Appendix 4 – Civic Quarter Financial Modelling and Analysis

Executive Summary

This report summarises the methodology which has been used in financial modelling of the various Civic Quarter options, the outputs of these models, and the key risks and assumptions involved should any of the options be selected by members.

Methodology

Financial models for all three assets have been developed individually by sector-specific experts and then brought together into one combined finance model which shows the impact over 30 years on the General Fund. Carter Jonas have also prepared calculations on an investment appraisal basis, for comparison purposes. All models have been reviewed and challenged by the council's own Finance team.

Since the council has an identified General Fund budget gap and low reserves headroom, the starting assumption is that in order for the project to be affordable it must not result in a requirement to draw down from General Fund reserves on an ongoing basis. Where temporary support is required, sufficient reserves must be available in advance to support this.

All modelling is subject to a number of key assumptions, risks and limitations. These are set out in detail within this report, together with the Chief Finance Officer's assessment of risk and sensitivity analysis.

Options appraisal

Four options have been modelled for the purpose of this report, depending upon the decision taken on the Guildhall. In all options, it is currently assumed that the redevelopment of the Corn Exchange and Market Square go ahead, subject to a package of value engineering options which has been proposed by the Development Team. The four options on the Guildhall are as follows:-

- Option 1 – Redevelop for mixed use (council offices and commercial space)
- Option 2 – As option 1, but with all office space given over to commercial lettings. The council would retain the civic space and halls, but office accommodation would remain at Mandela House.
- Option 3 – Proceed with the Corn Exchange and Market Square only for now. Parts of the Guildhall would be let in its current condition (subject to some urgent compliance works) to tenants prepared to undertake their own internal improvements and fit-out. Office accommodation would remain at Mandela House.
- Option 4 – Sell the Guildhall in its current condition. Office accommodation would remain at Mandela House.

The key financial metrics associated with each option are set out in the following tables:

Investment appraisal modelling	**Option 1**	**Option 2**	**Option 3**	**Option 4**
Total capital expenditure	£95.7m	£95.7m	£53.8m	£53.4m
Net present value (NPV) over 30 years	-£49.1m	-£42.4m	-£24.9m	-£14.7m
Internal rate of return (IRR) over 30 years	0.42%	1.35%	1.03%	2.26%
Payback period	29 years	26 years	28 years	24 years

The above appraisal methodology is useful for comparing the broad economic effects of each of the options, but does come with some limitations as follows:

- In assessing the NPV and IRR over 30 years, no allowance has been made for the residual value of the assets after 30 years. This is very difficult to predict as it will depend upon each asset's condition and broader market considerations at the time. This is a prudent approach, but will penalise options 1 and 2 as it essentially assumes an asset life of 30 years, when in reality the assets can reasonably be expected to have a life of 50 years or more.
- The figures above consider only the cashflows associated with the Civic Quarter project directly, so for example do not take account of the impact of removing existing budgets at the Guildhall, Corn Exchange, Market Square and Mandela House. Negative NPVs are to be expected in this instance as they reflect the economic cost of the requirement for the council to have office accommodation.
- The NPV and IRR figures have been calculated including sunk capital costs. This methodology differs from the usual approach to investment appraisal which only considers future cashflows, but has been chosen to represent the 'whole project' impact of each of the options presented.
- Payback periods have been calculated using undiscounted cashflows. Therefore, achieving payback does not necessarily mean that an option produces a positive net book value when taking into account the cost of capital and the time value of money.
- The figures do not take into account the loss of income from the temporary closure of the Corn Exchange, for which a separate allowance of £4.4 million has been made within reserves under each of the options.

A more relevant way to assess the options in the council's broader financial context is to consider the impact on the General Fund, as follows:

General Fund impact modelling	**Option 1**	**Option 2**	**Option 3**	**Option 4**
Annual impact in 2031/32	-£1.4m	-£1.3m	-£0.5m	+£0.2m
Total impact over period to 2031/32	-£6.8m	-£5.9m	-£3.0m	-£1.0m
Total impact over 30 years	-£7.4m	+£5.8m	+£10.6m	+£31.4m
Discounted impact over 30 years at today's prices	-£8.5m	+£0.4m	+£5.5m	+£20.1m

The main limitation of this method is that it focuses on changes from the existing approved MTFS. So, for example, there is no 'notional' cost of capital included for using cash balances within the Civic Quarter Development Reserve or leftover borrowing from the Park Street project, since this is already taken account of in the MTFS. This provides more accurate modelling of the General Fund impact, but does not reflect the true 'opportunity cost' to the council of the project, i.e. that if the project did not go ahead then these resources could be used elsewhere. Again, none of the figures above include losses from the temporary closure of the Corn Exchange, which will be funded separately from the Civic Quarter Development Reserve.

Financial modelling of income from the Corn Exchange and Guildhall (where applicable) assumes relatively conservative assumptions in the early years of operations, on the basis it will take several years for the full revenue potential to be realised. As a result, each of the models shows revenue losses in the early years, leading to a draw on the General Fund which is significant in some cases. As above, it is assumed that there is no ability for the current General Fund reserves to support such losses, therefore there is a requirement to identify new ongoing General Fund savings or revenue sources. This is particularly the case for options 1 and 2, which require the highest levels of capital spend and therefore have the highest financing costs.

One option would be to appropriate some of the income being generated from the Park Street redevelopment project which completed last year. The council is currently generating £1.9 million more income per year from the aparthotel than the prudent figure which was included in the latest Medium-Term Financial Strategy (MTFS).

This income is relatively secure as the hotel is let on a 30-year lease. It is therefore proposed that some of this income could be used to support the affordability of the Civic Quarter project, as follows:

- Additional income of £1.9 million per year in 2026/27 and 2027/28 to be set aside in an earmarked reserve to support early-year losses, alongside the £1 million currently earmarked for provision of a temporary venue which will no longer be required for this purpose – this will create a £4.8 million Civic Quarter Contingency Reserve.
- Half of the additional income to be used to support the ongoing revenue position of the project for the first 15 years of operation (from 2028/29), with the remainder going back to unallocated General Fund resources to assist with closing the budget gap.

If this approach is agreed, the overall General Fund impact of each option after taking into account this additional support is as follows:-

General Fund impact modelling – including Park Street income	**Option 1**	**Option 2**	**Option 3**	**Option 4**
Total impact over period to 2031/32	-£3.0m	-£2.0m	+£0.8m	+£2.8m
Total impact over 30 years	+£6.9m	+£20.1m	+£24.9m	+£45.8m
Discounted impact over 30 years at today's prices	+£3.3m	+£12.2m	+£17.3m	+£31.9m

In all cases, the proposed allocation of £4.8 million to the Civic Quarter Contingency Reserve would then be sufficient to cover the early year losses, on the basis of the modelling performed. However, this is subject to a number of key assumptions and risks, and it remains possible that, if future income is less than projected, and/or future costs more, there could be a net negative impact on the General Fund which would require further savings to be found.

Taking all of this into account, the financial appraisal of each of the options can be summarised as follows:-

Option 1 – Redevelop the Guildhall for mixed use

The base-case scenario can be accommodated within the proposed funding and reserve strategy, but only by allocating Park Street income that would otherwise be available to support the wider General Fund. This is a material financial commitment, and therefore this option is not entirely self-financing. In addition, future cashflows are at risk from changes in assumptions, particularly in relation to commercial rent at the Guildhall and income from the Corn Exchange, and whilst it may be possible to mitigate this risk to some extent through the holding of reserves, there will remain a risk that future pressures may require savings to be made from elsewhere in the General Fund.

Option 2 – Redevelop the Guildhall for mainly commercial use

The base-case scenario can be accommodated within the proposed funding and reserve strategy, but only by allocating Park Street income that would otherwise be available to support the wider General Fund. This is a material financial commitment, and therefore this option is not entirely self-financing. In addition, future cashflows are at risk from changes in assumptions, particularly in relation to commercial rent at the Guildhall and income from the Corn Exchange, and whilst it may be possible to mitigate this risk to some extent through the holding of reserves, there will remain a risk that future pressures may require savings to be made from elsewhere in the General Fund. Option 2 is more financially favourable than option 1 but also comes with more exposure to risk around the office rental market. However, this does provide some assurance around potential flexible use of the Guildhall should circumstances change in the future, e.g. if option 1 were selected but council accommodation was no longer required following local government reorganisation, conversion to commercial space is likely to remain a viable option.

Option 3 – Proceed with the Corn Exchange and Market Square only

Option 3 is affordable for the council on the basis modelled but should be seen as a short-term solution pending a further decision on the Guildhall at a later date. Initial indications are that around £14 million of capital expenditure would be available for a revenue-neutral proposal at the Guildhall, but clearly if additional revenue can be generated, or savings realised from the disposal of Mandela House, then this figure would increase. The model will remain subject to risk around future income levels at the Corn Exchange. However, it is important to note that the likelihood of maintaining this model for 30 years without significant additional capital spend on the Guildhall and/or Mandela House is low. Therefore, the modelled benefit to the General Fund of £24.9 million over 30 years should not be interpreted as a forecast outcome because it excludes the cost of any future redevelopment proposal for the Guildhall, which is likely to become necessary before the end of the modelling period (unless it were to be sold).

Option 4 – Sell the Guildhall

Option 4 is affordable for the council and the most financially attractive option on the basis of the assumptions modelled. If the council wished to move out of Mandela House in the future, the model indicates capacity to support approximately £2.0 million per year of rental costs, or alternatively around £39 million of capital expenditure based on current rates. If additional revenue could be generated then this figure could increase. However, no whole-life costing of alternative accommodation has been carried out, therefore these figures should be treated with caution, e.g. if operating costs were higher in a new building then the amounts available would reduce. The biggest risk in respect of this option is whether or not it would be possible to find a buyer for the Guildhall. The model will also remain subject to risk around future income levels at the Corn Exchange.

Key risks

The most significant financial risks associated with the project are assessed as follows:-

- **Capital overruns** – Whilst a fixed price contract will be sought, and contingency has been allowed in the capital budget, this is a large and complex project and unforeseen overruns remain possible. This should be mitigated by putting into place bespoke project monitoring arrangements, and removing or reducing the council's usual capital overspend tolerance.
- **Guildhall rental income** – Options 1 and 2 both rely heavily upon future rental income from commercial office space at the Guildhall. Both assume a reasonably regular reletting cycle of 5-10 years. Should anticipated rental values not be achieved, for example due to fluctuations in the office accommodation market, or should the council be unable to let some or all of the space for an extended period of time, the impact on the General Fund could be significant.
- **Corn Exchange income** – All four models rely heavily on future net income from the Corn Exchange, which is predicated on a significant uplift in activity levels, ticket prices and associated charges, and food and beverage income in the redesigned venue. Consultants have worked closely with the council's Cultural Services team to ensure that assumptions are realistic and defensible – however if it proves impossible to meet these income targets upon reopening, for example due to a wider economic downturn or unforeseen constraints on activity levels, then this could lead to a significant ongoing impact on the General Fund.
- **Interest rates** – All four models require some level of new external borrowing to support the project, ranging from £13.4 million to £60.3 million. Interest rates are currently approaching 30-year highs, and borrowing for longer periods is generally more expensive than for shorter periods. Whilst the council will take professional advice on the proper borrowing mix, the current assumption for modelling purposes is that there will need to be an appropriate mix of long-term and short-term loans, in order to take advantage of the lowest rates, whilst also providing some protection against future refinancing risks. Should interest rates be higher than they currently are at the point of financing, or subsequent

refinancing, this could have a significant ongoing impact on the General Fund. Options 1 and 2 require substantially more borrowing and therefore are exposed to the greatest risk in this area.

- **Sale of assets** – Where the options rely upon the sale of either Mandela House or the Guildhall (or both), this will clearly be subject to finding a willing buyer. This may prove difficult given the current market and condition of the buildings, or else it may not be possible to achieve the valuations assumed.

Within each detailed option appraisal in this report, sensitivity analysis has been carried out on each of these risks to show the potential impact of changes in assumptions on the General Fund. In addition, the Combined Scenario Analysis section looks at what could happen if a number of risk factors were to crystallise in combination.

In a moderate downturn scenario, it is likely under options 1 or 2 that additional recurring General Fund savings of around £1.1 million per year would need to be delivered in order to maintain the council's target reserve level. In a more severe (unlikely but possible) scenario, the savings requirement could be around £2.5 million.

Options 3 and 4 would have more capacity to absorb a moderate downturn without significant impacts on other services, although in a more severe downturn scenario these would also come under pressure and require additional savings to be found.

Member considerations

Members may wish to consider the following specific questions in relation to the project finances:

- Do you agree with the general principle that we should plan for the project to be at least cost neutral for the General Fund over time?
- Do you agree with the proposal to allocate 50% of excess income from the Park Street hotel for 15 years to support the project to achieve cost neutrality?
- Do you agree that the leftover borrowing from the Park Street project (£11.7 million) should be allocated towards the Civic Quarter project?
- Do you agree with the proposal to set up a Civic Quarter contingency reserve of £4.8 million?
- In options 1 and 2, do you agree with the proposed package of value engineering options for the Guildhall? Are there any alternatives you would like to see modelled?
- In options 2, 3 and 4, do you support the ongoing use of Mandela House for council office accommodation, or should alternatives be sought?
- Do you agree with the proposals set out in the main report for bespoke capital monitoring arrangements to mitigate the impact of potential capital overspends?

Financial context

The following contextual analysis is based upon information set out in the 2026/27 Budget Setting Report which was approved by Full Council in February 2026. These figures will be refreshed over the coming months as part of the 2027/28 budget setting process, but for now the previous report provides a useful starting point in considering the council's wider financial context.

The council is currently projecting to have unallocated General Fund reserves of £12.3 million by 2030/31. Note that this is reliant upon the council reducing its net General Fund expenditure by a further £1.4 million per year by the same point. Whilst this is a relatively modest savings target, the source of these savings has not yet been identified.

The projected reserves balance of £12.3 million should be seen in the context of a target level of reserves which is currently £9.7 million. Assuming this increases in line with inflation this target level would be £10.5 million by 2030/31. This means there is a projected 'headroom' of £1.8 million by 2030/31.

The recent government decision to pause local government reorganisation (LGR) is likely to increase preparation and implementation costs, should LGR still go ahead. It is likely that this will lead to additional costs of up to £1.5 million in 2028/29, which will therefore erode most of the remaining General Fund headroom.

Whilst the target level is not a statutory limit, if reserves fall below this level it would represent a first indicator of potential financial distress, and would trigger immediate action to reduce expenditure and restore reserves. This would likely result in cuts to service. In normal circumstances, the council would not approve an annual budget or Medium-Term Financial Strategy (MTFS) which would result in the projected reserves balance falling below the target level.

For these reasons, it is unlikely that there will be any headroom within the existing General Fund budgets to absorb any additional costs relating to the Civic Quarter project. Therefore, the starting assumption is that in order for the project to be affordable, it must be at least revenue neutral for the General Fund over the medium-term (including the effect of financing costs).

Approach to modelling and assurance

In order to understand the impact of the various options on the council's General Fund over time, it is necessary to model both the capital cost and financing of the project, and the ongoing impact on revenue budgets from changes to income streams and running costs of the assets.

The council has engaged three teams of consultants with relevant sector-specific expertise to develop revenue business models for each of the three assets. These are as follows:-

- Guildhall – Carter Jonas
- Corn Exchange – Blue Horizon
- Market Square – Place Partnership

Each of the models has then been reviewed in detail by the council's own Finance team. This review process included the following:-

- A check and reperformance of the mechanics of the model and the Excel formulae used.
- Line-by-line review and challenge of key assumptions and inputs by the Chief Finance Officer, in conjunction with the Development Team and other council services who use the assets.
- Detailed discussions with consultants and budget managers on the key assumptions and inputs used.
- Sensitivity analysis on key assumptions as set out later in this report.

In addition to the revenue cost models, the capital cost budget has been developed by Sir Robert McAlpine (SRM) and validated by Calford Seaden, the council's employer's agent. This has again been reviewed by the Chief Finance Officer.

Appraisal techniques

There are two different appraisal techniques which have been applied to the various options modelled, which each have a different focus.

Firstly, Carter Jonas have prepared combined traditional investment appraisals of all three assets under each of the options. These appraisals consider only the cashflows associated with the project, both in terms of capital spend and future revenue income and expenditure. These cashflows have been used to derive a net present value (NPV) and internal rate of return (IRR) for each option. This is useful for comparing options, and for understanding how a commercial investor may view them – however it is important to remember that this is not a commercial project, and the primary benefits are non-financial.

The second approach has been developed by the council's Finance team in order to model the projected impact on the General Fund of each of the options over time. This considers not only the future income and expenditure associated with each asset, but also financing costs, and the impact of removing existing related revenue budgets.

The characteristics of the two models can be summarised as follows:

Characteristic	Investment Appraisal Model (NPV/IRR)	General Fund Impact Model
Baseline	Considers only future cashflows, so ignores savings from removing existing office accommodation budgets. Note that the model does take account of capital costs already incurred and/or committed in order to provide an indication of the return on the project as a whole.	Uses current approved MTFS as a baseline, so takes account of the impact of removing existing budgets.
Inflation	All cashflows expressed at current (real) prices. Inflation is instead incorporated within the cost of capital assumption.	All cashflows are expressed at future (nominal) prices taking into account anticipated future inflation.
Cost of capital	Weighted average cost of capital applied based upon assumed financing sources. Use of council reserves attracts a nominal cost of capital to reflect opportunity cost (as these reserves cannot be spent or invested elsewhere).	Marginal financing costs estimated based upon expected actual external borrowing. No cost of capital applied to use of reserves or cash balances where cost is already reflected in the current MTFS.
Use	Comparing the discounted cashflows of various options and understanding how these might be viewed by a commercial investor.	Understanding the impact of various options on the council's General Fund, assessing the affordability and risk associated with the project and deciding on the need for future revenue provisions.

