

AGENDA REPORTS PACK

EXTRA ORDINARY MEETING

20TH OCTOBER 2016

Item 16/240. Village Hall & Nursery Project: Planning for Planning?

Village Hall redevelopment – provisional design and financial overview - October 2016

Summary

1. *The target is to create a desired* community asset for Cottenham which should recover its running costs while creating a valuable asset for Cottenham. (*Vision Plan, NP survey, emerging Neighbourhood Plan and Planning Officer reports on Applications).*
2. *The project will replace today's Village Hall with a larger, modern Hall integrating purpose-built nursery alongside a multi-purpose modern version of today's Hall with a larger flexible business and function space on the upper floor.*
3. *Today's developed design and accompanying studies are almost ready for submission for planning permission. It will have over 600m² of lettable space within about 1,300m² overall divided into five main spaces on two floors.*
4. *Projected total operating and financing costs of around £80,000pa appear fundable from expected income streams.*
5. *The capital cost of around £2.5 million +VAT appears fundable currently from a long-term loan financed from reserves, net income and/or a possible precept increase of less than £1/week per Band D home in the early years.*
6. *The provisional design and expected costs and financing have been publicly disclosed in the Cottenham Newsletter and at several public events with overwhelmingly positive reaction.*

What will it offer?

Ground Floor

Layouts will be subject to further revision as the planning permission and design process continues. Building footprint is slightly larger (towards the field) than today's Hall and several metres higher.

- Zone 2 downstairs is essentially a direct replacement for today's Main Hall with more integrated user-specific storage, larger kitchen and toilets, including for disabled. This can now be "locked-down" when in use by the Day centre, Kids Only etc. while the rest of the building is used for other purposes.
- Zone 1 downstairs is designed to host a nursery/creche, complementary to Ladybird and Cambridge Kids Club, with all year round weekday 7.30am to 6pm care for up to 50 children.
- Other downstairs facilities include a secure Parish Council / Manager's office, drop-in business area, external public toilet etc.

First Floor

Upstairs is substantially larger than today's 119m² Main Hall and overlooks the playing fields from windows and balcony. It can be used in two main ways, each with bar and kitchen facilities, independently of each other and of events downstairs:

- A core 65m² "Members' Club" area with optional expansion to 125m², 206m² or 245m² including balcony access
- A core 39m² "Cocktail Bar / Coffee Club" area with optional expansion to 120m², 180m² or 245m² including balcony access

Apart from possible weekday day-time use for extensions to child-care, the spaces should meet the needs of local commercial events and parties, including dances, dinners and wedding receptions. In addition the nursery might act as a crèche for business people using the upstairs meeting facilities.

Will it work financially?

The target is to create a desired* community asset for Cottenham which should recover its running costs while creating a valuable asset. (*Vision Plan, NP survey and Planning Applications)

Capital Costs

Current estimate is **£2,450,000* + VAT including professional fees** (*delay will increase costs).

Finance

We will be able to apply some Council reserves and donations/grants and/or developer contributions to reduce the loan size but, as we must have all the project capital available before placing construction contracts, **borrowing at least £2,000,000 appears unavoidable**. Interest costs (PWLb rate fixable today at slightly above 2%) are currently at an all-time low.

Borrowing £2.5 million over 25 years would require repayments of £130,000pa which, if only recovered from an increased precept – **is less than £1 per week on a Band D** home (67p/wk for Band A, £1.67/wk for Band G). We may be able to arrange an interest-only £2.5 million loan for around £30,000pa, funded initially from reserves, avoiding an immediate **precept increase**, although the capital does have to be repaid.

Operating Costs

Income from the Hall in years 3 onward should cover at least **the £80,000pa costs** - operating costs (around £50Kpa – inc. £25Kpa staff costs) and interest charges (around £30Kpa).

Informal discussions with some current and potential partners have confirmed interest in increased use of the building. Strategic partnerships must be in place before construction begins.

Likely revenue from 2020/21 onwards

The upstairs event space is a bit of an unknown while BREXIT uncertainties – mostly employment risks – plus “slow” marketing could dampen demand in the short term. Nursery income looks encouraging. After 3 years, these effects should have passed.

Area	Basis of estimate	Min Year #3	Max Year #3	Comment	Risk
Ground Floor Zone 1	mostly revenue from nursery usage at 50p to 75p/hour per child (<50 at a time; 11 hour days; say 80% occupancy)	£55,000	£82,500	30h/w free (£4/hour) day-care from Sep 2017	Assumes strategic partnership agreed; two parties interested at up to 75p/hour
Ground Floor Zone 2	+10% on functionally equivalent Main Hall	£15,000	£16,000	£14,250 today	Low risk as replacement revenue
Member drop-in	20-50 members @£200pa	£4,000	£10,000	Coffee/ WiFi pod-space	Unknown demand
Ground Floor Offices	Parish Office + shared office	£3,000	£5,000	Saves £2,600pa CCC rent for 18m ²	Low risk as known costs
First Floor Club Area	10% increase on today's non-exclusive CUS&SC licence plus some additional hires	£10,400	£12,000	£10,400 today	Low risk as assumes strategic partnership agreed
First Floor Event spaces	Small - 30m ² or 48m ² – 720hr Medium – 108m ² or 125m ² -150hr Large – 185m ² or 203m ² – 150hr Very large - 233m ² – 150hr	£1,800 £2,500 £4,000 £6,000	£3,600 £3,000 £6,000 £8,000	Mixed kids, meetings, parties, events	Medium risk as demand not yet quantifiable
Total		~£100,000	~£150,000		

