APPENDIX C

Summary Officer Comments on SCIC Sustainability Plan and Financial Projections (Appendix B)

Sustainability Plan

- Document states that 'all existing tenants are now paying an increased service charge', however this has not yet been independently verified by LCC officers as evidence from SCIC has not yet been submitted.

- It has been queried how cost saving measures for gas and electricity will be funded/cashflowed by SCIC. At such time that they achieve surplus from rental levels these will be re-invested back into the building as an 'invest to save' scheme.

- SCIC have confirmed verbally that PROUD and AHRC income are not currently built into financial forecasts provided, except for £2K per month rental income expected from January 2012 for third floor lettable space for duration of the PROUD project.

- Although, the document states that figures provided allow for the under recovery within the year 2010 to 2011, this doesn't appear to be the case based on expected average service charge recovery rate of 63% per annum, i.e. 2011/12 recovery equates to 45%, whilst the next 2 years is 63%. This has therefore been queried with SCIC but not yet resolved.

Financial Forecasts

- There are errors in the opening balances for 2013/14 balance sheet and cashflow, however once corrected this doesn't fundamentally change the overall position.

- Although forecast expenditure for 2011/12 is less than that outturned at 2010/11, this seems ok as the previous year included some one-off grant funded expenditure as verified by SCIC's draft accounts for this period.

- A letter of intent from a new tenant to sign a three year lease has since been provided to support inclusion of rental and service charge income from January 2012 onwards.

- Although forecasts assume LCC loan from April 2012 with repayments commencing in May 2012, it has since been confirmed (as supported by letter attached at Appendix A) that the loan will need to be given in December 2011 with repayments commencing from February 2012.

- Staff reductions in 2011/12 are explained via recent staff turnover, which LCC Officers are aware of through close working with the SCIC in recent months.

- It has been queried whether it is prudent to reduce heat, light and power costs in future years compared to 2010/11 outturn, however SCIC believe they are currently being overcharged for their gas supply and are in dispute with

Npower. To mitigate this, service charge income is linked and will go up or down according to expenditure incurred, therefore there should be no bottom line impact if expenditure increases in this area.

General Comments

- A risk has been identified that based on SCIC's current financial position and if tenants are struggling / refusing to pay existing service charges, let alone increased tariffs, then the forecasts could be a little optimistic so a worsening financial position cannot be entirely ruled out.