Note that all modelling has been carried out over a 50-year period, but this report focuses on the first 30 years. This is because future cashflow projections become less certain over time. Since, under each option, project cashflows are forecast to improve with time, carrying out a project appraisal over too long a period risks placing too much emphasis on more positive cashflows in later years which are much less certain. However, it is anticipated that the Guildhall and Corn Exchange in particular will have a useful economic life of at least 50 years, and on this basis it has been assumed that external borrowing will be repaid over a 50 year period. This approach, whilst prudent, does mean that the residual value of the redeveloped assets after 30 years is not taken into account – this will particularly penalise options 1 and 2 which require a higher level of capital spend.

Note also that both techniques ignore the impact of the temporary closure of the Corn Exchange, which will be financed separately from the Civic Quarter reserve.

Key Assumptions and Inputs

The tables on the following pages set out the key assumptions and inputs that have been used in the preparation of the models. The risk ratings show the Chief Finance Officer's assessment of both the likelihood that actual future experience will differ from the assumptions used, and the potential impact should this occur. Assumptions which are commercially sensitive are included within the confidential appendix.

Assumption	Methodology/Value	Risk Assessment		Comments
		Likelihood	Impact	
<u>Guildhall</u>				
Rental income – leased space	Estimated by Carter Jonas on a suite by suite basis, taking into account the size, location and desirability of each office suite. For example, higher rental valuations have been ascribed to the upper floors than to the basement. In addition, likely void periods and rent incentives have been modelled, again at a suite by suite level. More detail is provided within table 1 of the confidential appendix.	Medium	High	The revenue model projects significant rental income from leased space. There are inherent risks associated with this, for example if the council is unable to let one or more suites for an extended period of time, or is unable to achieve the predicted rental levels, this could cause a shortfall of income which may require further savings to be made elsewhere. The council could also become liable for empty business rates on office suites which are vacant for long periods of time.
Rental income – managed space	Estimated by Carter Jonas based upon an assumed rent per desk, with occupancy rates starting at 50% in year 1 and then rising gradually to 90% by year 9. The model assumes the space is managed externally under a commission model. More detail is provided within table 2 of the confidential appendix.	Medium	Low	There is some risk here around rental values and occupancy rates, although the occupancy assumptions used are conservative, and overall income values lower than for the leased space.
Conference and events income	For options which involve refurbishment of the Guildhall, this has been estimated by Blue Horizon on the basis of the following eventual annual activity levels by year 6 (with slightly more conservative assumptions in earlier years): • 45 conferencing events, including 15 with food • 5 self-produced events • 50 weddings, including 16 with drinks reception and 8 with food Hire charges, ticket prices, attendance, food and drink profit and associated costs have been modelled by Blue Horizon in conjunction with the relevant council team based upon past experience and the proposed future operating model. Further detail is provided in table 3 of the confidential appendix. No income is assumed for options 3 or 4.	Medium	Low	Achievement of this income stream will depend upon the ability to generate the level of activity predicted, which will be subject to the quality of the offering and market forces. Weddings in particular are an untested market for the council. Hire charges will also be subject to market forces. However, as the level of income generated is relatively low in the context of the Guildhall as a whole, the impact of any variance will be less.

Assumption	Methodology/Value	Risk Assessment		Comments
		Likelihood	Impact	
Business rates	The rateable value of a refurbished Guildhall has been estimated by business rate specialists Ryan Tax at around £2.23 million, based upon plans of the proposed building. This valuation has been broken down by individual building parts to allow it to be apportioned between the council and commercial tenants. Future revaluations are assumed on a 3-yearly cycle in line with an average 2% per annum increase to reflect long-term CPI expectations. Current business rate multipliers have been assumed for the duration of the model.	Medium	Medium	This represents roughly a tripling of the current rateable value of the building and therefore appears to make a reasonable allowance for uplift following improvements. Risk is more likely to arise from changes to government policy around business rates, as opposed to significant shifts in rateable value, particularly in the near term.
Utility costs – council occupied space	Estimated based upon the target usage annual demand as identified in the Sustainability Statement adopted at Planning Stage, adjusted to reflect subsequent value engineering. Estimated electricity usage will be 93.5kWh/sq m. Electricity unit pricing has been set initially at 26.11p/kWh by reference to published Ofgem average pricing for July to September 2026. Long-term annual cost inflation of 2% has been assumed.	High	Medium	Utility costs can be particularly volatile to changes in the global political and economic environment. However, this is an ongoing risk which is borne across all council property assets regardless of the option chosen. Options which see the Guildhall refurbished to a more energy efficient specification will see the future risk associated with energy prices reduced.
Other operating costs	Based upon an indicative service charge budget as prepared by a specialist team within Carter Jonas, from plans of the building. The costs applied are based upon comparable local buildings, and it is assumed these will be apportioned out to commercial tenants in proportion to the floorspace used. For financial modelling purposes, this assumes that management of the building is outsourced, although no decision need be taken on the future operating model until much closer to practical completion. Long-term annual cost inflation of 2% has been assumed.	Medium	Medium	Total initial gross operating costs of the building are predicted to be around £1.27 million per year, compared with a current budget of £410k, and equivalent figure from 2020/21 (the last year of full occupation) of £206k. Again, this allows for significantly increased operating costs in the refurbished building and is therefore considered to be reasonably prudent – although it is inherently difficult to predict such costs until the building is fully commissioned.
Alternative council accommodation costs	For options which do not involve the council taking office space within the Guildhall, it is assumed that the council would continue to occupy Mandela House. Costs have been estimated based upon draft 2027/28 budget figures, with 2% annual inflation over the long-term. The model also includes one-third of the current council Facilities Management costs to represent the cost of managing Mandela House, and an additional capital spend allowance of £205k per year (increasing by 2% inflation each year) to represent the fact that further capital investment will be required in Mandela House to support ongoing occupation by the council.	Medium	High	Ongoing operating costs are based upon current experience therefore considered low risk. However, it is possible that the new capital allowance of £205k per year will be insufficient over the longer term, particularly if substantial works are required in respect of energy efficiency and/or compliance in the future.

Assumption	Methodology/Value	Risk Assessment		Comments
		Likelihood	Impact	
Corn Exchange				
Net box office retention income	Based upon detailed modelling of likely programme by show type, average attendances and ticket prices by Blue Horizon. This assumes the following: • An average of 32.5 shows per year • Average attendance of 1,268 • An average ticket price of £35+VAT in year 1, rising to £50+VAT by year 5 and 2% per year thereafter • Average producer payments in line with current experience (see table 4 in the confidential appendix)	Medium	Medium	The model assumes a significant increase in average attendances from a current figure of around 800, alongside an increase in average ticket price upon reopening from the current £24+VAT. Whilst the consultants have confirmed that the assumptions reflect current market trends, and have provided comparators, the arts sector can be particularly volatile to outside economic influences.
Performance hire income	Based upon detailed modelling of likely programme by show type, average attendances and ticket prices by Blue Horizon. This assumes the following: • 153 shows in year 1, rising to 210 by year 5 and 219 by year 9 • Average attendance of 871 in year 1, rising to 1,081 by year 9 • An average hire charge in line with industry benchmarks (see table 4 in the confidential appendix)	Medium	High	The model is predicated on a significant expansion of activity levels – this has been validated by the Director of Communities. Initial assumptions were for a higher hire charge to reflect the fact that it will be a high-quality refurbished venue – however for prudence these have been reduced to a more standard industry benchmark within the modelling.
Food and beverage income	Assumes an initial average spend per head of £7.50, with gross cost of sales of 28-35% depending upon stock category, based upon advice from Blue Horizon. An adjustment factor has then been applied to reflect maximum bar throughput, starting at 106% in year 1, 99% in year 2, then decreasing to 72% by year 9 as overall attendance increases. Inflation has been applied to the average spend per head at 2% per year.	Medium	High	The model includes a significant increase in income from food and beverage as compared to the current Corn Exchange, although this is based upon an improved bar offering which will be able to serve more guests. The use of capacity adjustment factors is a prudent approach in the context of limited interval time for some shows. The use of a factor of 106% in year 1 is ambitious, but the impact very minor (£27k). There is also potential upside from bar opening outside of showtimes – this has not been modelled due to inherent uncertainty but could provide an additional income stream.

Assumption	Methodology/Value	Risk Assessment		Comments
		Likelihood	Impact	
Other performance income	Assumes an initial booking fee of £3.50+VAT per ticket, and a building levy of £1.50+VAT per ticket. These will increase periodically in increments to reach £4.50+VAT and £2.00+VAT respectively by year 9.	Medium	High	The additional booking fee and building levy per ticket for all attendees is an important part of the Corn Exchange model. Whilst the consultants have confirmed that the assumptions reflect current market trends, the arts sector can be particularly volatile to outside economic influences, and if attendance is lower than anticipated, or if market pressures require charges to be lowered, this will impact upon the level of income generated.
Conference and events income	Estimated by Blue Horizon on the basis of the following eventual annual activity levels by year 6 (with slightly more conservative assumptions in earlier years): • 43 standard conferencing events, including 15 with food • 3 large conferences with food • 5 self-produced events Hire charges, ticket prices, attendance, food and drink profit and associated costs have been modelled by Blue Horizon in conjunction with the relevant council team based upon past experience and the proposed future operating model. Further detail is provided in table 4 of the confidential appendix.	Medium	Medium	Achievement of this income stream will depend upon the ability to generate the level of activity predicted, which will be subject to the quality of the offering and market forces. Hire charges will also be subject to market forces.
Staff costs	Permanent staff costs are estimated based upon current establishment plus three additional posts to reflect the likely needs of the redesigned venue. Casual staff costs have been modelled at an initial £3,620 per performance to reflect current experience, with additional amounts allowed for extra stewarding and bar staff costs in the new venue. All costs have been inflated by 2% per year on an ongoing basis.	Medium	Medium	Risks around permanent staff costs are relatively low due to the extensive experience the council has of operating the venue. There is a risk that casual staff costs may differ from assumptions in a redesigned venue, for example if it is found that current assumed levels of bar staffing are too low (or too high) after a few months of operation.

Assumption	Methodology/Value	Risk Assessment		Comments
		Likelihood	Impact	
Business rates	The rateable value of a refurbished Corn Exchange has been estimated by business rate specialists Ryan Tax at around £95,000, based upon plans of the proposed building. This valuation has been broken down by individual building parts to allow it to be apportioned between the council and commercial tenants. Future revaluations are assumed on a 3-yearly cycle in line with an average 2% per annum increase to reflect long-term CPI expectations. Current business rate multipliers have been assumed for the duration of the model.	Medium	Low	This is broadly in line with current rateable value which reflects the fact that, whilst improvements will be made, the overall capacity of the venue will not increase significantly. Future risk is more likely to arise from changes in government policy, for example if there were to be a removal of the separate retail, hospitality and leisure business rate multiplier.
Other operating costs	Based largely upon previous year actuals, adjusted where appropriate to anticipate changes to budgets required in the new venue. For example, it is assumed that energy costs will reduce in a more energy efficient building, but there will be a significant increase in marketing costs to support the higher activity levels.	High	Medium	Due to the number of individual cost components it is likely that there will be some degree of over- and under-estimation, as it is difficult to estimate the true operating costs of a new venue prior to it entering operation. However, sense checking against current costs indicates that the overall cost assumption is reasonable, and an annual contingency of £100,000 has been included within the operating budget for other costs not separately identified.
Market Square				

Rental income – permanent stalls	Rental income has been calculated using the following assumptions based upon the Market Square design:
	• 12 standard stalls (including 8 food and drink) and 31 premium stalls (including 19 food and drink)
	• Initial annual rent set at current rent levels plus 2% per year inflation:
	  ○ Standard stalls: £1,077/sq m
	  ○ Premium stalls: £1,382/sq m
	  ○ Food and drink stalls: additional £1,000/stall
	• Annual rent increases of 5% in years 2-5, then 2% thereafter
	• Average occupancy rate of 90%
		Low	Low	The assumed occupancy rate of 90% is slightly ambitious compared to the current rate of 84% across the market as a whole, but this will be supported by the council's commitment to maintaining existing rent levels (adjusted for inflation) in year 1. Traders have been informed of the need for slightly above inflation rent increases in the subsequent four years as a result of the council's investment in the market including the provision of overnight security and additional cleaning. However, it will be important that this position can be maintained in order to support the ongoing costs of operation in the future.

Assumption	Methodology/Value	Risk Assessment		Comments
		Likelihood	Impact	

Rental income – demountable stalls	Rental income has been calculated using the following assumptions based upon the Market Square design:
	• 18 standard stalls (including 2 food and drink) and 36 premium stalls (including 4 food and drink)
	• Within the above, 6 half-size stalls charged at half rent
	• Initial daily rent set at current rent levels plus 2% per year inflation:
	  ○ Standard stalls: Mon-Tue £13.53; Wed-Fri £19.98; Sat-Sun: £41.04
	  ○ Premium stalls: Mon-Fri £23.93; Sat-Sun: £48.59
	  ○ Food and drink stalls: additional £9.05/day plus £1,000/year
	• One-off rent increase of 10% on all Wed-Sun rents in year 2 (with Mon-Tue rents increasing by 2%)
	• Subsequent annual rent increases of 5% in years 3-5, then 2% thereafter
	• Average occupancy rate of 80%
		Medium	Low	The nature of the business model on the demountable stalls means there is inherently more risk around occupancy, since traders are able to occupy on a day-by-day basis. However, the commitment to maintaining current rent levels in the first year of operation should be attractive to traders. Current occupancy rates across the market average 84%. Traders have been informed of the need for slightly above inflation rent increases in the subsequent four years as a result of the council's investment in the market including the provision of overnight security and additional cleaning. However, it will be important that this position can be maintained in order to support the ongoing costs of operation in the future.

Staff costs	Permanent staff costs are estimated based upon current establishment plus an increase in Market Operatives from 0.7FTE to 4.0FTE, and a new post of Marketing, Comms and Events Officer. Pay enhancements have been modelled based upon each officer working 26 weekends and 4 bank holidays per year. All costs have been inflated by 2% per year on an ongoing basis.	Low	Low	Risks around permanent staff costs are relatively low due to the extensive experience the council has of operating the market. There is some risk that, upon completion, it may be found that the level of staff estimated to support the erection and take-down of the demountable stalls is either too high or too low.
Business rates	The rateable value of a refurbished Market Square has been estimated by business rate specialists Ryan Tax at around £317,000, based upon plans. This assumes that the market continues to be valued as a single hereditament. Rates are assumed to increase by average inflation of 2% per year.	Medium	Medium	There is some risk that the Valuation Office may seek to apply separate ratings to some or all of the permanent stalls. This is likely to result in a significant increase in the rateable value of the market as a whole, but this would be mitigated by the fact that many traders would be eligible for small business rates relief of up to 100%. Future risk could also arise from changes in government policy, for example if there were to be a removal of the separate retail, hospitality and leisure business rate multiplier.

Assumption	Methodology/Value	Risk Assessment		Comments
		Likelihood	Impact	
Other operating costs	Estimated based upon current expenditure, adjusted where appropriate to anticipate changes required in the new Market Square. For example, it is assumed that energy costs will reduce due to the use of solar energy, but there are new costs assumed in respect of overnight security and promotion.	Low	Low	Sense checking against current costs indicates that the overall cost assumption is reasonable, and an annual contingency of 3% has been included within the operating budget for other costs not separately identified.
Capital costs and financing				
Total project cost	Based upon the latest capital cost budgets as reviewed by the council's employer's agent, Calford Seaden, after taking into account a package of value engineering options proposed by the project team. Note that the base case capital cost is a central estimate, rather than a risk-adjusted expected outcome, although some contingency amounts have been allowed.	High	High	Main capital works will be carried out on a fixed price basis, which will mitigate, but not eliminate, the risk of overruns. Client contingency sums have been included at £0.6 million for the Corn Exchange, £0.5 million for the Market Square, and £1.2 million for the Guildhall in the options where redevelopment goes ahead. This represents an average contingency of 3% of construction phase costs.
Use of reserves	Of the £26.8 million allocated to the Civic Quarter reserve (excluding £1 million earmarked specifically for a temporary venue), the first £4.4 million will be used to replace income lost during the closure of the Corn Exchange and Guildhall Halls. The remainder will be allocated towards project costs (including costs already incurred and committed). Since these reserves are already earmarked for the Civic Quarter project, no interest income has been budgeted in respect of this amount. Therefore, when assessing the General Fund impact of the project against the baseline of the current MTFS, it is not necessary to assume a cost of capital for this element of funding. However, a notional opportunity cost of 3.5% has been assumed by Carter Jonas in calculating the NPV and IRR of the project on an investment appraisal basis.	Low	Low	Reserves have already been allocated.

