus calculation						
No additional members, therefore no change to management fee.						
Net additional income		£'000	£'000	£'000		
Additional income generated		12.8	24.0	36.1		
Additional costs incurred						
Fitness coach		16.0	16.0	16.0		
Total additional costs		16.0	16.0	16.0		
Net extra income		-3.2	8.0	20.1		
Cumulative extra net income				24.9		

MEDIUM TERM FINANCIAL PLAN - INCOME					
	2007-08 £'000	2008-09 £'000	2009-10 £'000	2010-11 £'000	Page reference
INCOME - ORIGINAL					
Items under management of BSL					PS viii
Phase 1					
Fitness suite - membership fee income	156	340	419	468	
Fitness suite - casual use and class fees	54	65	75	83	
Fitness suite sales - gross profit	12	24	32	38	
Athletics track	13	31	46	52	
Physiotherapy studio	0	0	0	0	
	235	460	572	641	
Phase 2					
Sports hall - competition and training use	0	0	47	88	
Sports hall - events	0	0	16	60	
Club room - rents	0	0	20	45	
Pitch fees	0	0	32	43	
Catering suite - gross profit	0	0	45	97	
	0	0	160	333	
Other income					
Catering suite - franchise rent	0	0	0	0	
Sport Atlantis - sport development contribution	22	22	22	0	
	22	22	22	0	
TOTAL INCOME - ORIGINAL	257	482	754	974	2,467
	2007-08 £'000	2008-09 £'000	2009-10 £'000	2010-11 £'000	
INCOME - CHANGES					
Items under management of BSL					
Phase 1					
Fitness suite - membership fee income	-9	-20	-24	-27	App B4
Fitness suite - casual use and class fees	3	5	5	5	MF27
Fitness suite sales - gross profit					
Athletics track					
Physiotherapy studio			5	7	MF9
	-6	-15	-14	-15	
Phase 2					
Sports hall - competition and training use					
Sports hall - events					
Club room - rents					
Pitch fees					
Catering suite - gross profit			-45	-97	MF5
	0	0	-45	-97	
Other income					
Catering suite - franchise rent			6	12	MF5
Sport Atlantis - sport development contribution	0	0	0	0	
	0	0	6	12	
TOTAL INCOME CHANGES	-6	-15	-53	-100	-174
	2007-08 £'000	2008-09 £'000	2009-10 £'000	2010-11 £'000	
INCOME - REVISED					
Items under management of BSL					
Phase 1					
Fitness suite - membership fee income	147	320	395	441	App B4
Fitness suite - casual use and class fees	57	70	80	88	
Fitness suite sales - gross profit	12	24	32	38	
Athletics track	13	31	46	52	
Physiotherapy studio	0	0	5	7	
	229	445	558	626	
Phase 2					
Sports hall - competition and training use	0	0	47	88	
Sports hall - events	0	0	16	60	
Club room - rents	0	0	20	45	
Pitch fees	0	0	32	43	
Catering suite - gross profit	0	0	0	0	
	0	0	115	236	
Other income					
Catering suite - franchise rent	0	0	6	12	
Sport Atlantis - sport development contribution	22	22	22	0	
	22	22	28	12	
TOTAL INCOME - REVISED	251	467	701	874	2,293

