

Report to Cabinet

25th March 2021

By the Cabinet Member for Finance and Assets

DECISION REQUIRED



**Horsham
District
Council**

Not Exempt

Improvement of Community Facilities in Denne Ward

Executive Summary

St. Peter's Hall and the RAFA club are two buildings on the Needles Estate, previously occupied by Kings Church and the Royal Air Forces Association (RAFA). The buildings have a number of shortcomings, they are not interconnected, have poor facilities and accessibility, and do not meet modern standards for thermal performance. They are therefore not fit for purpose in their current condition.

The Council has successfully applied for a grant to reduce the carbon emissions of the buildings, which will require the premises to be properly insulated and for the installation of a new air source heat pump heating system. These alterations are substantial and the grant is for £238,000. Alongside these works, it is proposed to remodel the building to create fit-for-purpose and efficient space which can be used by the local community to meet local needs. The additional budget cost for remodelling the buildings is £262,000, bringing the total for all of the work to a budget of £500,000.

A condition of the grant is that the works commence prior to the 31st March 2021 and are completed by the 30th September 2021. The definition of commence is broad and both dates are achievable.

The alternative to refurbishing the building would be to construct a new building, which would be more expensive and is therefore not recommended.

The future management of the building has been considered and there are two routes, either to let the property to a single community group, who would act as an anchor use and would hire the building to other users, or work with the local community to create a board of local trustees who could manage the building on behalf of the community. There is sufficient interest in the property to indicate that both options would be viable. It is intended to work with the local community and possible anchor organisations during the construction phase so that arrangements are in place on completion of the work. It is expected that a return of over £10,000 can be generated, which will be sufficient to fund the Minimum Revenue Payment for the Council's net budget expenditure of £262,000.

The purpose of the report is to explain the details of the proposal and seek Cabinet approval to the project and a recommendation by Cabinet to Council for the allocation of a budget of £500,000 for the works, of which £238,000 will be grant funded.

Recommendations

That Cabinet is recommended:

- i) To approve the project for the refurbishment of St Peter's Hall and the RAFA club.
- ii) To recommend to Council that a budget of £500,000 for 2021/22 be approved for the project, of which £238,000 will be grant funded.

Reasons for Recommendations

The reasons for the recommendations are to upgrade poor quality community facilities in Denne Ward and to improve the energy efficiency of the buildings. The proposals meet the Council policies to move towards net zero emissions by 2030 and to provide facilities to support health and wellbeing in the community.

Reasons for rejecting alternative courses of action are dealt with in the body of the report.

Background Papers

None

Wards affected: Denne

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Background Information

1 Introduction and Background

- 1.1 St. Peter's Hall and RAFA Club are two adjoining buildings located on the Needles Estate in Denne Ward. Until early 2020, these buildings were used for community use but they are now both vacant. The Needles estate is a mixture of private and council built housing dating back to the 1950s.
- 1.2 The properties were previously let to two occupiers, Kings Church, who occupied St. Peter's Hall, mainly as a drop in and support centre, and the RAFA club which was a services club for ex RAF service men and women, which closed.
- 1.3 The buildings have a low standard of thermal performance and a poor internal arrangement which makes them difficult to use. The buildings are not interconnected and are unsuitable for letting without substantial expenditure to improve the building arrangement and the energy performance.
- 1.4 The Council has received approval for a capital grant to improve the energy performance of the buildings. The works required would be undertaken alongside a general refurbishment to improve the internal arrangement and to connect the buildings. The capital grant is for the sum of £238,000 subject to the condition that the project commences (out to tender) prior to the 31st March 2021 and is completed by end September 2021. These timescales are achievable. The grant would cover part of the total cost, which is budgeted at £500,000. The Council would therefore need to fund the balance of the cost, which would be £262,000. These budget figures are presently being tested with contractors.
- 1.5 The purpose of this report is to seek Cabinet approval to proceed with the works and for Cabinet to recommend to Council that a budget of £500,000 be allocated for this purpose. The works will be partly funded, through the grant of £238,000.

2 Relevant Council policy

- 2.1 This proposals supports the Council's policies to work towards a carbon neutral district and to provide community facilities to support health and well-being.

3 Details

- 3.1 The buildings have poor energy performance, with EPC (Energy Performance Certificate) ratings of E for St Peter's Hall and D for the RAFA Club. The Government, through the Minimum Energy Efficiency Standard (MEES), sets a minimum EPC threshold for buildings before they can be let or sold. It is expected that from 2030 all non-residential buildings will need to have a minimum EPC of B in which case the buildings will need upgrading before that time. The Council also has a commitment to improve the energy performance of Council owned buildings to meet a policy objective to achieve net zero emissions by 2030.
- 3.2 The buildings adjoin but are not inter-connected and they lack flexibility in how they can be used. They have inadequate WC provision, poor kitchen facilities and are not accessible for people with disabilities. They are also in a tired condition.

3.3 There are three options for these buildings:

Option 1: Demolish the existing buildings and build a new community hall. This would cost in the region of £750,000 for a 300m² building.

Option 2: Refurbish the existing buildings, including undertaking the energy performance works. This would provide a hall with a total area of c80m² with ancillary space of c145 m². The budget cost for this work is £500,000 of which £238,000 would be grant funded, with the Council funding the remaining £262,000.

Option 3: Decommission the buildings and use the land for an alternative use, such as affordable housing. This could create 8-10 flats, which would generate an income of c£80,000 pa and would require a capital expenditure of c£1.8m. However, this would result in the loss of a community facility, with no replacement, which would require justification to the community and on planning grounds.