Assumption	Methodology/Value	Risk Assessment		Comments
		Likelihood	Impact	
Use of Park Street borrowing	The council has borrowed a total of £85 million to fund the redevelopment of the Park Street car park and hotel. Since the project came in under budget, there is £11.7 million of this borrowing remaining. It is assumed that this will be put towards the Civic Quarter project. Since the interest expense associated with this borrowing is already incorporated in the council's MTFS, it is not necessary to assume an additional cost of capital for this element of funding when assessing the impact on the General Fund. However, Carter Jonas have assumed a cost of capital equivalent to new borrowing on this balance for investment appraisal purposes.	Low	Low	The borrowing is fixed over a 50-year annuity period.
Use of capital receipts	For options which assume the sale of Mandela House or the Guildhall (or both), capital receipts have been forecast on the basis of a Red Book valuation.	Medium	Medium	There are likely to be a limited number of potential buyers who are willing to purchase the buildings in their current condition. If a buyer cannot be found, this will lead to ongoing holding costs. Similarly, it may not be possible to achieve the price indicated by the Red Book valuation, which would increase the council's need to borrow and therefore the project financing costs.
External borrowing	For modelling purposes, new external borrowing has been assumed at 0.40% below the PWLB certainty rate, which mirrors the rates likely on offer from the National Wealth Fund. A short-term rate of 5.2% has been assumed during the construction period, with long-term average refinancing rates of 5.8%. This is based upon current rates, assuming a blend of short-term maturity and long-term annuity loans in order to distribute refinancing risk.	High	High	Interest rates are currently at almost 30-year highs and are extremely volatile to global events. Whilst the council's treasury management advisers continue to forecast reductions in rates in the short- to medium-term, forward markets continue to price in further increases. The use of current rates is therefore seen as a relatively prudent approach, but not without some risk, particularly upon refinancing. The council will take advice prior to undertaking any external borrowing to ensure that the desire to minimise interest costs is appropriately balanced against the need to manage refinancing risk.

Options Appraisal

Each of the options presented will now be appraised in turn. Note that in each option it is currently assumed that the refurbishment of the Corn Exchange and Market Square go ahead – the differences between the options relate solely to the Guildhall. For the other two assets, projected cashflows are the same in each option – although NPV and IRR figures will vary between options as the decision on the Guildhall will impact on the total amount to be borrowed, and therefore the cost of capital for the whole project.

Option 1 – Refurbish Guildhall for mixed use

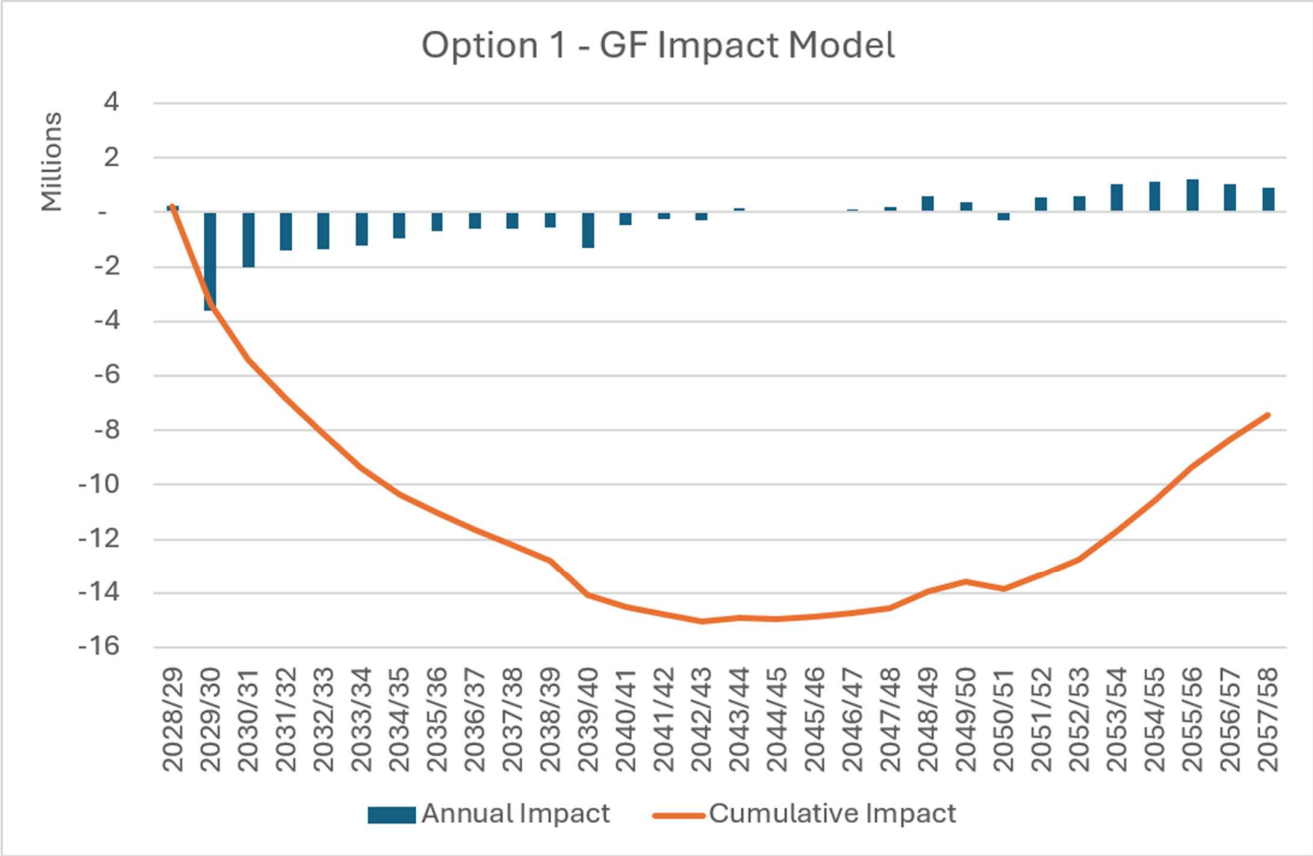
Under this option, total capital spend of £95.7 million will be incurred, requiring new external borrowing of £54.2 million. This is after taking into account a package of value engineering options which have been selected by the project team, balancing financial and non-financial impacts on the project. Further details are included within the main body of the report.

The results of the Carter Jonas investment appraisal model for option 1 are set out in the table below. The weighted average cost of capital for this option (including opportunity cost) is 4.91%.

	Guildhall	Corn Exchange	Market Square	Total Project
Capital spend	£48.2m	£25.5m	£22.0m	£95.7m
Net present value (NPV) over 30 years	-£47.0m	+£14.0m	-£16.1m	-£49.1m
Internal rate of return (IRR) over 30 years	-12.18%	8.13%	-4.50%	0.42%
Payback period	>50 years	14 years	>50 years	29 years

Option 1 assumes that income streams at both the Guildhall and the Corn Exchange will take some years to achieve their full potential, and therefore there are significant revenue losses forecast in the early years. For example, in the first full year of operation of the new Guildhall (2029/30), the project as a whole is projected to have a net negative impact on the General Fund of £3.6 million. This decreases to £1.4 million by 2031/32, but the project does not begin to deliver net benefit to the council's annual revenue budget until 2043/44.

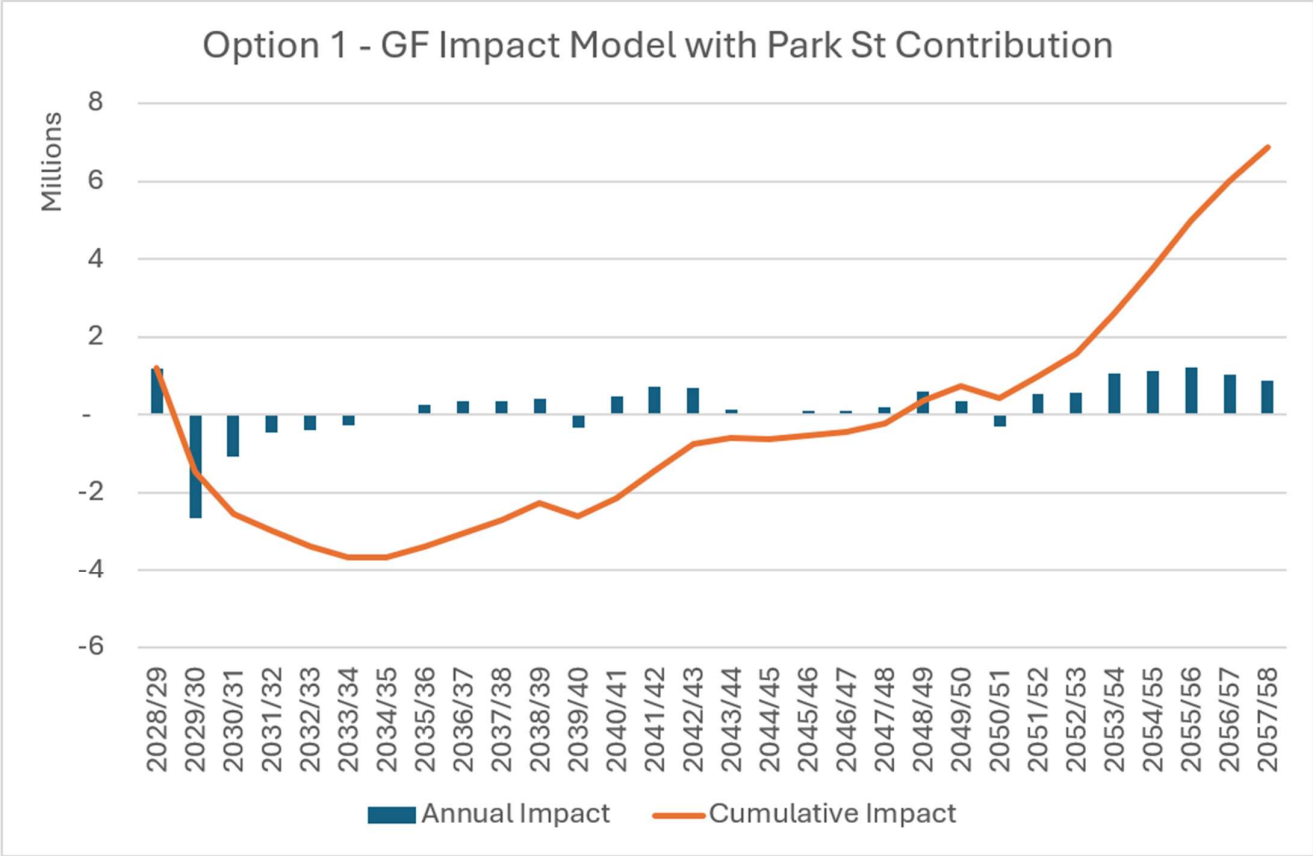
This means that there is a significant draw on General Fund reserves in the early years, as shown on the following chart:



The above chart shows a total projected draw on General Fund reserves of £15.1 million by 2042/43, before the reserves position begins to improve. The total use of reserves over 30 years is £7.4 million.

As explained above, it is unlikely that there will be sufficient reserves within the General Fund to support this requirement, without mitigating action.

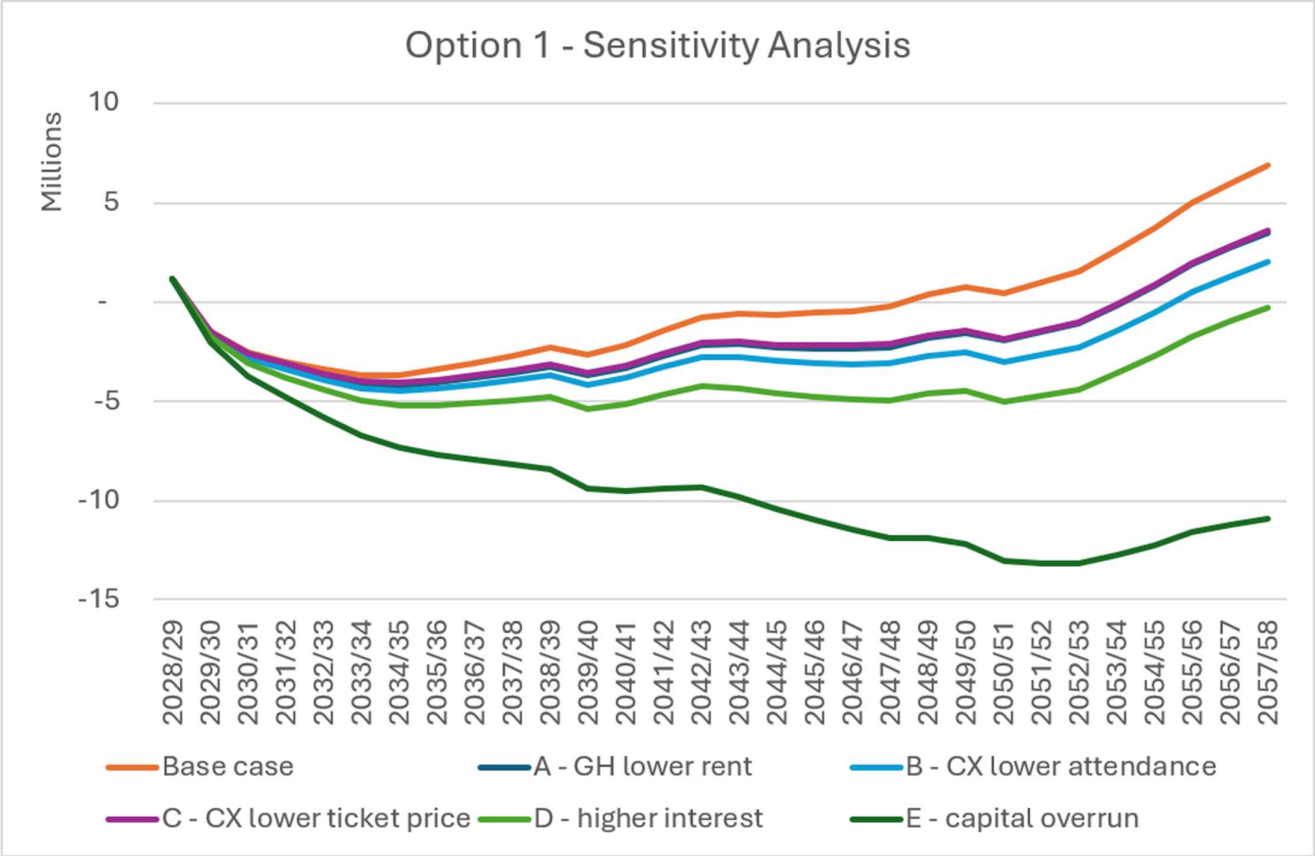
One option would be to make use of additional unbudgeted income which is being generated by the Park Street development. The current MTFS, approved in February 2026, assumes a conservative gross income from the Park Street hotel of £1.9 million per year. However, now that the development has been completed, the hotel has actually been let on a 30 year lease at £3.8 million per year. Some of this additional income could be earmarked to support the affordability of the Civic Quarter project. For example, the following chart shows the impact of the project on the General Fund assuming a contribution of 50% of the excess Park Street income for the first 15 years of operation:



Using this approach there is a much smaller draw on residual reserves in the earlier years, peaking at £3.7 million in 2034/35. To further mitigate this, it is proposed that a Civic Quarter revenue reserve be created incorporating (a) the £1 million set aside by Full Council in February 2026 for a temporary venue which has now been ruled out, and (b) the full additional Park Street income in respect of 2026/27 and 2027/28. This will mean a revenue reserve of £4.8 million is available at the start of the project, which will support the reserve requirement above, whilst also leaving £1.1 million contingency which could be used to cover any additional shortfall of income in the earlier years, for example if there are delays to letting the commercial space at the Guildhall.

Making use of the Park Street income means that option 1 can be affordable for the council without impacting upon current service budgets – however there is clearly an opportunity cost in applying this income to the Civic Quarter project rather than using it towards the existing budget gap or to support services elsewhere. In addition, the model will remain highly sensitive to the assumptions used, particularly in relation to income streams from the Guildhall and Corn Exchange. The chart below shows the impact on the GF reserve over time of various changes to assumptions including:-

- A – A 10% reduction in rental valuations on the Guildhall leased space
- B – A 20% reduction in attendance at the Corn Exchange for shows on a box office retention basis
- C – Corn Exchange average ticket price to increase by 2% per year for first 5 years, rather than the current higher inflation assumption
- D – Increase of 0.5% in external borrowing costs
- E – An overspend of 10% on the capital cost of the project



It should be noted that each of the assumption changes modelled results in a greater draw on the General Fund in the early years. This is one range of scenarios, and actual experience could vary more significantly from the assumptions used, and/or negative impacts could occur in combination, for example in association with a wider economic downturn. It can be seen that the impact of a capital cost overrun would be particularly significant given the effect on the ongoing financing costs – therefore it will be important that strong project governance is put into place to mitigate this risk as far as possible.

Conclusion: The base-case scenario can be accommodated within the proposed funding and reserve strategy, but only by allocating Park Street income that would otherwise be available to support the wider General Fund. This is a material financial commitment, and therefore this option is not entirely self-financing. In addition, future cashflows are at risk from changes in assumptions, particularly in relation to commercial rent at the Guildhall and income from the Corn Exchange, and whilst it may be possible to mitigate this risk to some extent through the holding of reserves, there will remain a risk that future pressures may require savings to be made from elsewhere in the General Fund.