Conclusion: Revenue in year #3 probably covers estimated finance and running costs

Situation

Costing about £2,500,000 overall (+ recoverable VAT), we have a so-called “developed design” and a number of technical reports to support a full planning application IF we decide to go ahead at this Extra Ordinary Meeting after receiving the final pre-application report (expected mid-October). A decision to apply for permission increases our project costs to around £42K, much of which is already spent or committed.

Next decisions

- **Planning permission**, which is not certain, takes about 3 months (from end of October if XOM agrees) by which time project costs will be around £42K.
- If we are to start the construction during 2017/8, any **increased precept** has to be set around end of January; CPC decision - although current consultation proposes applying 2+%/referendum rule to PCs with precepts above £500Kpa which, if extended to us, could force a pause until around mid-2017. An interest-only loan avoids this risk.
- **Borrowing permission** from DCLG is not certain but understood, from discussions with CAPALC to take ~4 weeks. The process cannot begin until planning permission obtained and we will need to show how we would repay the loan (projected income, developer receipts and fall-back to precept increase). CPALC and Cambridgeshire ACRE imply PWLB is appropriate, although we can borrow elsewhere.
- **Detailed technical design** will take about 3 months at an additional cost of around £177K and produce technical specifications for construction bidders (pre-qualification will be done in advance) – this must be finished before we can go out to tender but could start in advance of planning permission. Risk can be reduced by phasing the design.
- **Invitation to tender and negotiations** expected to take about 2 months from spec availability
- **Drawing down of funds** - any time between permission to borrow and placing construction contracts; drawdown can be phased within the borrowing limit
- **Demolition** unlikely until about 4 weeks after placing of contracts and ideally in July/August 2017 to minimise disruption to users etc.

Strategies

1. It is possible to only start each step (other than precept increase) when the previous one is complete with an overall time of 10 months with earliest demolition in September 2017, 6 months after the precept increase; or January 2018 if a referendum was imposed on us. Main risks are that interest rates and construction costs rise (+5% is around £125,000).
2. At the other extreme, we could aim to have detailed design complete about 1 month after planning permission is expected, allowing demolition as early as June 2017 if everything else went to plan. There is a risk of wasting £60K to £120K if we start but cannot finish.

Next steps – which plan?

1. **Do nothing more** – cancel the project incurring no more than £42K in costs.
2. **Minimise risk**, accept delay and increased costs (construction and possibly interest +10%)
 - a. Apply for planning permission (may be refused, take longer)
 - b. If obtained (February 2017?), increase precept if needed (from when – April 2018?)**
 - c. If obtained (and after referendum, if required), seek **permission to borrow**
 - d. If obtained, **commission detailed design** and specifications (~ £180K, 3 months)
 - e. Once satisfactory, **seek competitive tender offers** and negotiate a contract
 - f. Draw-down funds in stages (**from January 2018?**)
 - g. **Place contract**; proceed to build over 12 months (**completion January 2019?**)
3. **Accept some risk (£60K)**, offset by avoiding higher build and possibly higher interest costs
 - a. Apply for planning permission (may be refused or take longer)
 - b. Increase precept if necessary (from when – April 2017?)**
 - c. Commission **step 1 of detailed design and specifications** (~ £60K, 1 month)
 - d. If planning obtained (February 2017?), seek **permission to borrow** (March 2017?)
 - e. If borrowing permit obtained /no referendum, **complete design** (~ £120K, 2 months)
 - f. Once satisfactory, **seek competitive tender offers** and negotiate a contract (2 months)
 - g. Draw-down funds in stages (**from August 2017?**)
 - h. **Place contract**; proceed to build over 12 months (**completion August 2018?**)

Extra Ordinary Meeting (*possible resolution – may be modified at the meeting*)

“Having considered the merits and risks involved, this Parish Council authorises the Village Hall Working Party to apply for planning permission and proceed using “interest-only” finance subject to monthly review at Council meetings, CALF and FLAC.”

- 3a **Accept some risk (£60K)**, offset by avoiding higher build and possibly higher interest costs
- a) Apply for planning permission (may be refused or take longer)
 - b) **If** planning obtained, commission **step 1 of detailed design and specs** (~ £60K, 1 month)
 - c) **If** planning obtained (February 2017?), seek **permission to borrow** (March 2017?)
 - d) **If** borrowing permit obtained, **complete design** (~ £120K, 2 months)
 - e) Once satisfactory, **seek competitive tender offers** and **negotiate contracts** (2 months)
 - f) Draw-down funds on “Interest only” loan in stages (**from August 2017?**)
 - g) **Place contracts**; proceed to build over 12 months (**completion August 2018?**)

Proposed new

Multi-Purpose Village Hall & Nursery

