

Cheltenham Borough Council

Council – 18 July 2016

Potential financing arrangements for the construction of an annex at St. Margaret's Hall

Accountable member	Cllr. Rowena Hay; Cabinet Member Finance
Accountable officer	Richard Gibson, Strategy and Engagement Manager
Ward(s) affected	St. Margaret's Hall lies in Warden Hill ward, but serves a much wider geography.
Key/Significant Decision	No
Executive summary	<p>The Trustees of St. Margaret's Hall Users Group have approached the council with a request for financial help to support their plans to construct an annex onto the existing building.</p> <p>The building, which is owned by Cheltenham Borough Council, and leased to the Users Group, is a popular community building serving the immediate Warden Hill and Hatherley communities as well as the wider community of Cheltenham. The Users Group report that demand for the existing hall is high, with the bookings diary being regularly full and demand exceeding capacity.</p> <p>The annex is planned to meet this demand and will be able to accommodate 75 people in a space that can be divided in two, and will have its own services so it can be hired independently of the main hall. The proposed costs of the annex are c.£175k (inc VAT).</p> <p>The Users Group have approached the council for a loan of £50,000 which they will re-pay over a period of 15 years at an estimated interest rate of 3%, based on current market rates. They will use the offer of a local from CBC to apply to a range of grant-giving organisations for funding to cover the costs of the building works. The actual interest rate shall be that prevailing at the time a formal loan agreement is drawn up should this be approved by Council.</p> <p>It is proposed that Council consider making an "in-principle" loan of £50,000 to the Users Group which, if the fund-raising target is met and the remaining funds secured to cover the proposed total cost of the scheme, will be then be subject to further Council agreement to turn this into an agreed loan.</p>
Recommendations	<p>Full council is asked to make an "in-principle" loan of £50,000 to St. Margaret's Hall Users Group.</p> <p>That this "in-principle" loan be offered for the purposes of enabling further fund-raising to take place in connection with the construction of the proposed annex detailed in section 3.</p> <p>That this "in-principle" loan be offered on a series of conditions set out in section 5.</p>

That, subject to these conditions being met, a further report will be considered by full Council to agree whether the “in-principle” loan be turned into an agreed loan.

Financial implications	<p>The St Margaret’s Hall user group aim to fund raise to cover the estimated £175k total cost of the annex. This will include a contribution of £30k of their own funds and £11k already committed by Gloucestershire County Council. This report recommends a £50k loan” in-principle”. However this loan will need to be subject to final approval by Council, which should only be considered once the remaining £84k funding has been secured and the council is satisfied that the St Margaret’s Hall User Group have sufficient funds to cover the running costs of both the existing hall and proposed annex.</p> <p>Contact officer: Sarah Didcote GO Business Partner Manager (West) Sarah.Didcote@cheltenham.gov.uk 01242 264125</p>
Legal implications	<p>The Council has broad powers (including under Section 19 of the Local Government (Miscellaneous Provisions) Act 1976) to support the provision of recreational facilities, including by way of giving grants or loans to third parties.</p> <p>As the property is leased by the Council to the Users’ Group (and a new lease is proposed), it will be important to ensure that the lease and the loan agreement are co-ordinated and that the works are monitored.</p> <p>Contact officer: Rose Gemmell rose.gemmell@tewkesbury.gov.uk 01684 272014</p>
HR implications (including learning and organisational development)	<p>No HR implications identified with this report</p>
Property/Asset Implications	<p>As set out in the report.</p> <p>Contact officer: David Roberts Head of Property Services David.roberts@cheltenham.gov.uk 01242 264151</p>
Key risks	<p>There are no risks to this “in-principle” loan. However full consideration of possible risks will need to be given by council in order to facilitate an agreed loan, once funding has been secured to cover the full costs of the scheme.</p>
Corporate and community plan Implications	<p>Successful delivery of the project by the St. Margaret’s Hall User Group will help the council deliver its corporate strategy outcome:</p> <ul style="list-style-type: none"> • People live in strong, safe and healthy communities
Environmental and climate change implications	<p>The new annex will be built in accordance with the environmental specifications set out in the latest building regulations.</p>

1. Background

- 1.1** St Margaret's Hall was originally built as a Mission Centre for the Roman Catholic Church in 1977, which later evolved into a general purpose community hall. Following closure in 1997, Cheltenham Borough Council purchased the hall and it was re-opened by a consortium of users known as the St Margaret's Hall Users' Group.
- 1.2** The Users Group have subsequently managed the building and have undertaken a range of projects to improve the fabric of the building such as installing new toilets, new flooring, new kitchen equipment and a new central heating system.
- 1.3** The hall is a popular community building serving the immediate Warden Hill and Hatherley communities as well as the wider community of Cheltenham. The Hall is let on a regular basis to 11 charitable organisations and seven commercial organisations who provide a number of activities including those aimed at parents and children, health and fitness activities and a wide range of social activities. Demand for the existing hall is high, with the bookings diary being regularly full, leaving little space for other users to hire the hall. Rental income brings in around £22k per annum.