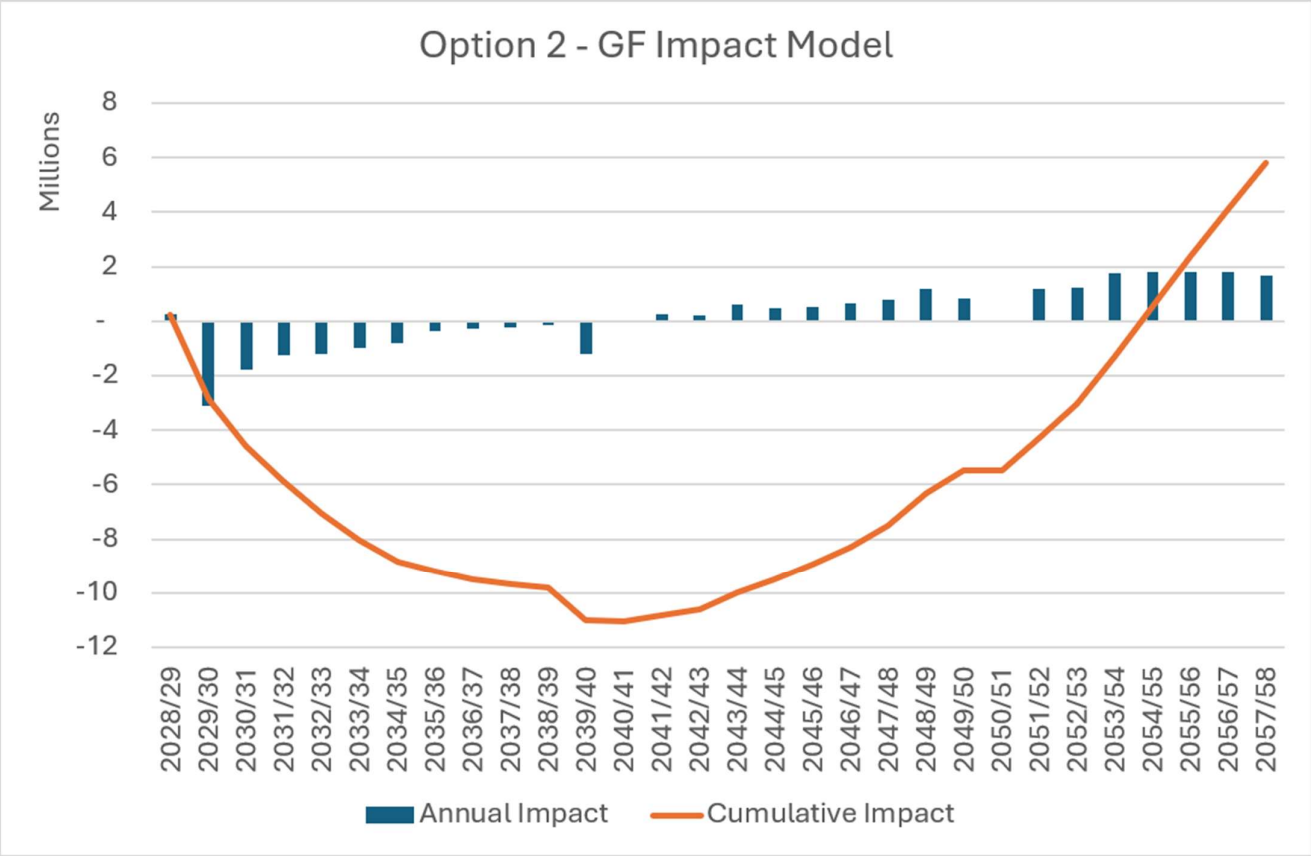
Option 2 – Refurbish Guildhall for commercial use

Under this option, total capital spend would be the same as option 1, i.e. £95.7 million, requiring new external borrowing of £60.3 million. This assumes the same package of value engineering options.

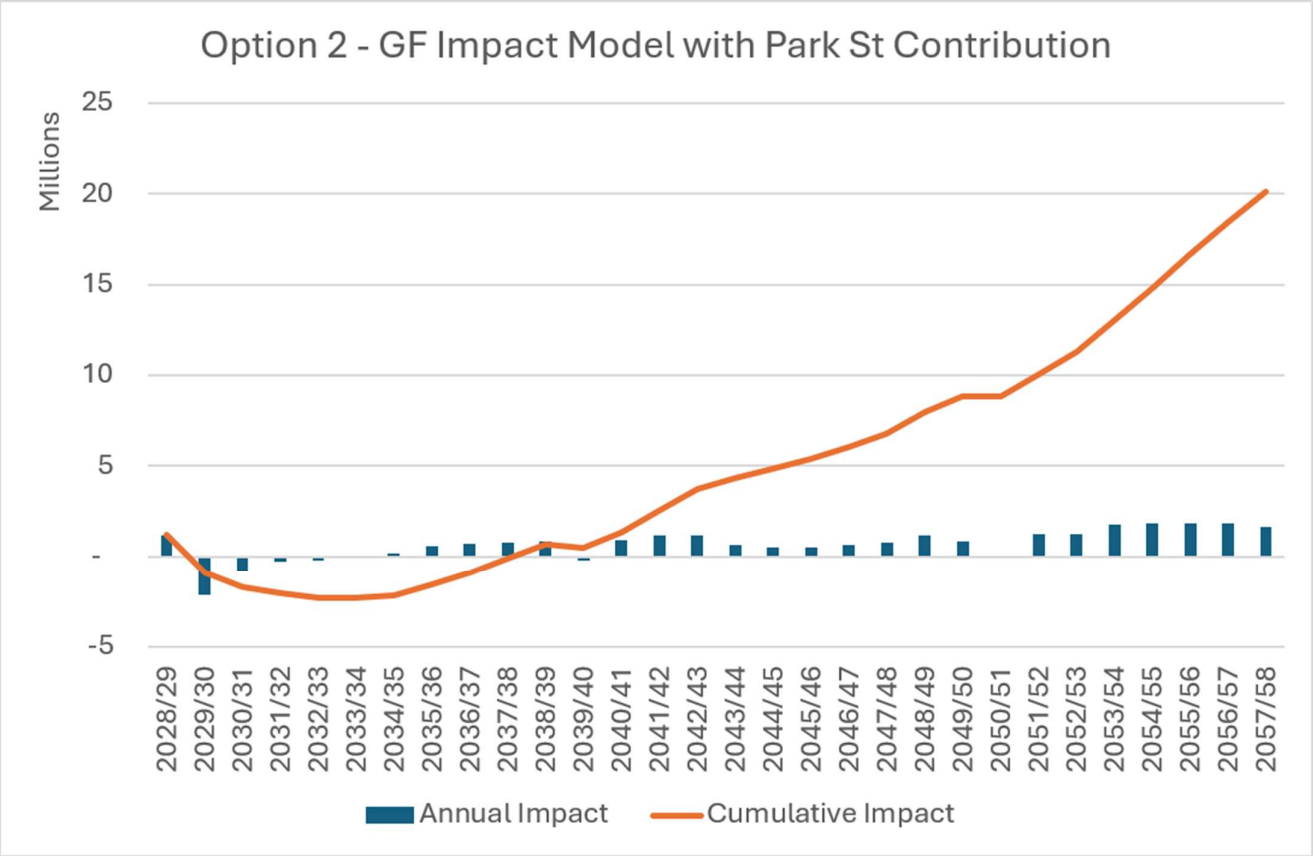
The results of the Carter Jonas investment appraisal model for option 2 are set out in the table below. The weighted average cost of capital for this option (including opportunity cost) is 5.27%.

	Guildhall	Corn Exchange	Market Square	Total Project
Capital spend	£48.2m	£25.5m	£22.0m	£95.7m
Net present value (NPV) over 30 years	-£38.0m	+£11.9m	-£16.3m	-£42.4m
Internal rate of return (IRR) over 30 years	-4.84%	8.13%	-4.50%	1.35%
Payback period	>50 years	14 years	>50 years	26 years

Despite the slightly improved NPV and IRR as compared to option 1, option 2 still requires a significant draw on reserves in the early years:

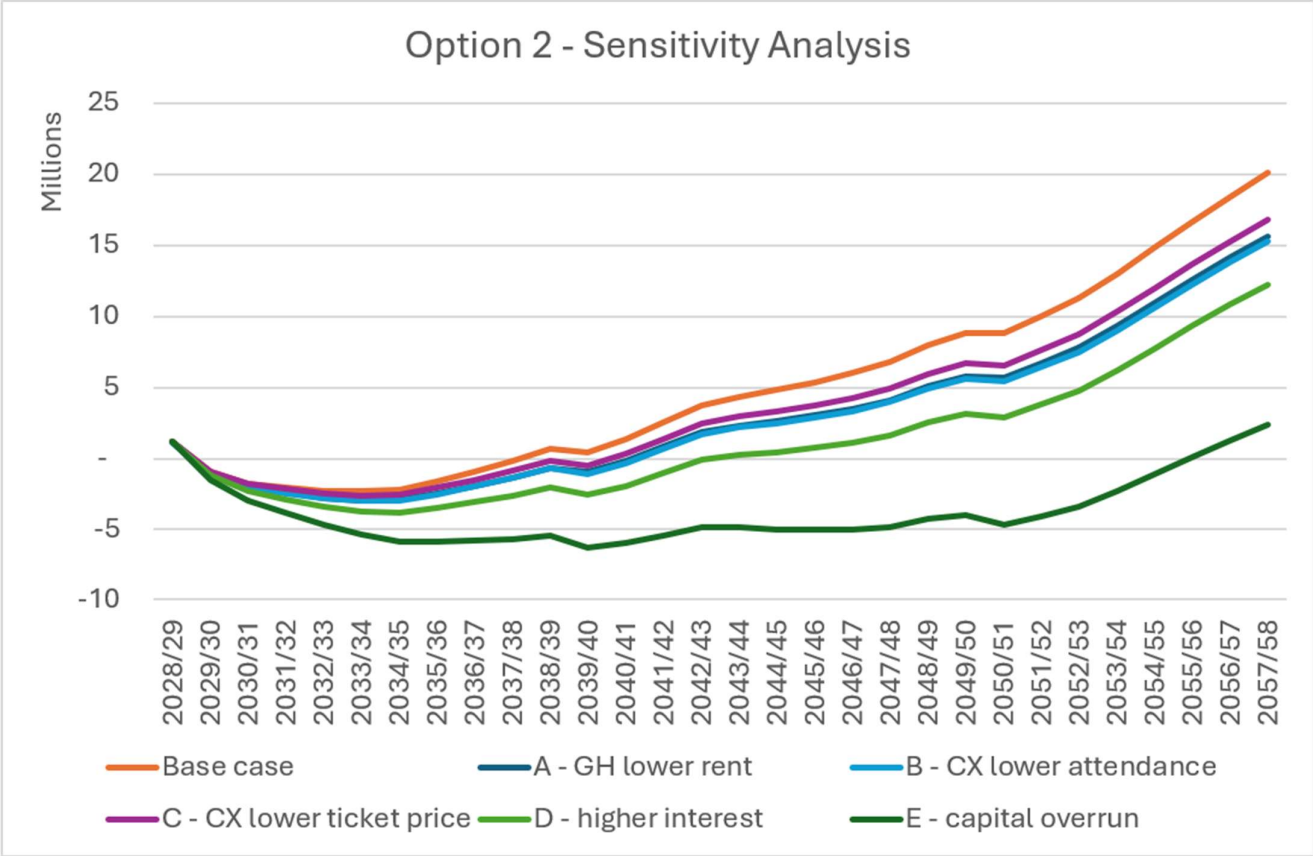


As such, a similar contribution from excess Park Street income has been modelled as follows:



The above shows that option 2 is projected to be more positive for the General Fund over time than option 1 – however the allocation of the Guildhall office space entirely to commercial lettings would increase the council's exposure to the office rental market. The sensitivity analysis chart below shows the impact on the GF reserve over time of various changes to assumptions including:

- A – A 10% reduction in rental valuations on the Guildhall leased space
- B – A 20% reduction in attendance at the Corn Exchange for shows on a box office retention basis
- C – Corn Exchange average ticket price to increase by 2% per year for first 5 years, rather than the current higher inflation assumption
- D – Increase of 0.5% in external borrowing costs
- E – An overspend of 10% on the capital cost of the project



Conclusion: The base-case scenario can be accommodated within the proposed funding and reserve strategy, but only by allocating Park Street income that would otherwise be available to support the wider General Fund. This is a material financial commitment, and therefore this option is not entirely self-financing. In addition, future cashflows are at risk from changes in assumptions, particularly in relation to commercial rent at the Guildhall and income from the Corn Exchange, and whilst it may be possible to mitigate this risk to some extent through the holding of reserves, there will remain a risk that future pressures may require savings to be made from elsewhere in the General Fund. Option 2 is more financially favourable than option 1 but also comes with more exposure to risk around the office rental market. However, this does provide some assurance around potential flexible use of the Guildhall should circumstances change in the future, e.g. if option 1 were selected but council accommodation was no longer required following local government reorganisation, conversion to commercial space is likely to remain a viable option.

Option 3 – Proceed with Corn Exchange and Market Square only

This option would essentially stop the Guildhall redevelopment programme. The total capital cost of the project would reduce to £53.8 million, which would include the sunk costs on the Guildhall plus some capital expenditure on immediate essential works. This would reduce the new external borrowing requirement to £16.8 million.

The intention in this case would be to lease as much of the Guildhall as possible to external tenants on a nil rent basis, on the understanding that they would carry out their own refurbishment and refit works on the parts of the building they occupy. This would also allow some of the ongoing running costs of the building, including business rates, to be recharged to tenants.

Removing the largest capital expense would clearly have a significant positive impact on projected future finances, however this comes with an important caveat. Selecting this option would not address the issue of

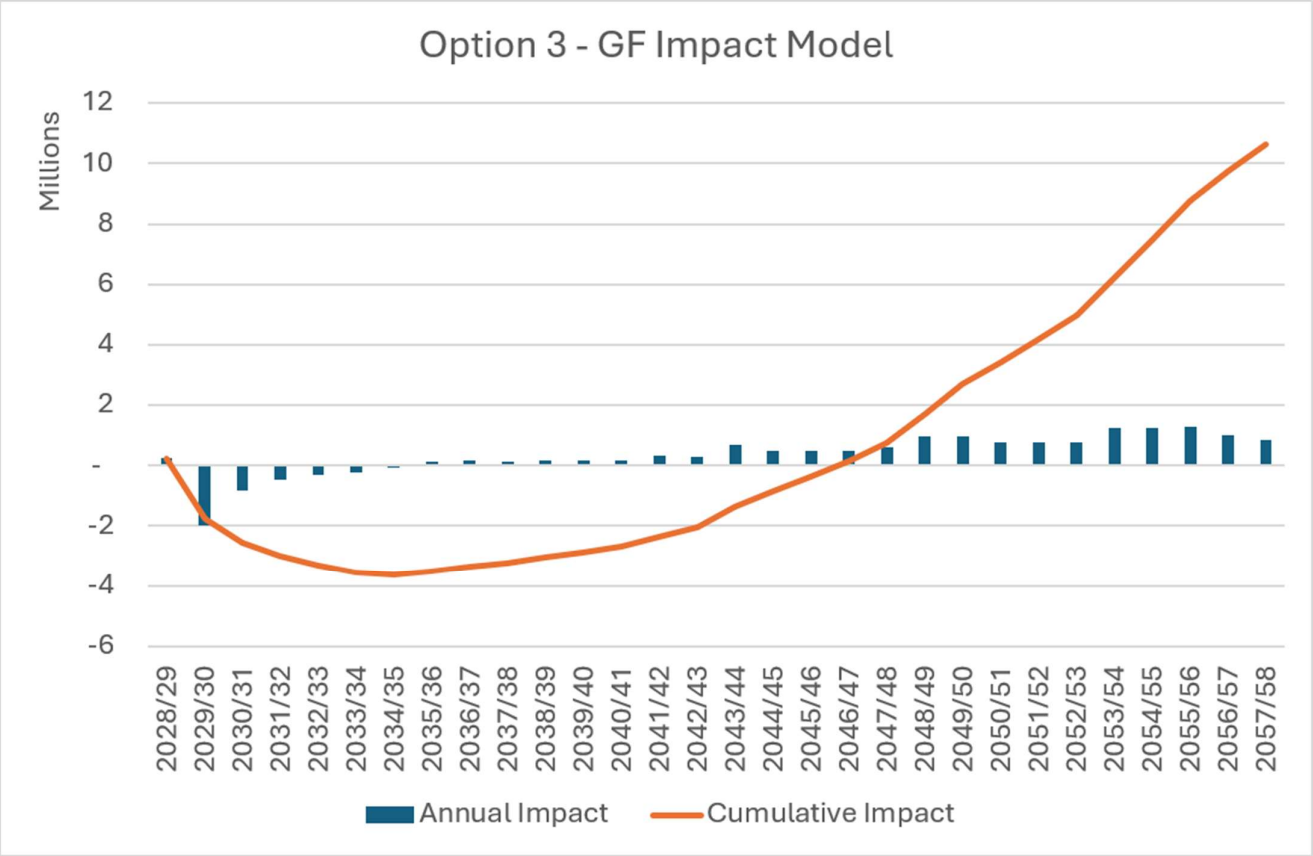
what to do with the Guildhall in the long-term, and in reality it is unlikely that this model would be sustainable over a 30 year period without additional capital work becoming necessary over time.

If this option were selected, it would likely need to be seen as a short-term solution, either to resolve the issue of uncertainty in relation to local government reorganisation, or to allow more time for alternative options for the Guildhall to be developed. However, it should be noted that the longer the delay, the higher the likely capital cost when a project eventually goes ahead. In addition, there will be lost opportunities for savings from completing work on all three assets together (estimated at around £500,000), and in non-financial terms this will potentially mean an extended period of disruption to the city centre.