The recommendation is to proceed with Option 2. A refurbishment and reconfiguration of the building will provide the following:

- An 80m² hall which will accommodate approximately 65 people seated.
- A separate meeting room of c40m² on the first floor, which will be accessible with a lift for people with impaired mobility. This will accommodate approximately 25 people.
- New male and female WCs, including an accessible WC
- A kitchen
- An entrance foyer with sufficient space for casual seating
- An office
- A buggy store
- Two separate store areas, both of c20m², one intended to be let to the Borough Band and the other for general use.
- Off-site parking for 11 cars

The building will have the following energy performance features:

- Walls, floors and ceilings to be insulated
- Air source heat pump delivering hot water and heating
- Solar panels

3.4 The Council recently commissioned a report to review the community facilities in Horsham District. While this report has highlighted that there are sufficient halls in Horsham, St Peter's Hall is the only small scale facility serving the Needles Estate and the facility would be of a size to meet local needs.

3.5 On completion of the works the property will need to be passed over to an operator for management. This could be by a community group established for that purpose or a community organisation acting as a lead occupier. Some local organisations have expressed an interest in the building and a local community engagement process will be undertaken to determine the approach that best meets the needs of the local community.

3.6 Although there has not been any formal marketing of this building a number of potential users have indicated interest:

- The local scout group
- An out of school club operator
- St John's Ambulance service
- A music school
- A drama school
- Services clubs
- A youth club
- The borough band

Discussions with these groups will take place during the refurbishment contract so that the building is ready for use on completion. It is expected that the building will also be used for daytime dance classes (or similar) and private functions.

3.7 The community centre will be operated to be self-sufficient, with an income target of £10,480 which would give the Council a return equivalent to MRP (Minimum Revenue Provision) of 4% on the Council's proportion of the funding.

3.8 Pricing structures for community halls generally have a range of rates depending on the hirer and the time of day, with discounted figures for not-for-profit groups and off-peak times and higher rates for commercial organisations and evenings and weekends. A reasonable average rate across the different groups and times of day would be c£15 per hour. Opening times are expected to be from 8.00am to 10.00pm, equivalent to 84 hours per week. An average occupancy level of c50% would generate an income of c£630 per week, or £32,760 per annum. It is expected that revenues will start lower and grow over time.

3.9 It is challenging to forecast P&L figures with accuracy, however this level of revenue is comparable with the revenue generated by North Horsham Parish Council for Horsham Tythe Barn (HTB), which is of a similar size and character. HTB has an income of c£35k pa (pre-covid) and expenditure of approximately £23k pa with a surplus of £12k pa, or 34% of revenue. If a target revenue return of 34% is applied to £32,760 pa as detailed in paragraph 3.8, the surplus would be £11,138, which is marginally better than the target return of £10,480 pa.

4 Next Steps

4.1 Next steps are to secure Council approval to the creation of a budget for these works. The grant provider will then be notified so the grant can be paid and the contractor appointed. As detailed in paragraph 3.6, discussions will also take place regarding the management structure for the operation of the facility.

5 Views of the Policy Development Advisory Group and Outcome of Consultations

5.1 Consultations have been completed with Cabinet members, local members and the neighbourhood council. The matter has been considered by the Council's Policy Development and Advisory Group (Finance and Assets), who were supportive of the proposal.

- 5.2 The Monitoring Officer and Director of Resources have been consulted and their comments incorporated in this document.

6. Other Courses of action Considered by Rejected

6. The Council could let the building on a short term basis to generate an immediate income. Likely users would be private organisations seeking low cost venues, such as a martial arts club. This would be a short term solution only, as the fundamental problems with the buildings would not be addressed. Delaying expenditure would have the effect of increasing the cost as a delay would mean that the grant opportunity is missed and the full financial burden would fall on the Council. This course of action was therefore rejected.

7 Resource Consequences

- 7.1 A capital budget will need to be allocated for this project and a Council Meeting will be held to approve a budget allocation of £500,000, of which £238,000 will be funded by the capital grant from Salix. The remaining £262,000 will be internally funded.
- 7.2 The objective is to generate an income on completion, to at least cover the cost of capital. A realistic return of £10,480 per annum will be targeted as a contribution from the building as a community led operation. This would deliver a return of 4% on the budgeted net expenditure of c£262,000, thereby covering the internal capital financing and Minimum Revenue Provision costs.

8 Legal considerations and Implications

- 8.1 Legal Services are available to advise on and support the completion and signature of the funding contract and ensure that risk to the Council is fully understood and mitigated through appropriate governance. Further, they will offer support in the delivery of the project as and when required.

9 Risk assessment

- 9.1 There are two main risks arising from this proposal, firstly failure to meet the grant conditions, which is low risk and arrangements will be put in place to manage this risk. Secondly, low or no demand for the building on completion of the refurbishment; this is considered low risk considering current early interest.

10 Procurement implications

- 10.1 Procurement of consultants and building contractors will be undertaken in compliance with Council policy and legal obligations, specifically in compliance with the Council's Contract Procedure Rules, Procurement Code and the Public Contracts Regulations 2015 and supported by relevant officers.

11. Equalities and Human Rights implications / Public Sector Equality Duty

- 11.1 The building will comply with Part M of the Building Regulations and will be accessible.

12 Environmental Implications

- 12.1 This is an environmentally driven project to improve the Council's community building stock and to help meet the Council's environmental target of achieving net zero carbon by 2030.