MEDIUM TERM FINANCIAL PLAN - EXPENDITURE					
EXPENDITURE - ORIGINAL	2007-08 £'000	2008-09 £'000	2009-10 £'000	2010-11 £'000	Page reference
Items under management of BSL					PS viii
Both phases					
Building maintenance - day to day items	25	38	55	58	
Cleaning	36	41	62	62	
Grounds maintenance	22	24	41	48	
Marketing	47	26	22	22	
Staffing costs (BSL operational staff)	301	306	357	357	
Utility supplies	69	73	96	96	
Other operating costs	53	56	64	64	
Administration costs (BSL)	12	12	13	13	
Catering suite - staff costs and operating expenses	0	0	75	108	
	565	576	785	828	
Items under the direct control of the Joint Board					
BSL management fee and bonus	78	88	88	92	
Building mtce - contribution to Major Repairs Reserve	57	71	85	74	287
Depreciation - furniture and equipment	51	51	70	75	247
Insurance (property and liability)	36	38	45	45	
Staffing costs (Joint Board staff)	52	54	54	54	
Other management and admin costs	28	26	26	26	
	302	328	368	366	
TOTAL EXPENDITURE - ORIGINAL	867	904	1,153	1,194	4,118
EXPENDITURE CHANGES	2007-08 £'000	2008-09 £'000	2009-10 £'000	2010-11 £'000	
Items under management of BSL					
Both phases					
Building maintenance - day to day items			-12	-8	MF2
Cleaning					
Grounds maintenance					
Marketing					
Staffing costs (BSL operational staff)	-5				MF4
Utility supplies	13	25	36	45	MF27
Other operating costs					
Administration costs (BSL)					
Catering suite - staff costs and operating expenses			-75	-108	MF5
	8	25	-51	-71	
Items under the direct control of the Joint Board					
BSL management fee and bonus			-3	-5	MF27
Building mtce - contribution to Major Repairs Reserve					
Depreciation - furniture and equipment					
Insurance (property and liability)	6	6	10	12	MF22
Staffing costs (Joint Board staff)					
Other management and admin costs					
	6	6	7	7	
TOTAL EXPENDITURE CHANGES	14	31	-44	-64	-63
EXPENDITURE - REVISED	2007-08 £'000	2008-09 £'000	2009-10 £'000	2010-11 £'000	
Items under management of BSL					
Both phases					
Building maintenance - day to day items	25	38	43	50	
Cleaning	36	41	62	62	
Grounds maintenance	22	24	41	48	
Marketing	47	26	22	22	
Staffing costs (BSL operational staff)	296	306	357	357	
Utility supplies	82	98	132	141	
Other operating costs	53	56	64	64	
Administration costs (BSL)	12	12	13	13	
Catering suite - staff costs and operating expenses	0	0	0	0	
	573	601	734	757	
Items under the direct control of the Joint Board					
BSL management fee and bonus	78	88	85	87	
Building mtce - contribution to Major Repairs Reserve	57	71	85	74	287
Depreciation - furniture and equipment	51	51	70	75	247
Insurance (property and liability)	42	44	55	57	
Staffing costs (Joint Board staff)	52	54	54	54	
Other management and admin costs	28	26	26	26	
	308	334	375	373	
TOTAL EXPENDITURE - REVISED	881	935	1,109	1,130	4,055

MEDIUM TERM FINANCIAL PLAN - LOCAL AUTHORITY CONTRIBUTIONS							
	2007-08 £'000	2008-09 £'000	2009-10 £'000	2010-11 £'000	TOTAL £'000	Page reference	
ORIGINAL						PS vii	
Income	257	482	754	974	2,467		
Expenditure	867	904	1,153	1,194	4,118		
Contribution to balances	20	20	20	20	80		
	887	924	1,173	1,214	4,198		
LA contribution requirement	630	442	419	240	1,731		
Percentage contributions							
Utopia County Council	50%	50%	45%	40%		PS vi	
Nunsuch District Council	50%	50%	55%	60%		PS vi	
Allocated to:						PS vi & vii	
Utopia County Council - lump sum	150	-	-	-	150		
Utopia County Council - percentage	240	221	189	96	746		
Utopia County Council - total	390	221	189	96	896		
Nunsuch District Council - percentage	240	221	230	144	835		
	630	442	419	240	1,731		
REVISED						App C1	
Income	251	467	701	874	2,293		
Expenditure	881	935	1,109	1,130	4,055		
Contribution to working balance	20	20	20	20	80		
	901	955	1,129	1,150	4,135		
LA contribution requirement	650	488	428	276	1,842	App C2 PS v & vii	
Percentage contributions							
Utopia County Council	50%	50%	45%	40%			PS vi
Nunsuch District Council	50%	50%	55%	60%			PS vi
Allocated to:						PS vi	
Utopia County Council - lump sum	150	-	-	-	150		
Utopia County Council - percentage	250	244	193	110	797		
Utopia County Council - total	400	244	193	110	947		
Nunsuch District Council - percentage	250	244	235	166	895		
	650	488	428	276	1,842		
BUT UCC contribution is capped at 4% above MTFP levels in each financial year, therefore:						PS vi	
UCC contribution (MTFP)	390	221	189	96			
Add 4%	16	9	8	4			
UCC contribution (Maximum)	406	230	197	100			
Revised allocation is therefore:							
Utopia County Council	400	230	193	100	922		
Nunsuch District Council	250	258	235	176	920		
	650	488	428	276	1,842		
Extra contributions needed compared with MTFP	2007-08 £'000	2008-09 £'000	2009-10 £'000	2010-11 £'000	TOTAL £'000		
Utopia County Council	10	9	4	4	27		
Nunsuch District Council	10	37	5	32	84		
Total	20	46	9	36	111		
Effect of capping NDC's contribution	2007-08 £'000	2008-09 £'000	2009-10 £'000	2010-11 £'000	TOTAL £'000	MF 26	
NDC contribution (as per MTFP)	240	221	230	144	835		
4% maximum addition	10	9	9	6	34		
Total funding available per NDC letter	250	230	239	150	869		
Revised allocation to NDC as above	250	258	235	176	920		
Funding shortfall	0	-28	4**	-26	-54**		

** The possible £4,000 "surplus" of funding for 2009/10 may not be available to offset deficits in the other years.