

IPSWICH SPORTS CLUB
NEW HOCKEY PITCH, LIGHTS & FENCING

'FINANCIAL BRIEFING PAPER' SHOWING THE IMPACT THAT COMBINED MEMBERS & BANK LOAN COULD HAVE ON THE ISC FINANCES

PROJECT COST

| | |
|---------------------------|-----------------|
| Pitch | £175,000 |
| Fence | £35,000 |
| Lights | £35,000 |
| Contingency | £10,000 |
| Unrecoverable VAT | £34,000 |
| | ----- |
| TOTAL PROJECT COST | £289,000 |
| | ===== |

These costs are currently being negotiated with approved contractors so they may vary up or down once the Tender Documents are agreed and submitted to the approved contractors for detailed final costing.

GRANTS applied for:

- Hockey Foundation £50,000, secured
- England Hockey £50,000, awaiting confirmation after 16th June 2016
- Sport England £75,000, we are advised that **NO** grant will be given to this project.

Currently we have only two options to consider.

1. We now have an offer of a £50,000 grant from The Hockey Foundation
2. We await the final decision from England Hockey for their offer of a £50,000 grant. It would appear that no decision was made at the meeting on 12th May because they were assimilating the impact on applicants who had been unsuccessful with their Sport England grant application. They want to be sure of the ability to deliver the project without the Sport England funding and as such will be sending a letter out to those applying for the EH grant asking for an absolute commitment to borrow or identify the additional money to be able to deliver the project. I understand they will be looking at the project costs, what money is available and how much borrowing is required to deliver the project. No decision will be made until their next meeting on the 16th June.

Points to note when looking at the projected costs

1. Members of the Hockey Section have confirmed that they will provide a loan of £80,000 at 2% interest over base (currently 0.5%) which will be repaid the earlier of when the proceeds of the sale of land at Henley Road have been received by ISC or after 5 years if the sale has not been completed.
2. In addition, the Hockey section is donating £10,000 from separately gifted funds, arising from a bequest to hockey several years ago.
3. A sinking fund of £13,333 has been provided for to set up the structure to be able to replace this new pitch in 12-15 years' time.

May 17, 2016

The following two options show the sum of money that the club will have to borrow and the likely impact on Ipswich Sports Club [ISC] cash flow over the period of the loans.

OPTION 1 – We only secure £50,000 from Hockey Foundation

- Total borrowing requirement £239,000
- Less: £80,000 members loan @ 2.5% = £2,000pa
- Less: Donation from Hockey Bequest £10,000
- £149,000 bank loan @ 3.5% over 10yrs = £17,720pa
- ANNUAL COST £19,720
- ANNUAL SINKING FUND PROVISION £13,333
- **TOTAL ANNUAL IMPACT ON CASH RESERVES - £33,053**

OPTION 2 – We secure £50,000 from the Hockey Foundation & £50,000 from England Hockey

- Total borrowing requirement £189,000
- Less: £80,000 members loan @2.5% = £2,000pa
- Less: Donation from Hockey Bequest £10,000
- £99,000 bank loan @ 3.5% over 10yrs = £11,730pa
- ANNUAL COST £13,730
- ANNUAL SINKING FUND PROVISION - £13,333
- **TOTAL ANNUAL IMPACT ON CASH RESERVES - £27,063**

INCOME GENERATED BY THE INVESTMENT

The hockey working party has submitted a business plan to generate cash by renting the new hockey pitch to local football and other clubs. These plans require refining and could involve costs to manage.

At 7.5% of the available hours per week the investment would generate an income of £15,845 per annum.

At 10% of the available hours per week the investment would generate an income of £21,126 per annum.

Hockey annual subscription income is expected to rise by £6,500pa in year 4.

Clearly this will not be sufficient to cover the Hockey Project loan repayments and sinking fund

ISC CURRENT BORROWINGS - £294,620 – CURRENT LOAN & INTEREST REPAYMENTS £87,000 per annum

CURRENT ANNUAL CASH SURPLUS –

| | |
|---|----------------|
| Cash surplus before depreciation & interest - | £120,000 |
| Less tennis lights fund [ring fenced] | (£15,000) |
| | ----- |
| | £105,000 |
| Less Current loan repayments | £87,000 |
| | ----- |
| CURRENT FREE CASH GENERATED | £18,000 |
| | ===== |

THE ANNUAL FREE CASH OF £18,000 WILL BE NEEDED TO FUND :-

1. Shortfall on Hockey Project Loan repayments after income generation
2. The repayment of member's loan
3. Trading fluctuations
4. General Capital expenditure and major repairs

SUMMARY

Currently we now have only two options to consider. Both options show, the level and cost of borrowing that the club might be committed to repaying long term should the sale of land at Henley Road not materialize. The council believes that the issue members have to consider is what level of borrowing is acceptable against the risk of not realizing a capital sale. If the members feel that an acceptable level of borrowing, does not fund the full project. Then elements of the project will have to be deferred until the Henley Road sale is completed.