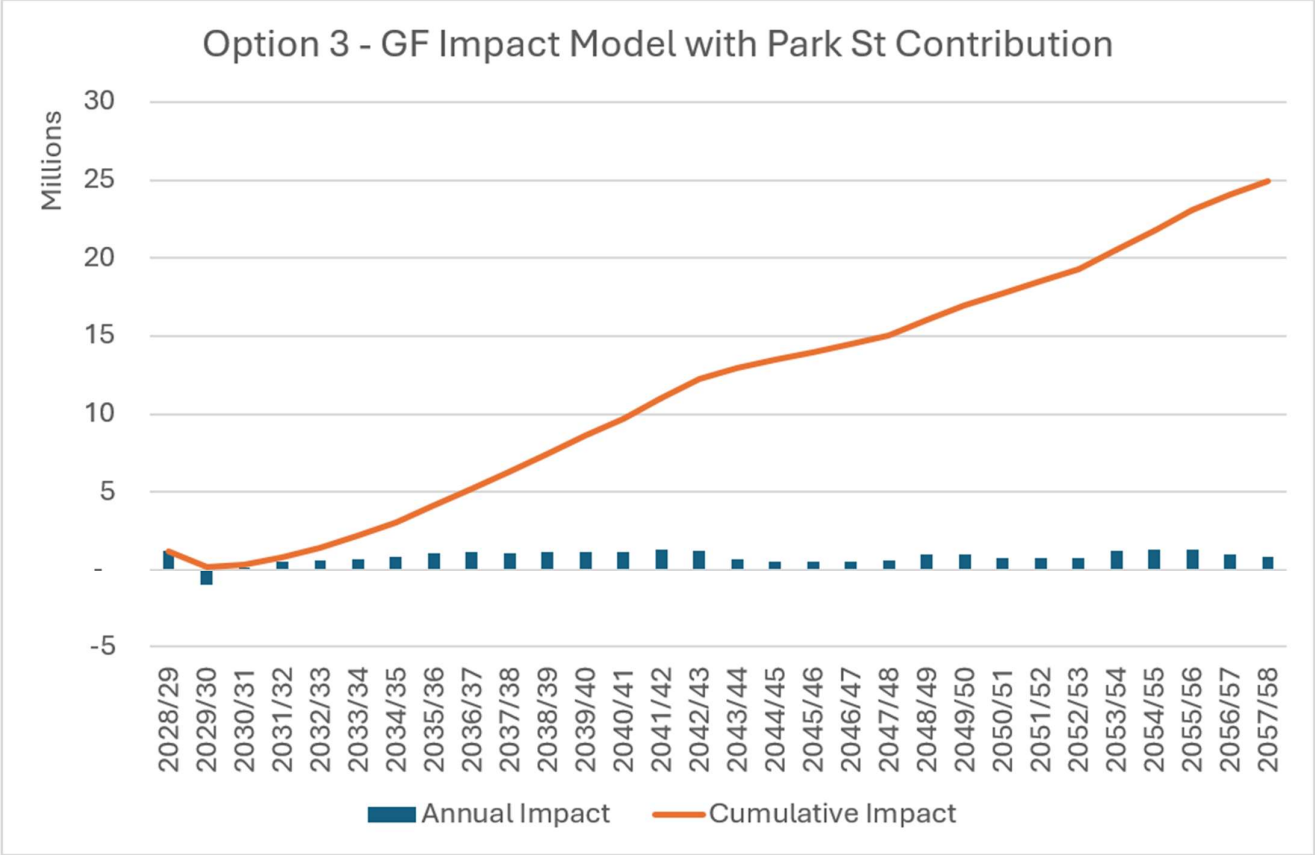
The results of the Carter Jonas investment appraisal model for option 3 are set out in the table below. Note that the NPV calculated in respect of the Guildhall takes into account ongoing operating costs of both the Guildhall and Mandela House, in order that a fair comparison can be made against options 1 and 2. The weighted average cost of capital for this option (including opportunity cost) is 4.74%.

	Guildhall	Corn Exchange	Market Square	Total Project
Capital spend	£6.3m	£25.5m	£22.0m	£53.8m
Net present value (NPV) over 30 years	-£23.9m	+£15.0m	-£16.0m	-£24.9m
Internal rate of return (IRR) over 30 years	N/A	8.13%	-4.50%	1.03%
Payback period	>50 years	14 years	>50 years	28 years

The chart below shows the impact on the General Fund of this option, with the caveats expressed above.



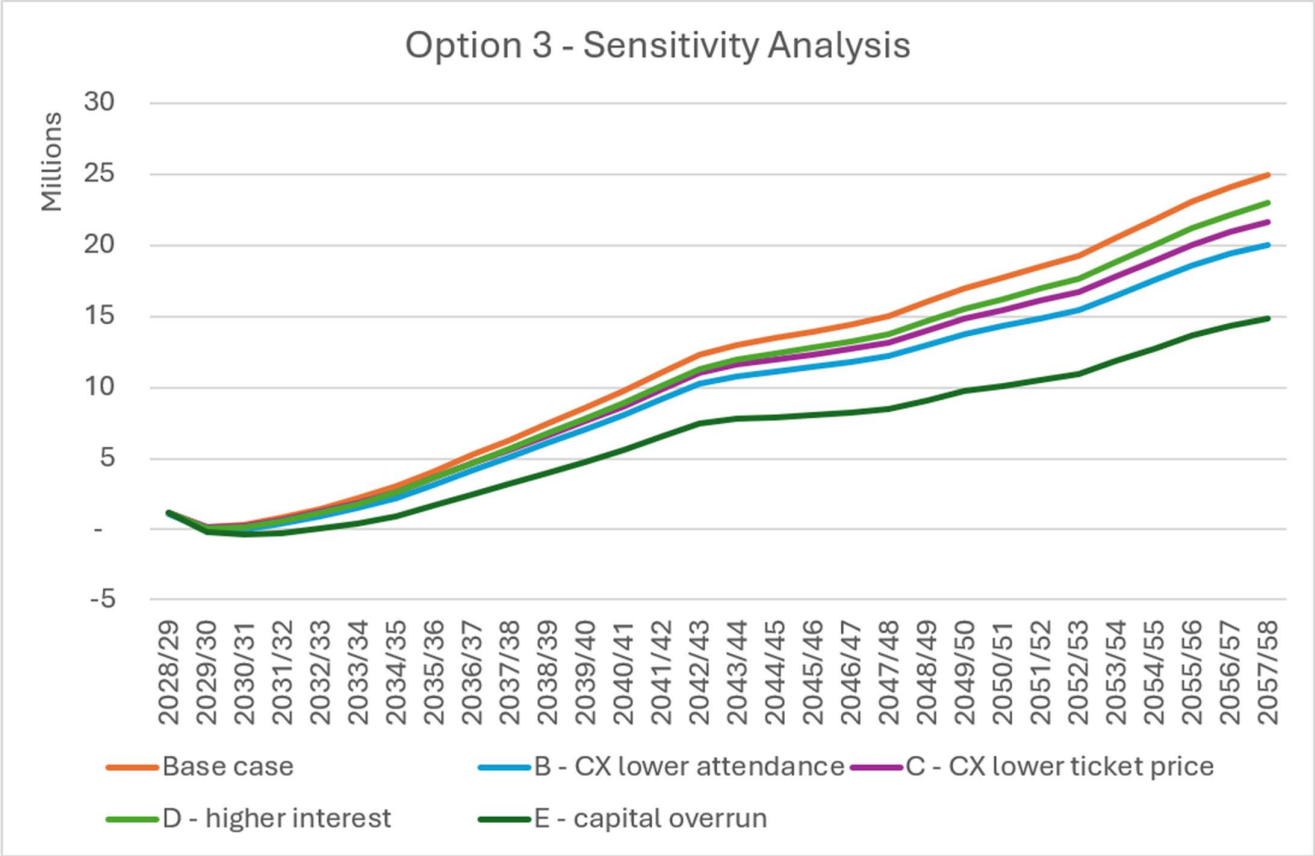
The above shows that this option could theoretically be accommodated with a reduced contribution from Park Street income – however for comparability with the first two options, the same contribution has been modelled below:



The model shows a cumulative position of £24.9 million of extra General Fund reserves over the 30 years, including £14.3 million directly from the Park Street project. In this option, it is anticipated that these excess reserves would need to be invested in the Guildhall once a future decision had been made on its long-term redevelopment. As a rough guide, the cashflows from this option would support future borrowing of around £14 million based upon current long-term rates – although there would be opportunities to increase this figure if redevelopment plans incorporated new revenue streams such as those modelled in options 1 and 2.

This option would remain subject to risk around modelling assumptions relating to the Corn Exchange and Market Square, and the following chart shows the impact of changes to these assumptions on a consistent basis with the other two models:

- B – A 20% reduction in attendance at the Corn Exchange for shows on a box office retention basis
- C – Corn Exchange average ticket price to increase by 2% per year for first 5 years, rather than the current higher inflation assumption
- D – Increase of 0.5% in external borrowing costs
- E – An overspend of 10% on the capital cost of the project



Conclusion: Option 3 is affordable for the council on the basis modelled but should be seen as a short-term solution pending a further decision on the Guildhall at a later date. Initial indications are that around £14 million of capital expenditure would be available for a revenue-neutral proposal at the Guildhall, but clearly if additional revenue can be generated, or savings realised from the disposal of Mandela House, then this figure would increase. The model will remain subject to risk around future income levels at the Corn Exchange. However, it is important to note that the likelihood of maintaining this model for 30 years without significant additional capital spend on the Guildhall and/or Mandela House is low. Therefore, the modelled benefit to the General Fund of £24.9 million over 30 years should not be interpreted as a forecast outcome because it excludes the cost of any future redevelopment proposal for the Guildhall, which is likely to become necessary before the end of the modelling period (unless it were to be sold).

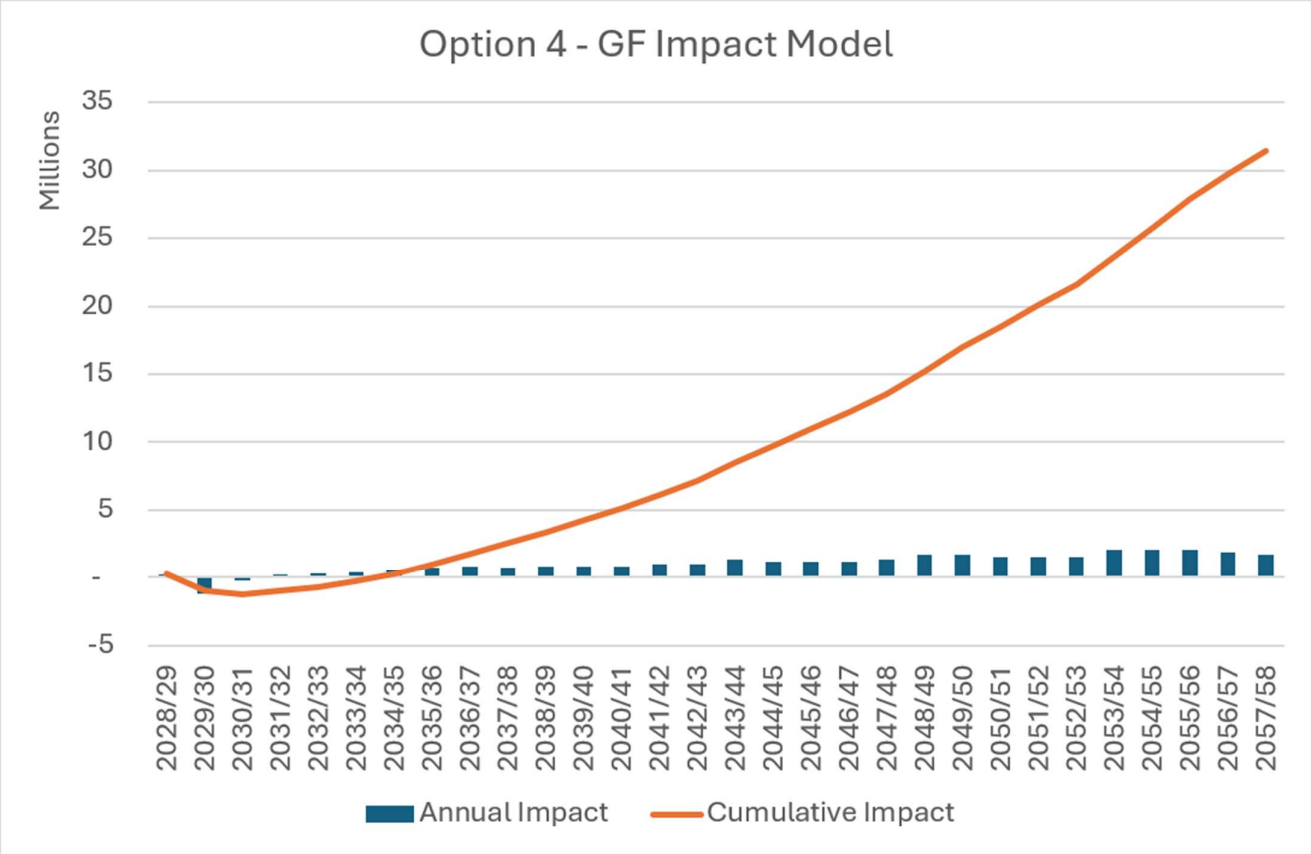
Option 4 – Sell the Guildhall

This option assumes that the Guildhall could be sold in its current condition, and council office accommodation would remain at Mandela House. The total capital cost of the project would reduce to £53.4 million, including costs already spent and committed at the Guildhall. The new external borrowing requirement would reduce to £13.4 million.

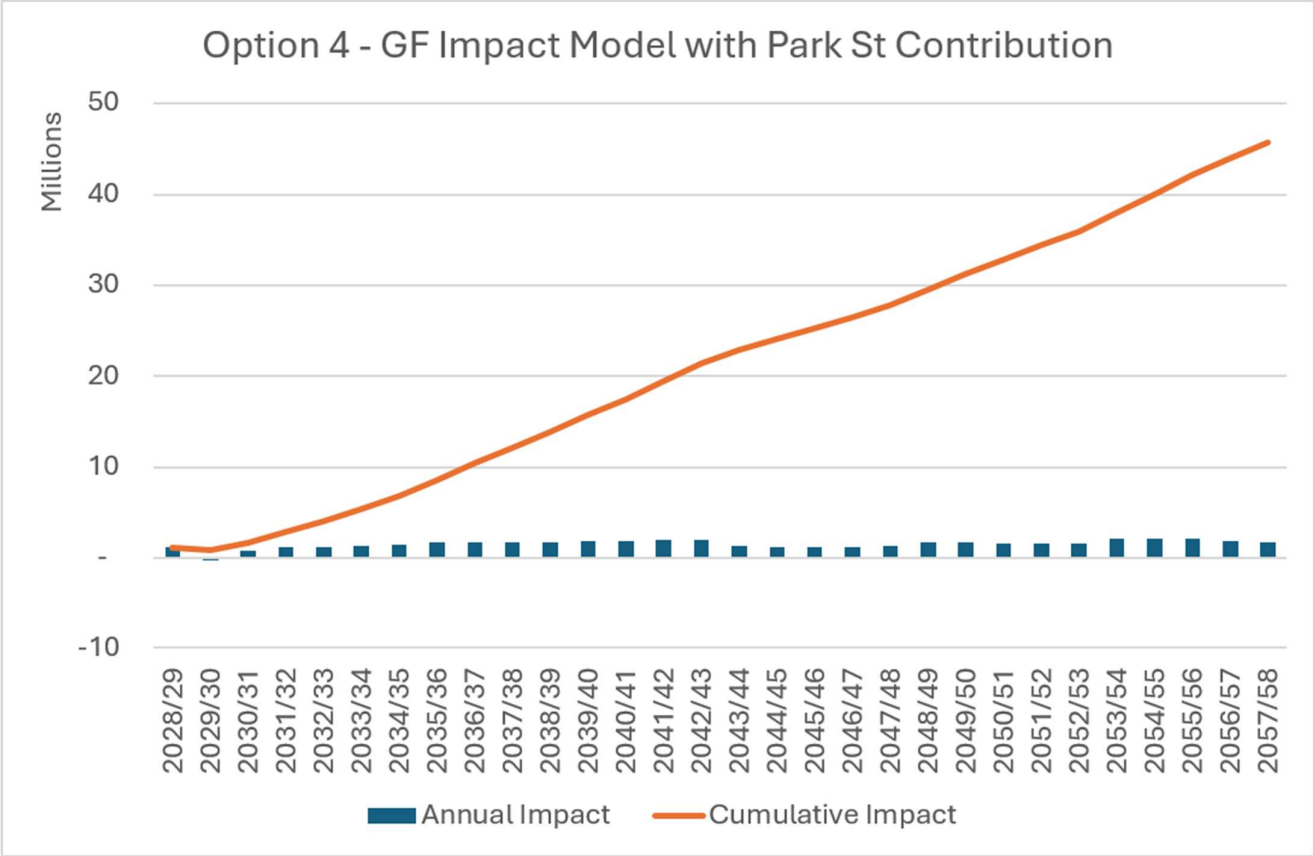
The results of the Carter Jonas investment appraisal model for option 4 are set out in the table below. Note that the NPV calculated in respect of the Guildhall takes into account ongoing operating costs of Mandela House, in order that a fair comparison can be made against options 1 and 2. The weighted average cost of capital for this option (including opportunity cost) is 4.37%.

