

Gotherington Parish Council

Proposition re acquiring the Church Centre

Version 2.3

3rd May 2017

The Huntington Trust

In an email dated 22nd March, 2017, it was agreed that the Trust could not reduce their price for the purchase of the Church Centre below £50,000. We are therefore proposing, subject to Gotherington Parish Council's (GPC) formal approval, to make an offer of £50,000 for the purchase of the building.

All forecasts are based on this figure.

An earlier condition relating to potential clawback on resale has now been lifted

Our proposed payments schedule are shown in the Cash Flows

Legal Costs

A solicitor will be appointed, after approval by the GPC and a conservative £4,000 has been budgeted in the Cash Flow. We have received 2 quotes below £2,500 so our budget is considered conservative.

Project Management & Professional Support

This being a large project for the GPC, it felt prudent to appoint professional project support.

The choice of Project Manager will be subject to competitive tendering. If the proposal is formally approved by GPC, the appointed Project Manager will lead the commercial negotiations with the preferred builder – making final recommendations to the GPC for formal approval.

The Project Manager will also be responsible for Design, Contract Administration & Project Management, the fee for which would be 8.5% (excluding VAT) of the overall costs.

Refurbishment Costs

Three quotations have been received for refurbishment

- Snape Construction: £64,405, which includes £5,000 contingency.
- AMPM: £74,209, with no contingency
- Barnwood: £106,000 including £15,000 contingency.

All quotations given are exclusive of VAT.

The Steering Group has a preference for Barnwood for the following reasons;

1. The quotation is comprehensive and conservative and includes features which can be removed during negotiation. We believe the final renovation costs (excluding VAT) will not exceed £100k.
2. The quotation includes re-slating the roof.
3. The bidding process included input from five additional specialists, each providing expertise in specific areas of the refurbishment.
4. The bidding site visit associated with (3) above gave the Steering Group confidence.

The proposed renovation period is estimated between 16-20 weeks

Fixtures and Fitting Costs

Chairs, tables etc. are estimated at £2,000, but would only be required post completion.

Overall Project Costs

In summary, the overall project costs are presently estimated at:

£ 50,000 Purchase

£100,000 Renovation

£ 3,000 Legal Fees

£ 8,500 Professional project fees

£ 22,300 VAT (20% of £111,500)

£183,800

Funding Assumptions – Cash Flow assuming VAT recovery

£115,000 PWLB

£ 21,000 PCC

£ 26,000 S106

£ 22,300 VAT refund

£184,300

Funding Assumptions – Cash Flow assuming no VAT recovery

£137,000 PWLB

£ 21,000 PCC

£ 26,000 S106

£184,000

S106 from Charles Church: £26,000 minimum. Discussions are under way to re-allocate associated funds from other non-assigned categories to add to this minimum value.

VAT – We are presently trying to validate our assumption that all VAT will be recoverable. In the event that our assumption is incorrect then the overall funding proposals will need to be reviewed. We are presently trying to obtain a definite position regarding VAT recovery on project costs. Given the uncertainty, we consider that this element of the proposed funding is therefore regarded as a Risk.

PCC Donation

The PCC have agreed a donation of £21,000.

Funding

The initial cash flow (with VAT recovery) assumed a GPC input (from its existing funds) of £15,000. However, we have been advised by the RFO that these funds are unable to be used. The project cash flow was, therefore, showing a potential funding shortfall of £14,500.

The above shortfall equates to 7.9% of the overall project costs.

The associated risk to the project could be mitigated via:

- Lower negotiated contract price and / or
- Increased PWLB support and / or
- Higher S106 contribution

The cash flows assume mitigation is achieved via increased PWLB loan borrowing. See PWLB comments below.

PWLB

Two cash flows have been produced:

1. **If VAT can be recovered** - the associated cash flow assumes a loan of £115,000 over 25 years. Repayments are estimated at £6,200 per annum.
2. **If VAT can't be recovered** – the associated assumes a loan of £137,000 over 30 years. Repayments are estimated at £6,600 per annum.

In the event that a higher loan is initially required (to mitigate a potential funding shortfall) and subsequent funds become available to GPC, then these may be considered, for reducing the capital balance outstanding.

The present interest rate for the above loans are 2.43% & 2.62% per annum (fixed) respectively. The actual rate charged on PWLB loans is determined at drawdown date.

Precept

The cash flows assume loan repayments will be repaid via way of an increase in the precept as defined in the document presented to the GPC at the April Extraordinary Meeting held on the 6th April, 2017.

Project Timing

The attached Cash Flow forecasts assume that the refurbishment and purchase operations are immediately serial. The actual project timetable will depend on the availability of funds, particularly S106 funds from the Charles Church development. In the event of this being delayed the refurbishment could be re-scheduled until funds are available.

The acquisition is dependent on the timing of the PCC contribution and the ability to negotiate with the Huntingdon fund on the timing of the payments. During our discussions the fund expressed a willingness to be flexible with regard to repayment schedule. Conveyancing costs, including local searches can be funded from known funds.

It is perfectly feasible, therefore to purchase the property and delay the refurbishment until resources become available.

External Influences

- A survey sent to the village suggested that 70% of the greater than 50% of the surveys returned were in favour of the project, in spite of an anticipated increase in precept.
- The Gotherington Neighbourhood Development Plan states that the Church Centre is “a Village Asset in need of protection”