2. Current lease arrangements

- 2.1** The current lease was agreed with the Users Group in August 2011 and this runs to 2026 with a rent review in 2017. The current rent is £13,500 and is supported by a third sector matching grant of £13,500 so no rent is collected by the council.
- 2.2** To support fund-raising activities associated with the annex project, the Users Group have approached the council requesting surrender of the current lease and entering into a new lease for a further term of 35 years and subject to similar conditions as the existing lease. In addition the User Group will also be obliged to enter into an Agreement for Lease and Building Agreement which, upon successful completion of these first two elements, a new lease will be granted.

3. Details of the proposal

- 3.1** To meet increasing demand for space at the Hall, the Users Group have drawn up plans for an annex which will be able to accommodate 75 people, in a space that can be divided in two, and will have its own services so it can be hired independently of the main hall.
- 3.2** Details of the proposal are set out in a business plan, attached at appendix B, that has been prepared by the Users Group.
- 3.3** The Users Group have also considered the impacts on other local halls. Their research indicates that other hall providers in the areas of Hatherley, Warden Hill and The Reddings are also at or near to capacity. Other halls in the area provide either a main hall of 130-220 capacity, or a minor hall of up to say 50-60 capacity, or both.
- 3.4** Plans for the Annex have received both planning permission and building regulations permission.
- 3.5** Preliminary costings indicate a capital cost of c.£175k (inc VAT), but that the new annex will generate anticipated additional income building up to £12,000 per year, less relevant running costs, estimated at £5,000 per annum.
- 3.6** The Users Group have approached the council for a loan of £50,000 which they will re-pay over a period of 15 years at an estimated interest rate of 3%, based on current market rates. They will use the offer of a loan from CBC to apply to a range of grant-giving organisations for funding to cover the costs of the building works. It should be noted that the actual rate applicable will be based on current market rates at the date of the loan agreement, should this recommendation be

approved by Council.

- 3.7 It is proposed that Council consider making an “in-principle” loan of £50,000 to the Users Group, which if the fund-raising target is met, and all funds secured to cover the proposed total cost of the scheme, will be then be subject to further Council agreement to turn this into an agreed loan.

4. Project Assessment

- 4.1 In common with any significant capital scheme, the Users Group have completed a project assessment tool template (attached as appendix C) that sets out further information about the proposal, a financial assessment, an assessment of how well the proposal will meet our corporate priorities and a risk assessment.
- 4.2 The completed document has been reviewed by officers and the Cabinet Member Finance and has demonstrated that there is effective governance of the project – should it go ahead – and that the proposal will support our corporate priorities.
- 4.3 The User Group had requested that the Council procure and manage the works contract; however the Council is unable to provide this service to external bodies.
- 4.4 Instead, it is recommended that the User Group manage the procurement and manage the works themselves via a fixed price “design and build” contract.

5. Suggested conditions for the offer of a loan in-principle

- 5.1 If council are minded to offer an in-principle loan, it is suggested that it is offered with the following conditions:
- 5.2 The offer of the loan in-principle will remain open for 12 months from the date of the Council meeting.
- 5.3 The offer of the loan in-principle is only to be used in connection with the proposed Annex as detailed in section 3 and is to help the User Group secure the additional funds necessary to enable the build contract to be entered into.
- 5.4 Subject to the User Group securing all the necessary funds to cover the proposed total cost of the whole scheme, a further report will be considered by full council to agree whether the “in-principle” loan be turned into an agreed loan.

6. Reasons for recommendations

- 6.1 The proposed annex will meet an identified need for community space in the south of Cheltenham. It will support the ongoing viability of the St. Margaret’s hall and will also relieve pressure on other halls.
- 6.2 The proposals will support the delivery of the Council’s priorities and the works will be managed by the Users Group.
- 6.3 The proposals will also see investment of c.£175k into one of the Council’s assets that will help secure its longer-term future.

7. Alternative options considered

- 7.1 No other alternatives have been considered.

8. Consultation and feedback

- 8.1 There has been ongoing consultation on the recommendations set out in this paper with the St Margaret's Hall Users' Group.
- 8.2 It is proposed that, should the Users Group meet the conditions set out in section 5, that the proposed loan be discussed by the Asset Management Working Group before coming to full Council.

9. Performance management –monitoring and review

- 9.1 If a loan is entered into, this will be managed via the agreed terms and conditions.

Report author	Contact officer: Richard Gibson Strategy and Engagement Manager Richard.gibson@cheltenham.gov.uk 01242 235 354
Appendices	<ol style="list-style-type: none">1. Risk Assessment2. Annex Business Plan3. Project Assessment Tool
Background information	

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	There are no risks to this “in-principle” loan. However full consideration of possible risks will need to be given by council in order to facilitate an agreed loan, once funding has been secured to cover the full costs of the scheme										
<p>Explanatory notes</p> <p>Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)</p> <p>Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)</p> <p>Control - Either: Reduce / Accept / Transfer to 3rd party / Close</p>											