	Guildhall	Corn Exchange	Market Square	Total Project
Capital spend	£5.9m	£25.5m	£22.0m	£53.4m
Net present value (NPV) over 30 years	-£16.2m	+£17.4m	-£15.9m	-£14.7m
Internal rate of return (IRR) over 30 years	N/A	8.13%	-4.50%	2.26%
Payback period	>50 years	14 years	>50 years	24 years

The chart below shows the impact on the General Fund of this option:



The above shows that this option could theoretically be accommodated with no contribution from Park Street income – however for comparability with the first two options, the same contribution has been modelled below:

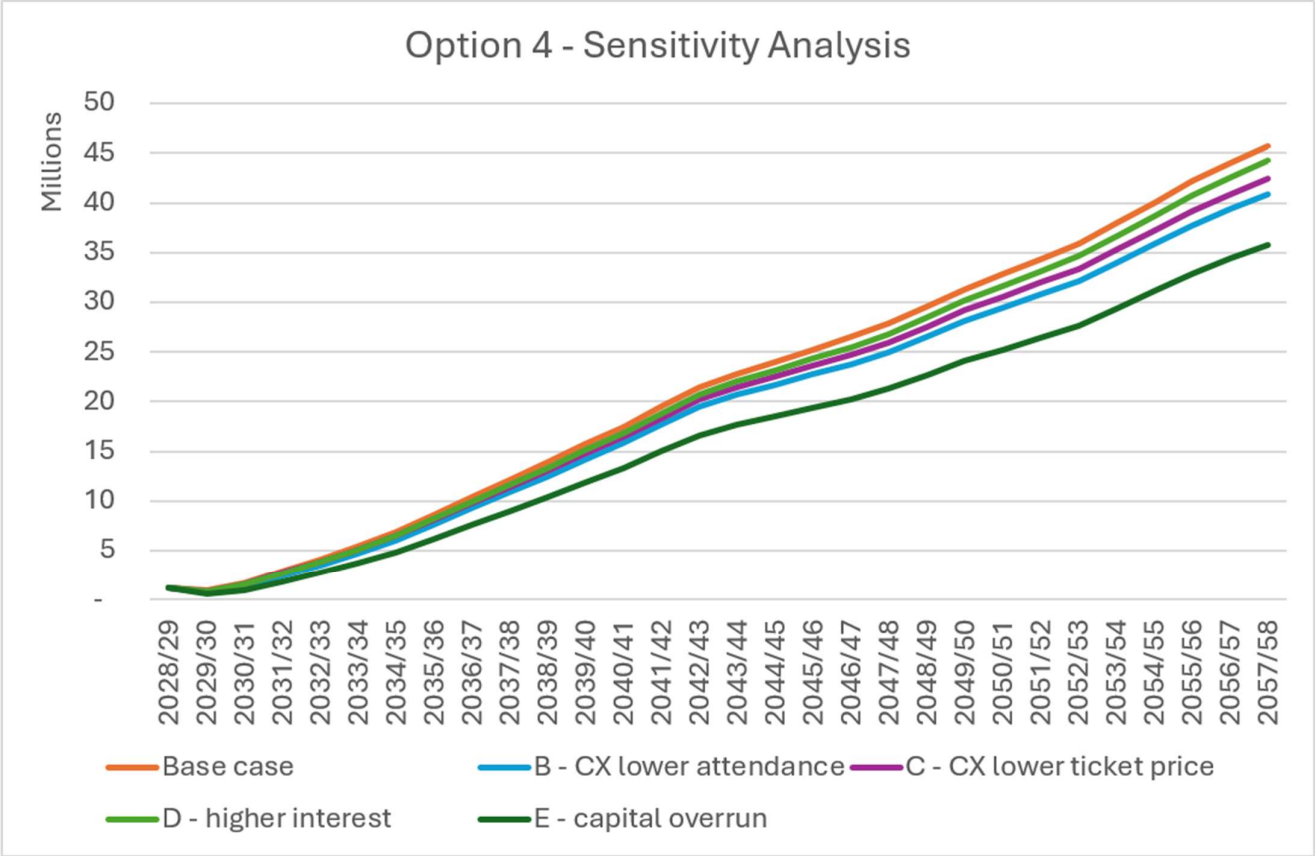


Removing both the capital and ongoing revenue costs associated with the Guildhall leads to a much stronger long-term financial position for the General Fund, although this does assume that the council offices remain at Mandela House for at least the next 30 years. Although some additional allowance has been made for increased capital spend on Mandela House, it is possible that this will be insufficient as the building ages.

An alternative would be to use the excess reserves generated to fund a more comprehensive refurbishment of Mandela House, or office accommodation elsewhere. Over the 30 years, the model indicates that it could support ongoing rental costs of around £2.0 million per year on the basis of replacing Mandela House, or alternatively capital expenditure of around £39 million based upon current interest rates – although there would be opportunities to increase this figure if plans also incorporated new revenue streams. However, no whole-life costing of alternative accommodation has been carried out, therefore these figures should be treated with caution, e.g. if operating costs were higher in a new building then the amounts available would reduce.

This option would remain subject to risk around modelling assumptions relating to the Corn Exchange and Market Square, and the following chart shows the impact of changes to these assumptions on a consistent basis with the other two models:

- B – A 20% reduction in attendance at the Corn Exchange for shows on a box office retention basis
- C – Corn Exchange average ticket price to increase by 2% per year for first 5 years, rather than the current higher inflation assumption
- D – Increase of 0.5% in external borrowing costs
- E – An overspend of 10% on the capital cost of the project



Conclusion: Option 4 is affordable for the council and the most financially attractive option on the basis of the assumptions modelled. If the council wished to move out of Mandela House in the future, the model indicates capacity to support approximately £2.0 million per year of rental costs, or alternatively around £39 million of capital expenditure based on current rates. If additional revenue could be generated then this figure could increase. However, no whole-life costing of alternative accommodation has been carried out, therefore these figures should be treated with caution, e.g. if operating costs were higher in a new building then the amounts available would reduce. The biggest risk in respect of this option is whether or not it would be possible to find a buyer for the Guildhall. The model will also remain subject to risk around future income levels at the Corn Exchange.

Combined Scenario Analysis

Whilst the detailed sensitivity analysis presented for each option shows the effect of changing one variable, in reality such effects may be compounded when they occur in conjunction with each other.

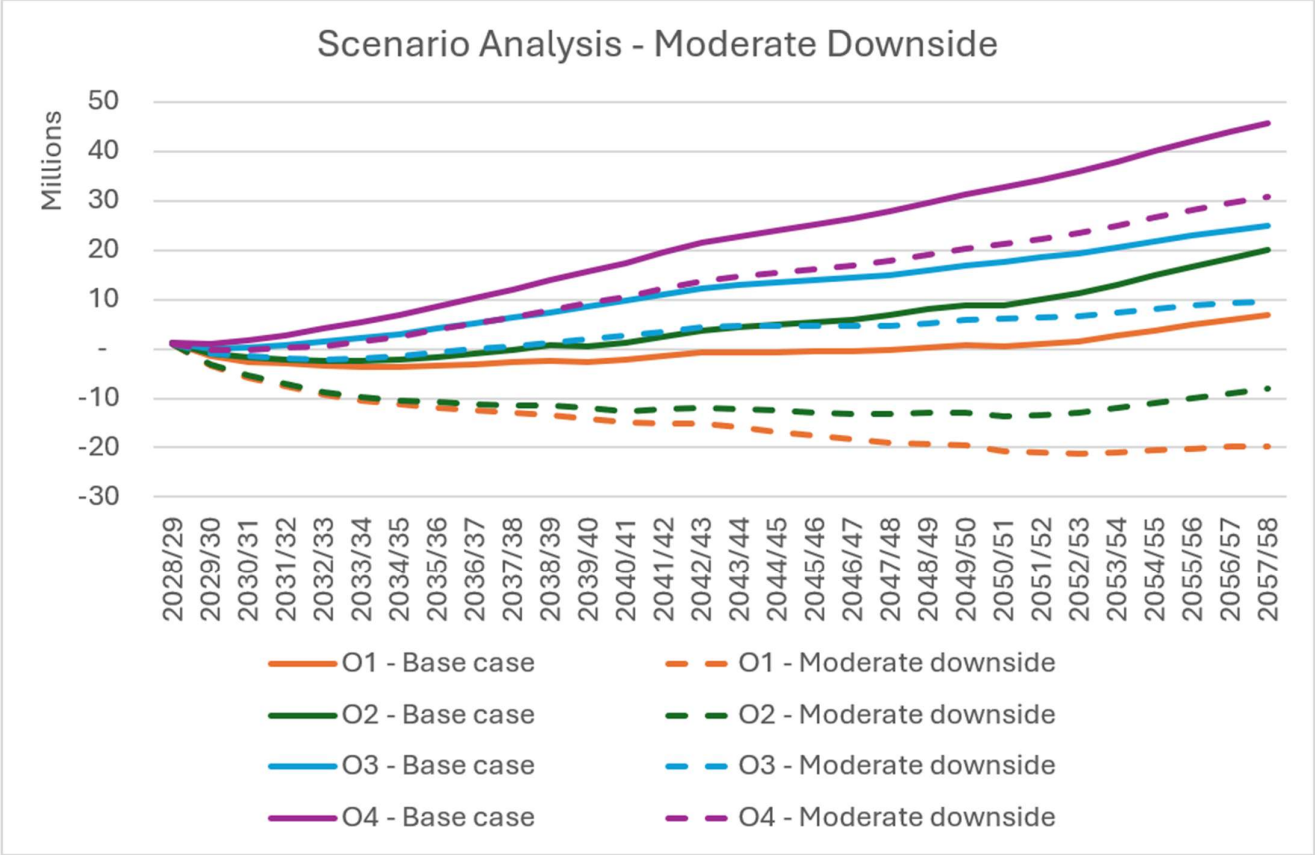
The charts below show the impact on the General Fund for each option (after Park Street contributions) in the event of particular combined scenarios occurring.

Note that for the purposes of this report the focus is on potential downside, in an effort to quantify the level of risk exposure under the various options. It is also possible, of course, that actual performance could be better than modelled, in which case additional money would be available to fund other council services.

Moderate downside

In this scenario, continuing high inflation and interest rates see a capital cost overrun of 5%, and an increase in average whole-life borrowing costs of 0.3%. Commercial suites at the Guildhall take an extra 6 months to let initially, and rental values achieved are 20% lower than the base case for the first lease cycle, and 10% lower for

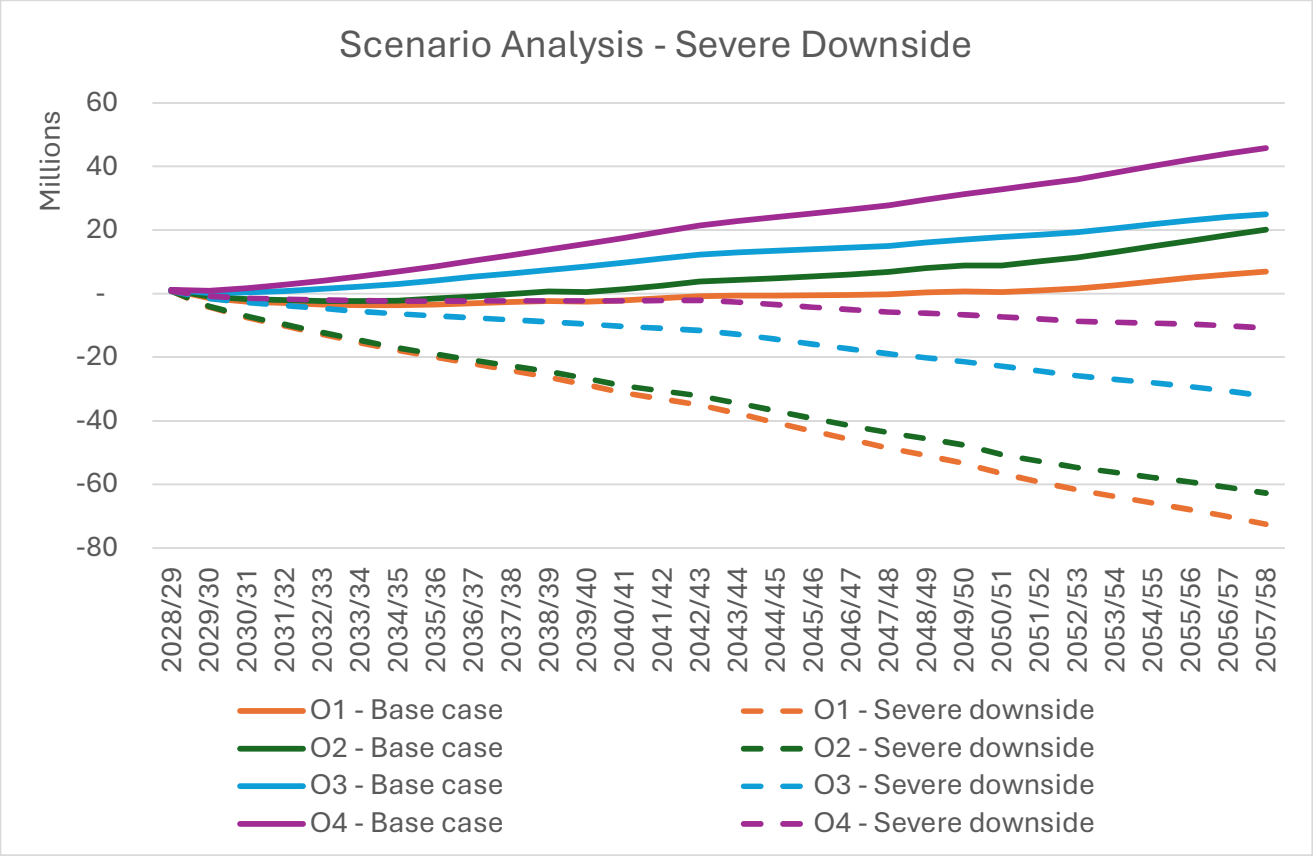
the second lease cycle. Corn Exchange attendances, show numbers and average ticket prices are both 10% lower than the base case for the first 5 years. Market occupancy is 80% for permanent stalls and 75% for demountable stalls.



In this scenario, without mitigating action, the council would see significant draws on reserves under both options 1 and 2, even after taking into account the impact of the additional contributions from the Park Street project. Under option 1, the General Fund impact would peak at -£21.2 million in 2052/53, and under option 2 the peak would be -£13.7 million in 2050/51. This is likely to require additional recurring General Fund savings being found, potentially in the short-term and at relatively short notice. For example, in order to remain within the planned Civic Quarter contingency reserve, additional recurring savings of £1.1 million per year would be required under option 1, with only slightly less under option 2.

Severe downside

In this scenario, continuing high inflation and interest rates see a capital cost overrun of 10%, and an increase in average whole-life borrowing costs of 0.6%. Commercial suites at the Guildhall take an extra 6 months to let initially, and rental values achieved are 20% lower than the base case throughout the life of the model. Corn Exchange attendances and show numbers are 15% lower than the base case for the duration of the model, and ticket prices begin 10% lower than the base case and only increase by 2% per year. Market occupancy is 80% for permanent stalls and 60% for demountable stalls.



Note that in this scenario, all four options continue to deliver year-on-year negative cashflows until the end of the model (and indeed beyond 50 years), i.e. they never recover to break-even. Clearly this scenario is intended to demonstrate a particularly adverse combination of events which persists for a long period of time. In reality, such a scenario may be unlikely – but is not beyond the realms of possibility.

Significant mitigating action is likely to be required in such a scenario, involving the identification and delivering of urgent savings from elsewhere in the General Fund. In options 1 and 2, the additional recurring savings requirement is likely to be in the region of £2.5 million per year.

It is also worth noting that the combination of circumstances which led to such a scenario would also likely impact on services in other areas, for example through increased inflation and demands on services from broader cost of living challenges. It is likely, therefore, that the council would have to identify such savings within an environment of increased service pressure.

Value Engineering Options

High-level analysis has been carried out on two of the more significant value engineering options at the Guildhall which are assumed within the models for options 1 and 2 above.

Enerphit specification

Removing the Enerphit specification, and instead opting for part L compliance, saves an estimated £2.5 million in capital costs. The council would still have a fully compliant building, with a significant improvement in the current energy efficiency of the building, and a potential opportunity to get closer to net zero in the longer-term should the development of a district heat network go ahead.

Reinstating the Enerphit specification would increase capital costs (and therefore the borrowing requirement) by £2.5 million under options 1 and 2, but with associated savings in utility costs. In option 1, the net cost over

30 years is estimated at £1.8 million. In option 2, since the majority of the energy cost savings would accrue to commercial tenants (with little or no opportunity to increase rents as a result), the net cost over 30 years would be around £3.8 million. Both of these figures take into account additional financing costs.

Fourth floor extension

Omitting the fourth floor extension at the Guildhall saves £1.75 million in capital costs. This has been done to reduce overall capital spend and therefore the borrowing requirement in respect of a part of the building with very marginal gains.

Under option 1, reinstating the fourth floor extension would result in a net loss of £1,000 in 2031/32, but with cashflows turning positive by 2041/42 and a total estimated gain of £0.6 million over 30 years. Under option 2, there would be a net loss of £20,000 in 2031/32, with net positive cashflow not established until 2051/52, although still with a marginal net positive impact over 30 years of £0.3 million.

On the base case scenario, therefore, it is better over 30 years to reinstate the extension under both options. However, this would increase the council's exposure to lettings risk, and it would only take a relatively small adjustment to the rent assumptions or void periods to wipe out the benefit gained.

Detailed models

Combined General Fund impact model – Option 1

£'000	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
Income/(cost) per asset models:										
- Guildhall	-	(1,928)	(98)	(15)	(52)	(6)	67	98	91	138
- Corn Exchange	40	575	755	1,081	1,105	1,182	1,342	1,562	1,630	1,638
- Market Square	117	195	223	261	298	300	310	316	322	252
Total income/(cost) per asset models	**157**	**(1,158)**	**880**	**1,327**	**1,351**	**1,476**	**1,719**	**1,976**	**2,043**	**2,028**
Removal of existing budgets	81	488	696	710	724	738	753	768	783	799
Other accounting adjustments	-	531	(58)	(57)	(58)	(58)	(58)	(58)	(57)	(57)
Net GF impact before financing	**238**	**(139)**	**1,518**	**1,980**	**2,017**	**2,156**	**2,414**	**2,686**	**2,769**	**2,770**
Financing costs (including MRP)	-	(3,467)	(3,551)	(3,376)	(3,377)	(3,375)	(3,375)	(3,374)	(3,373)	(3,374)
Allocation of Park St income	954	954	954	954	954	954	954	954	954	954
Net GF impact	**1,192**	**(2,652)**	**(1,079)**	**(442)**	**(406)**	**(265)**	**(7)**	**266**	**350**	**350**
Cumulative GF impact	**1,192**	**(1,460)**	**(2,539)**	**(2,981)**	**(3,387)**	**(3,652)**	**(3,659)**	**(3,393)**	**(3,043)**	**(2,693)**

£'000	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45	2045/46	2046/47	2047/48
Income/(cost) per asset models:										
- Guildhall	94	(964)	(314)	142	134	132	113	195	186	129
- Corn Exchange	1,641	1,646	1,651	1,833	1,842	2,185	2,001	2,007	2,014	2,219
- Market Square	336	342	345	356	312	366	378	385	393	307
Total income/(cost) per asset models	**2,071**	**1,024**	**1,682**	**2,331**	**2,288**	**2,683**	**2,492**	**2,587**	**2,593**	**2,655**
Removal of existing budgets	815	831	848	865	882	899	918	936	955	974
Other accounting adjustments	(58)	226	371	(70)	(70)	(70)	(70)	(70)	(70)	(69)
Net GF impact before financing	**2,828**	**2,081**	**2,901**	**3,126**	**3,100**	**3,512**	**3,340**	**3,453**	**3,478**	**3,560**
Financing costs (including MRP)	(3,373)	(3,372)	(3,371)	(3,371)	(3,370)	(3,369)	(3,368)	(3,367)	(3,366)	(3,365)
Allocation of Park St income	954	954	954	954	954	-	-	-	-	-
Net GF impact	**409**	**(337)**	**484**	**709**	**684**	**143**	**(28)**	**86**	**112**	**195**
Cumulative GF impact	**(2,284)**	**(2,621)**	**(2,137)**	**(1,428)**	**(744)**	**(601)**	**(629)**	**(543)**	**(431)**	**(236)**

£'000	2048/49	2049/50	2050/51	2051/52	2052/53	2053/54	2054/55	2055/56	2056/57	2057/58
Income/(cost) per asset models:										
- Guildhall	125	(387)	(1,172)	97	174	115	127	193	178	167
- Corn Exchange	2,508	2,519	2,313	2,321	2,329	2,839	2,852	2,866	2,635	2,645
- Market Square	409	417	420	434	443	446	461	470	479	323
Total income/(cost) per asset models	**3,042**	**2,549**	**1,561**	**2,852**	**2,946**	**3,400**	**3,440**	**3,529**	**3,292**	**3,135**
Removal of existing budgets	993	1,014	1,033	1,054	1,075	1,097	1,119	1,141	1,164	1,187
Other accounting adjustments	(70)	162	480	3	(84)	(85)	(85)	(85)	(84)	(84)
Net GF impact before financing	**3,965**	**3,725**	**3,074**	**3,909**	**3,937**	**4,412**	**4,474**	**4,585**	**4,372**	**4,238**
Financing costs (including MRP)	(3,364)	(3,362)	(3,361)	(3,360)	(3,359)	(3,357)	(3,355)	(3,353)	(3,352)	(3,350)
Net GF impact	**601**	**363**	**(287)**	**549**	**578**	**1,055**	**1,119**	**1,232**	**1,020**	**888**
Cumulative GF impact	**365**	**728**	**441**	**990**	**1,568**	**2,623**	**3,742**	**4,974**	**5,994**	**6,882**

Combined General Fund impact model – Option 2

£'000	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
Income/(cost) per asset models:										
- Guildhall	-	(1,031)	399	529	514	614	572	789	826	934
- Corn Exchange	40	575	755	1,081	1,105	1,182	1,342	1,562	1,630	1,638
- Market Square	117	195	223	261	298	300	310	316	322	252
Total income/(cost) per asset models	**157**	**(261)**	**1,377**	**1,871**	**1,917**	**2,096**	**2,224**	**2,667**	**2,778**	**2,824**
Removal of existing budgets	81	(84)	695	710	724	738	753	768	784	799
Other accounting adjustments	-	737	(89)	(89)	(89)	(89)	(37)	(43)	(91)	(91)
Net GF impact before financing	**238**	**392**	**1,983**	**2,492**	**2,552**	**2,745**	**2,940**	**3,392**	**3,471**	**3,532**
Financing costs (including MRP)	-	(3,477)	(3,746)	(3,745)	(3,745)	(3,744)	(3,744)	(3,743)	(3,742)	(3,741)
Allocation of Park St income	954	954	954	954	954	954	954	954	954	954
Net GF impact	**1,192**	**(2,131)**	**(809)**	**(299)**	**(239)**	**(45)**	**150**	**603**	**683**	**745**
Cumulative GF impact	**1,192**	**(939)**	**(1,748)**	**(2,047)**	**(2,286)**	**(2,331)**	**(2,181)**	**(1,578)**	**(895)**	**(150)**

£'000	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45	2045/46	2046/47	2047/48
Income/(cost) per asset models:										
- Guildhall	919	(536)	299	1,033	1,022	1,018	1,038	928	1,143	1,121
- Corn Exchange	1,641	1,646	1,651	1,833	1,842	2,185	2,001	2,007	2,014	2,219
- Market Square	336	342	345	356	312	366	378	385	393	307
Total income/(cost) per asset models	**2,896**	**1,452**	**2,295**	**3,222**	**3,176**	**3,569**	**3,417**	**3,320**	**3,550**	**3,647**
Removal of existing budgets	815	831	848	865	882	899	917	936	955	974
Other accounting adjustments	(91)	264	552	(108)	(108)	(109)	(108)	13	(110)	(110)
Net GF impact before financing	**3,620**	**2,547**	**3,695**	**3,979**	**3,950**	**4,359**	**4,226**	**4,269**	**4,395**	**4,511**
Financing costs (including MRP)	(3,741)	(3,740)	(3,739)	(3,738)	(3,737)	(3,736)	(3,735)	(3,734)	(3,733)	(3,731)
Allocation of Park St income	954	954	954	954	954	-	-	-	-	-
Net GF impact	**833**	**(239)**	**910**	**1,195**	**1,167**	**623**	**491**	**535**	**662**	**780**
Cumulative GF impact	**683**	**444**	**1,354**	**2,549**	**3,716**	**4,339**	**4,830**	**5,365**	**6,027**	**6,807**

£'000	2048/49	2049/50	2050/51	2051/52	2052/53	2053/54	2054/55	2055/56	2056/57	2057/58
Income/(cost) per asset models:										
- Guildhall	1,114	499	(741)	1,096	1,239	1,220	1,229	1,114	1,300	1,357
- Corn Exchange	2,508	2,519	2,313	2,321	2,329	2,839	2,852	2,866	2,635	2,645
- Market Square	409	417	420	434	443	446	461	470	479	323
Total income/(cost) per asset models	**4,031**	**3,435**	**1,992**	**3,851**	**4,011**	**4,505**	**4,542**	**4,450**	**4,414**	**4,325**
Removal of existing budgets	993	1,013	1,033	1,054	1,075	1,096	1,118	1,141	1,164	1,187
Other accounting adjustments	(110)	126	717	26	(130)	(131)	(131)	(54)	(62)	(133)
Net GF impact before financing	**4,914**	**4,574**	**3,742**	**4,931**	**4,956**	**5,470**	**5,529**	**5,537**	**5,516**	**5,379**
Financing costs (including MRP)	(3,730)	(3,729)	(3,727)	(3,726)	(3,724)	(3,722)	(3,720)	(3,719)	(3,716)	(3,714)
Net GF impact	**1,184**	**845**	**15**	**1,205**	**1,232**	**1,748**	**1,809**	**1,818**	**1,800**	**1,665**
Cumulative GF impact	**7,991**	**8,836**	**8,851**	**10,056**	**11,288**	**13,036**	**14,845**	**16,663**	**18,463**	**20,128**

Combined General Fund impact model – Option 3

£'000	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
Income/(cost) per asset models:										
- Guildhall	-	(1,621)	(1,410)	(1,434)	(1,371)	(1,395)	(1,419)	(1,455)	(1,480)	(1,506)
- Corn Exchange	40	575	755	1,081	1,105	1,182	1,342	1,562	1,630	1,638
- Market Square	117	195	223	261	298	300	310	316	322	252
Total income/(cost) per asset models	**157**	**(851)**	**(432)**	**(92)**	**32**	**87**	**233**	**423**	**472**	**384**
Removal of existing budgets	81	(84)	696	710	724	738	753	768	784	799
Net GF impact before financing	**238**	**(935)**	**264**	**618**	**756**	**825**	**986**	**1,191**	**1,256**	**1,183**
Financing costs (including MRP)	-	(1,050)	(1,071)	(1,070)	(1,071)	(1,070)	(1,070)	(1,069)	(1,069)	(1,068)
Allocation of Park St income	954	954	954	954	954	954	954	954	954	954
Net GF impact	**1,192**	**(1,031)**	**147**	**502**	**639**	**709**	**870**	**1,076**	**1,141**	**1,069**
Cumulative GF impact	**1,192**	**161**	**308**	**810**	**1,449**	**2,158**	**3,028**	**4,104**	**5,245**	**6,314**

£'000	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45	2045/46	2046/47	2047/48
Income/(cost) per asset models:										
- Guildhall	(1,544)	(1,571)	(1,598)	(1,638)	(1,667)	(1,696)	(1,739)	(1,769)	(1,800)	(1,845)
- Corn Exchange	1,641	1,646	1,651	1,833	1,842	2,185	2,001	2,007	2,014	2,219
- Market Square	336	342	345	356	312	366	378	385	393	307
Total income/(cost) per asset models	**433**	**417**	**398**	**551**	**487**	**855**	**640**	**623**	**607**	**681**
Removal of existing budgets	815	832	848	864	882	899	918	937	955	974
Net GF impact before financing	**1,248**	**1,249**	**1,246**	**1,415**	**1,369**	**1,754**	**1,558**	**1,560**	**1,562**	**1,655**
Financing costs (including MRP)	(1,068)	(1,067)	(1,067)	(1,066)	(1,065)	(1,065)	(1,065)	(1,063)	(1,063)	(1,062)
Allocation of Park St income	954	954	954	954	954	-	-	-	-	-
Net GF impact	**1,134**	**1,136**	**1,133**	**1,303**	**1,258**	**689**	**493**	**497**	**499**	**593**
Cumulative GF impact	**7,448**	**8,584**	**9,717**	**11,020**	**12,278**	**12,967**	**13,460**	**13,957**	**14,456**	**15,049**

£'000	2048/49	2049/50	2050/51	2051/52	2052/53	2053/54	2054/55	2055/56	2056/57	2057/58
Income/(cost) per asset models:										
- Guildhall	(1,877)	(1,910)	(1,958)	(1,992)	(2,027)	(2,078)	(2,114)	(2,151)	(2,205)	(2,244)
- Corn Exchange	2,508	2,519	2,313	2,321	2,329	2,839	2,852	2,866	2,635	2,645
- Market Square	409	417	420	434	443	446	461	470	479	323
Total income/(cost) per asset models	**1,040**	**1,026**	**775**	**763**	**745**	**1,207**	**1,199**	**1,185**	**909**	**724**
Removal of existing budgets	993	1,013	1,033	1,054	1,075	1,096	1,119	1,140	1,164	1,187
Net GF impact before financing	**2,033**	**2,039**	**1,808**	**1,817**	**1,820**	**2,303**	**2,318**	**2,325**	**2,073**	**1,911**
Financing costs (including MRP)	(1,061)	(1,059)	(1,058)	(1,058)	(1,056)	(1,055)	(1,054)	(1,052)	(1,051)	(1,049)
Net GF impact	**972**	**980**	**750**	**759**	**764**	**1,248**	**1,264**	**1,273**	**1,022**	**862**
Cumulative GF impact	**16,021**	**17,001**	**17,751**	**18,510**	**19,274**	**20,522**	**21,786**	**23,059**	**24,081**	**24,943**

Combined General Fund impact model – Option 4

£'000	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
Income/(cost) per asset models:										
- Guildhall	-	(915)	(933)	(952)	(971)	(990)	(1,010)	(1,030)	(1,051)	(1,072)
- Corn Exchange	40	575	755	1,081	1,105	1,182	1,342	1,562	1,630	1,638
- Market Square	117	195	223	261	298	300	310	316	322	252
Total income/(cost) per asset models	**157**	**(145)**	**45**	**390**	**432**	**492**	**642**	**848**	**901**	**818**
Removal of existing budgets	81	(84)	695	710	724	738	753	768	784	799
Net GF impact before financing	**238**	**(229)**	**740**	**1,100**	**1,156**	**1,230**	**1,395**	**1,616**	**1,685**	**1,617**
Financing costs (including MRP)	-	(1,017)	(948)	(861)	(861)	(860)	(860)	(860)	(859)	(858)
Allocation of Park St income	954	954	954	954	954	954	954	954	954	954
Net GF impact	**1,192**	**(292)**	**746**	**1,193**	**1,249**	**1,324**	**1,489**	**1,710**	**1,780**	**1,713**
Cumulative GF impact	**1,192**	**900**	**1,646**	**2,839**	**4,088**	**5,412**	**6,901**	**8,611**	**10,391**	**12,104**

£'000	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45	2045/46	2046/47	2047/48
Income/(cost) per asset models:										
- Guildhall	(1,093)	(1,115)	(1,138)	(1,160)	(1,184)	(1,207)	(1,231)	(1,256)	(1,281)	(1,307)
- Corn Exchange	1,641	1,646	1,651	1,833	1,842	2,185	2,001	2,007	2,014	2,219
- Market Square	336	342	345	356	312	366	378	385	393	307
Total income/(cost) per asset models	**884**	**873**	**858**	**1,029**	**970**	**1,344**	**1,148**	**1,136**	**1,126**	**1,219**
Removal of existing budgets	815	831	848	865	882	899	917	936	955	974
Net GF impact before financing	**1,699**	**1,704**	**1,706**	**1,894**	**1,852**	**2,243**	**2,065**	**2,072**	**2,081**	**2,193**
Financing costs (including MRP)	(859)	(858)	(857)	(857)	(856)	(856)	(855)	(854)	(854)	(852)
Allocation of Park St income	954	954	954	954	954	-	-	-	-	-
Net GF impact	**1,794**	**1,800**	**1,803**	**1,991**	**1,950**	**1,387**	**1,210**	**1,218**	**1,227**	**1,341**
Cumulative GF impact	**13,898**	**15,698**	**17,501**	**19,492**	**21,442**	**22,829**	**24,039**	**25,257**	**26,484**	**27,825**

£'000	2048/49	2049/50	2050/51	2051/52	2052/53	2053/54	2054/55	2055/56	2056/57	2057/58
Income/(cost) per asset models:										
- Guildhall	(1,333)	(1,360)	(1,387)	(1,415)	(1,443)	(1,472)	(1,501)	(1,531)	(1,562)	(1,593)
- Corn Exchange	2,508	2,519	2,313	2,321	2,329	2,839	2,852	2,866	2,635	2,645
- Market Square	409	417	420	434	443	446	461	470	479	323
Total income/(cost) per asset models	**1,584**	**1,576**	**1,346**	**1,340**	**1,329**	**1,813**	**1,812**	**1,805**	**1,552**	**1,375**
Removal of existing budgets	993	1,013	1,034	1,054	1,075	1,096	1,118	1,141	1,164	1,187
Net GF impact before financing	**2,577**	**2,589**	**2,380**	**2,394**	**2,404**	**2,909**	**2,930**	**2,946**	**2,716**	**2,562**
Financing costs (including MRP)	(852)	(851)	(850)	(849)	(847)	(847)	(846)	(845)	(843)	(842)
Net GF impact	**1,725**	**1,738**	**1,530**	**1,545**	**1,557**	**2,062**	**2,084**	**2,101**	**1,873**	**1,720**
Cumulative GF impact	**29,550**	**31,288**	**32,818**	**34,363**	**35,920**	**37,982**	**40,066**	**42,167**	**44,040**	**45,760**

Guildhall model (Carter Jonas) – Option 1

£'000	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39
Net commercial rent	396	1,218	1,250	1,254	1,292	1,376	1,440	1,446	1,488	1,496
Net conferences/events	175	223	276	290	299	308	314	321	327	336
Total income	**571**	**1,441**	**1,526**	**1,544**	**1,591**	**1,684**	**1,754**	**1,767**	**1,815**	**1,832**
Business rates	(581)	(581)	(581)	(617)	(617)	(617)	(655)	(655)	(655)	(695)
Council utility costs	(197)	(201)	(205)	(209)	(213)	(217)	(221)	(226)	(230)	(235)
Mandela House costs	(788)	-	-	-	-	-	-	-	-	-
Other operating costs	(933)	(757)	(755)	(770)	(767)	(783)	(780)	(795)	(792)	(808)
Total operating costs	**(2,499)**	**(1,539)**	**(1,541)**	**(1,596)**	**(1,597)**	**(1,617)**	**(1,656)**	**(1,676)**	**(1,677)**	**(1,738)**
Net GF income/(cost)	**(1,928)**	**(98)**	**(15)**	**(52)**	**(6)**	**67**	**98**	**91**	**138**	**94**

£'000	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45	2045/46	2046/47	2047/48	2048/49
Net commercial rent	727	1,183	1,631	1,639	1,647	1,689	1,788	1,796	1,804	1,813
Net conferences/events	342	348	355	361	374	381	387	395	402	414
Total income	**1,069**	**1,531**	**1,986**	**2,000**	**2,021**	**2,070**	**2,175**	**2,191**	**2,206**	**2,227**
Business rates	(695)	(695)	(737)	(737)	(737)	(782)	(782)	(783)	(831)	(830)
Council utility costs	(240)	(244)	(250)	(255)	(260)	(265)	(270)	(276)	(281)	(287)
Other operating costs	(1,098)	(906)	(857)	(874)	(892)	(910)	(928)	(946)	(965)	(985)
Total operating costs	**(2,033)**	**(1,845)**	**(1,844)**	**(1,866)**	**(1,889)**	**(1,957)**	**(1,980)**	**(2,005)**	**(2,077)**	**(2,102)**
Net GF income/(cost)	**(964)**	**(314)**	**142**	**134**	**132**	**113**	**195**	**186**	**129**	**125**

£'000	2049/50	2050/51	2051/52	2052/53	2053/54	2054/55	2055/56	2056/57	2057/58	2058/59
Net commercial rent	1,437	902	1,890	1,986	1,996	2,028	2,113	2,177	2,187	2,198
Net conferences/events	422	429	437	445	458	466	475	483	492	501
Total income	**1,859**	**1,331**	**2,327**	**2,431**	**2,454**	**2,494**	**2,588**	**2,660**	**2,679**	**2,699**
Business rates	(830)	(881)	(881)	(881)	(935)	(935)	(935)	(992)	(992)	(992)
Council utility costs	(293)	(299)	(304)	(310)	(317)	(323)	(329)	(336)	(343)	(350)
Other operating costs	(1,123)	(1,323)	(1,045)	(1,066)	(1,087)	(1,109)	(1,131)	(1,154)	(1,177)	(1,200)
Total operating costs	**(2,246)**	**(2,503)**	**(2,230)**	**(2,257)**	**(2,339)**	**(2,367)**	**(2,395)**	**(2,482)**	**(2,512)**	**(2,542)**
Net GF income/(cost)	**(387)**	**(1,172)**	**97**	**174**	**115**	**127**	**193**	**178**	**167**	**157**

Guildhall model (Carter Jonas) – Option 2

£'000	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39
Net commercial rent	613	1,751	1,817	1,826	1,903	1,923	2,086	2,146	2,233	2,247
Net conferences/events	175	224	277	289	299	308	314	321	327	336
Total income	**788**	**1,975**	**2,094**	**2,115**	**2,202**	**2,231**	**2,400**	**2,467**	**2,560**	**2,583**
Business rates	(117)	(118)	(118)	(125)	(125)	(125)	(132)	(132)	(132)	(140)
Council utility costs	(67)	(68)	(69)	(70)	(72)	(73)	(75)	(76)	(78)	(79)
Mandela House costs	(915)	(933)	(952)	(971)	(990)	(1,010)	(1,030)	(1,051)	(1,072)	(1,094)
Other operating costs	(720)	(457)	(426)	(435)	(401)	(451)	(374)	(382)	(344)	(351)
Total operating costs	**(1,819)**	**(1,576)**	**(1,565)**	**(1,601)**	**(1,588)**	**(1,659)**	**(1,611)**	**(1,641)**	**(1,626)**	**(1,664)**
Net GF income/(cost)	**(1,031)**	**399**	**529**	**514**	**614**	**572**	**789**	**826**	**934**	**919**

£'000	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45	2045/46	2046/47	2047/48	2048/49
Net commercial rent	1,231	1,769	2,444	2,459	2,475	2,531	2,500	2,691	2,708	2,725
Net conferences/events	342	348	355	361	374	381	387	395	402	414
Total income	**1,573**	**2,117**	**2,799**	**2,820**	**2,849**	**2,912**	**2,887**	**3,086**	**3,110**	**3,139**
Business rates	(141)	(140)	(149)	(149)	(149)	(158)	(158)	(158)	(168)	(168)
Council utility costs	(81)	(83)	(84)	(86)	(88)	(90)	(91)	(93)	(95)	(97)
Mandela House costs	(1,115)	(1,137)	(1,161)	(1,184)	(1,207)	(1,231)	(1,256)	(1,281)	(1,307)	(1,333)
Other operating costs	(772)	(458)	(372)	(379)	(387)	(395)	(454)	(411)	(419)	(427)
Total operating costs	**(2,109)**	**(1,818)**	**(1,766)**	**(1,798)**	**(1,831)**	**(1,874)**	**(1,959)**	**(1,943)**	**(1,989)**	**(2,025)**
Net GF income/(cost)	**(536)**	**299**	**1,033**	**1,022**	**1,018**	**1,038**	**928**	**1,143**	**1,121**	**1,114**

£'000	2049/50	2050/51	2051/52	2052/53	2053/54	2054/55	2055/56	2056/57	2057/58	2058/59
Net commercial rent	2,296	1,406	2,808	2,983	3,001	3,043	3,023	3,194	3,285	3,305
Net conferences/events	422	429	437	445	458	466	475	483	492	501
Total income	**2,718**	**1,835**	**3,245**	**3,428**	**3,459**	**3,509**	**3,498**	**3,677**	**3,777**	**3,806**
Business rates	(168)	(178)	(178)	(178)	(189)	(189)	(189)	(201)	(200)	(200)
Council utility costs	(99)	(101)	(103)	(105)	(107)	(109)	(111)	(113)	(116)	(118)
Mandela House costs	(1,359)	(1,387)	(1,415)	(1,443)	(1,471)	(1,501)	(1,531)	(1,562)	(1,593)	(1,625)
Other operating costs	(593)	(910)	(453)	(463)	(472)	(481)	(553)	(501)	(511)	(521)
Total operating costs	**(2,219)**	**(2,576)**	**(2,149)**	**(2,189)**	**(2,239)**	**(2,280)**	**(2,384)**	**(2,377)**	**(2,420)**	**(2,464)**
Net GF income/(cost)	**499**	**(741)**	**1,096**	**1,239**	**1,220**	**1,229**	**1,114**	**1,300**	**1,357**	**1,342**

Guildhall model (Carter Jonas) – Option 3

£'000	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39
Business rates	(304)	(203)	(203)	(172)	(172)	(172)	(183)	(183)	(183)	(194)
Mandela House costs	(915)	(933)	(952)	(971)	(991)	(1,010)	(1,030)	(1,051)	(1,072)	(1,093)
Other operating costs	(402)	(274)	(279)	(228)	(232)	(237)	(242)	(246)	(251)	(257)
Total operating costs	**(1,621)**	**(1,410)**	**(1,434)**	**(1,371)**	**(1,395)**	**(1,419)**	**(1,455)**	**(1,480)**	**(1,506)**	**(1,544)**
Net GF income/(cost)	**(1,621)**	**(1,410)**	**(1,434)**	**(1,371)**	**(1,395)**	**(1,419)**	**(1,455)**	**(1,480)**	**(1,506)**	**(1,544)**

£'000	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45	2045/46	2046/47	2047/48	2048/49
Business rates	(194)	(194)	(206)	(206)	(206)	(218)	(218)	(218)	(232)	(231)
Mandela House costs	(1,115)	(1,137)	(1,160)	(1,183)	(1,207)	(1,232)	(1,256)	(1,281)	(1,307)	(1,333)
Other operating costs	(262)	(267)	(272)	(278)	(283)	(289)	(295)	(301)	(306)	(313)
Total operating costs	**(1,571)**	**(1,598)**	**(1,638)**	**(1,667)**	**(1,696)**	**(1,739)**	**(1,769)**	**(1,800)**	**(1,845)**	**(1,877)**
Net GF income/(cost)	**(1,571)**	**(1,598)**	**(1,638)**	**(1,667)**	**(1,696)**	**(1,739)**	**(1,769)**	**(1,800)**	**(1,845)**	**(1,877)**

£'000	2049/50	2050/51	2051/52	2052/53	2053/54	2054/55	2055/56	2056/57	2057/58	2058/59
Business rates	(232)	(246)	(246)	(246)	(261)	(261)	(261)	(277)	(277)	(277)
Mandela House costs	(1,359)	(1,387)	(1,414)	(1,443)	(1,472)	(1,501)	(1,531)	(1,562)	(1,593)	(1,625)
Other operating costs	(319)	(325)	(332)	(338)	(345)	(352)	(359)	(366)	(374)	(381)
Total operating costs	**(1,910)**	**(1,958)**	**(1,992)**	**(2,027)**	**(2,078)**	**(2,114)**	**(2,151)**	**(2,205)**	**(2,244)**	**(2,283)**
Net GF income/(cost)	**(1,910)**	**(1,958)**	**(1,992)**	**(2,027)**	**(2,078)**	**(2,114)**	**(2,151)**	**(2,205)**	**(2,244)**	**(2,283)**

Guildhall model (Carter Jonas) – Option 4

£'000	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39
Mandela House costs	(915)	(933)	(952)	(971)	(990)	(1,010)	(1,030)	(1,051)	(1,072)	(1,093)
Total operating costs	(915)	(933)	(952)	(971)	(990)	(1,010)	(1,030)	(1,051)	(1,072)	(1,093)
Net GF income/(cost)	**(915)**	**(933)**	**(952)**	**(971)**	**(990)**	**(1,010)**	**(1,030)**	**(1,051)**	**(1,072)**	**(1,093)**

£'000	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45	2045/46	2046/47	2047/48	2048/49
Mandela House costs	(1,115)	(1,138)	(1,160)	(1,184)	(1,207)	(1,231)	(1,256)	(1,281)	(1,307)	(1,333)
Total operating costs	(1,115)	(1,138)	(1,160)	(1,184)	(1,207)	(1,231)	(1,256)	(1,281)	(1,307)	(1,333)
Net GF income/(cost)	**(1,115)**	**(1,138)**	**(1,160)**	**(1,184)**	**(1,207)**	**(1,231)**	**(1,256)**	**(1,281)**	**(1,307)**	**(1,333)**

£'000	2049/50	2050/51	2051/52	2052/53	2053/54	2054/55	2055/56	2056/57	2057/58	2058/59
Mandela House costs	(1,360)	(1,387)	(1,415)	(1,443)	(1,472)	(1,501)	(1,531)	(1,562)	(1,593)	(1,625)
Total operating costs	(1,360)	(1,387)	(1,415)	(1,443)	(1,472)	(1,501)	(1,531)	(1,562)	(1,593)	(1,625)
Net GF income/(cost)	**(1,360)**	**(1,387)**	**(1,415)**	**(1,443)**	**(1,472)**	**(1,501)**	**(1,531)**	**(1,562)**	**(1,593)**	**(1,625)**

Corn Exchange model (Blue Horizon)

£'000	2028/29*	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
Net tickets and hire	629	1,360	1,569	1,701	1,829	1,880	1,933	1,987	2,043	2,084
Food and beverage	500	1,041	1,114	1,166	1,208	1,246	1,284	1,325	1,367	1,394
Other performance income	269	794	915	1,152	1,211	1,250	1,396	1,442	1,491	1,492
Conferences and events	165	413	447	473	540	574	586	598	610	622
Other income	18	36	36	37	38	39	39	40	41	42
Total income	**1,581**	**3,644**	**4,081**	**4,529**	**4,826**	**4,989**	**5,238**	**5,392**	**5,552**	**5,634**
Staff costs	(1,128)	(2,313)	(2,474)	(2,568)	(2,661)	(2,723)	(2,788)	(2,854)	(2,922)	(2,980)
Business rates	(21)	(42)	(42)	(42)	(44)	(44)	(44)	(47)	(47)	(47)
Other net operating costs	(392)	(714)	(810)	(838)	(1,016)	(1,040)	(1,064)	(929)	(953)	(969)
Total operating costs	**(1,541)**	**(3,069)**	**(3,326)**	**(3,448)**	**(3,721)**	**(3,807)**	**(3,896)**	**(3,830)**	**(3,922)**	**(3,996)**
Net GF income/(cost)	**40**	**575**	**755**	**1,081**	**1,105**	**1,182**	**1,342**	**1,562**	**1,630**	**1,638**

* Note that the first year of the model assumes 6 months of operation.

£'000	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45	2045/46	2046/47	2047/48
Net tickets and hire	2,126	2,168	2,211	2,256	2,301	2,347	2,394	2,441	2,491	2,540
Food and beverage	1,422	1,451	1,480	1,509	1,539	1,570	1,601	1,633	1,666	1,700
Other performance income	1,659	1,660	1,661	1,663	1,663	1,998	1,999	2,000	2,001	2,002
Conferences and events	634	647	660	673	687	700	714	729	743	758
Other income	43	43	44	45	46	47	48	49	50	51
Total income	**5,884**	**5,969**	**6,056**	**6,146**	**6,236**	**6,662**	**6,756**	**6,852**	**6,951**	**7,051**
Staff costs	(3,040)	(3,100)	(3,162)	(3,226)	(3,290)	(3,356)	(3,423)	(3,491)	(3,561)	(3,633)
Business rates	(50)	(50)	(50)	(53)	(53)	(53)	(56)	(56)	(56)	(59)
Other net operating costs	(1,153)	(1,173)	(1,193)	(1,034)	(1,051)	(1,068)	(1,276)	(1,298)	(1,320)	(1,140)
Total operating costs	**(4,243)**	**(4,323)**	**(4,405)**	**(4,313)**	**(4,394)**	**(4,477)**	**(4,755)**	**(4,845)**	**(4,937)**	**(4,832)**
Net GF income/(cost)	**1,641**	**1,646**	**1,651**	**1,833**	**1,842**	**2,185**	**2,001**	**2,007**	**2,014**	**2,219**

£'000	2048/49	2049/50	2050/51	2051/52	2052/53	2053/54	2054/55	2055/56	2056/57	2057/58
Net tickets and hire	2,591	2,643	2,696	2,750	2,805	2,861	2,918	2,976	3,036	3,097
Food and beverage	1,734	1,768	1,803	1,840	1,876	1,914	1,952	1,991	2,031	2,072
Other performance income	2,281	2,282	2,283	2,284	2,286	2,565	2,566	2,567	2,569	2,570
Conferences and events	773	789	805	821	837	854	871	889	906	924
Other income	52	53	54	55	56	57	58	60	61	62
Total income	**7,431**	**7,535**	**7,641**	**7,750**	**7,860**	**8,251**	**8,365**	**8,483**	**8,603**	**8,725**
Staff costs	(3,705)	(3,779)	(3,855)	(3,932)	(4,011)	(4,091)	(4,173)	(4,256)	(4,342)	(4,428)
Business rates	(60)	(60)	(63)	(63)	(63)	(67)	(67)	(67)	(71)	(71)
Other net operating costs	(1,158)	(1,177)	(1,410)	(1,434)	(1,457)	(1,254)	(1,273)	(1,294)	(1,555)	(1,581)
Total operating costs	**(4,923)**	**(5,016)**	**(5,328)**	**(5,429)**	**(5,531)**	**(5,412)**	**(5,513)**	**(5,617)**	**(5,968)**	**(6,080)**
Net GF income/(cost)	**2,508**	**2,519**	**2,313**	**2,321**	**2,329**	**2,839**	**2,852**	**2,866**	**2,635**	**2,645**

Market model (Place Partnership)

£'000	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
Permanent stalls	444	466	490	514	540	550	561	573	584	596
Demountable stalls	442	478	502	527	553	565	576	587	599	611
Other income	18	43	43	44	45	46	47	48	49	50
Total income	**904**	**987**	**1,035**	**1,085**	**1,138**	**1,161**	**1,184**	**1,208**	**1,232**	**1,257**
Staff costs	(476)	(485)	(495)	(505)	(515)	(525)	(536)	(547)	(558)	(569)
Business rates	(142)	(145)	(148)	(151)	(154)	(157)	(160)	(163)	(166)	(170)
Other net operating costs	(169)	(162)	(169)	(168)	(171)	(179)	(178)	(182)	(186)	(266)
Total operating costs	**(787)**	**(792)**	**(812)**	**(824)**	**(840)**	**(861)**	**(874)**	**(892)**	**(910)**	**(1,005)**
Net GF income/(cost)	**117**	**195**	**223**	**261**	**298**	**300**	**310**	**316**	**322**	**252**

£'000	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45	2045/46	2046/47	2047/48
Permanent stalls	608	620	632	645	658	671	684	698	712	726
Demountable stalls	623	635	649	661	675	688	702	716	730	745
Other income	51	52	53	54	55	56	57	58	60	61
Total income	**1,282**	**1,307**	**1,334**	**1,360**	**1,388**	**1,415**	**1,443**	**1,472**	**1,502**	**1,532**
Staff costs	(580)	(592)	(604)	(616)	(628)	(640)	(653)	(666)	(680)	(693)
Business rates	(173)	(176)	(180)	(183)	(187)	(191)	(195)	(199)	(203)	(207)
Other net operating costs	(193)	(197)	(205)	(205)	(261)	(218)	(217)	(222)	(226)	(325)
Total operating costs	**(946)**	**(965)**	**(989)**	**(1,004)**	**(1,076)**	**(1,049)**	**(1,065)**	**(1,087)**	**(1,109)**	**(1,225)**
Net GF income/(cost)	**336**	**342**	**345**	**356**	**312**	**366**	**378**	**385**	**393**	**307**

£'000	2048/49	2049/50	2050/51	2051/52	2052/53	2053/54	2054/55	2055/56	2056/57	2057/58
Permanent stalls	741	756	771	786	802	818	834	851	868	885
Demountable stalls	759	775	790	806	822	839	856	873	890	908
Other income	62	63	65	66	67	68	70	71	73	74
Total income	**1,562**	**1,594**	**1,626**	**1,658**	**1,691**	**1,725**	**1,760**	**1,795**	**1,831**	**1,867**
Staff costs	(707)	(722)	(736)	(750)	(765)	(781)	(797)	(813)	(829)	(845)
Business rates	(211)	(215)	(219)	(224)	(228)	(232)	(237)	(242)	(247)	(252)
Other net operating costs	(235)	(240)	(251)	(250)	(255)	(266)	(265)	(270)	(276)	(447)
Total operating costs	**(1,153)**	**(1,177)**	**(1,206)**	**(1,224)**	**(1,248)**	**(1,279)**	**(1,299)**	**(1,325)**	**(1,352)**	**(1,544)**
Net GF income/(cost)	**409**	**417**	**420**	**434**	**443**	**446**	**461**	**470**	**479**	**323**

Confidential Appendix X – Commercially Sensitive Assumptions

Table 1 – Guildhall rental income – leased space

INFORMATION REDACTED

Table 2 – Guildhall rental income – managed space

INFORMATION REDACTED

Table 3 – Guildhall conference and events income

INFORMATION REDACTED

Table 4 – Corn Exchange income

INFORMATION REDACTED

Table 5 – Capital values

INFORMATION REDACTED