

Bovey Tracy Community Hub Project: Capital Investment Plan

Report prepared by Devon Communities Together, March 2016.



The purpose of this document is to present the findings of research as to potential sources of investment which will enable the proposed Community Hub on the Old Thatched Inn site to be progressed as soon as possible.

1) Key considerations in compiling a Capital Investment Plan:

Any capital Investment Plan developed for a proposed project should be viewed as a “snap-shot in time” and a “work in progress” since external funders regularly change their eligibility criteria, their available funds run out and predicted costs may change.

A Capital Investment Plan for a project of this size typically requires identifying a number of sources of investment that can be successfully applied for in order for the funds to be available during a specific time-slot i.e. within the limited period of time required for the whole building to be constructed. This complete picture is known as the “funding package” - in essence there is no point in achieving a specific grant offer of £200K towards the cost of the building if the building costs £500K and there is no clear plan as to how or when the shortfall will be met. As grant offers are usually time limited - they have to be spent by a deadline for example within a year or by the end of the current financial year.

2) Range of funding options explored:

A funding package for this scale and complexity of building will typically include a mixture of funding sources which will need to be investigated and best estimates then made as to what level of contribution each source could contribute to the whole package. These different sources of funding are outlined below; with our assessment of how likely they are to contribute towards the Community Hub project:

Local Community Fundraising Typically undertaken by people and groups who are the intended beneficiaries of the scheme. In the case of the BT Hub the nature of the scheme is such that it is unlikely to engender the sort of community drive to raise funds as it is largely going to accommodate 4 “public” services which have traditionally been funded by public bodies, hence local people will feel that they are already paying for them via taxation. However, where a body of supporting volunteers does exist as in the case of the Friends of the Library and the volunteer team who run the Information Centre, there may be a willingness for these volunteers to help run fund-raising events towards purchasing specific items at the “kitting out” stage of the development which can add great value to the core services and would not otherwise be affordable.

Public sector grants This can include grants from the County and District Councils, National Park and AONB authorities if applicable, Central Government Departments, government agencies and the EU. These funds are often managed and distributed by a local development agency For Example EU Leader programme funds are currently being distributed by the Greater Dartmoor LEAF, similarly European Structural investment Funds (ESIF) are being distributed through the Heart of the South West Local Enterprise Partnership (HOTSW LEP). Investigations to date include:

ESIF via LEP - Nothing eligible here for Local Councils, grants and contracts issued favour strategic consortia bids aimed at addressing barriers to employment across the whole of the LEP locality. Further European programmes are expected over the coming months/years but no details as to eligibility yet but unlikely to match this project. DCT keeping a watching brief.

Local LAG (Greater Dartmoor LEAF) - The project looks to be eligible via their “local services” strand, however DEFRA have recently taken over the scheme so it will require a long and bureaucratic two stage application process (including business plan). It is limited to capital funding only and provides grants of up to £100k. However, this is not an option for the build stage as their funding cannot be matched with other sources of public investment. It might however fund a smaller “self-contained” project within the hub scheme at a later date e.g. fitting out/equipping of public access foyer. DCT to re-visit after consultations have firmed up design / functionality brief.

DCC - Libraries transfer fund This is not anticipated to be a large contribution, but should be an essential element towards making up any anticipated shortfall or contingency fund. The likelihood and scale of this investment could be enhanced if DCC were able to achieve a capital receipt for the sale of the old library building. There is a potential buyer interested apparently. DCT to follow up - awaiting outcome of meetings arranged with new Head of libraries (first meeting scheduled for 6/4/16).

TEDC - Investment in lieu of public toilets provision BTTC to continue with negotiations to firm up figures.

TEDC - Elector or TAP fund. Applications invited in February and September. For projects of benefit to electorates from more than one parish. For example, in 2015-16, Ipplepen Parish Council was awarded £2290 and Kingsteignton Town Council awarded £4650, both towards provision of public toilet blocks. We suggest that BTTC make an application next September for a self-contained element of the new building.

Elected members Locality Budgets Both DCC and TEDC elected ward members have a delegated pot to distribute as small grants within their ward. These small grants could make a useful contribution towards the kitting out of the new hub.

National Lottery grants

These are distributed by four main agencies depending upon the nature of the project that is seeking investment. They include: the Big Lottery, Sport England, The Arts Council and the Heritage Lottery Fund.

Big Lottery (BIG) Reaching Communities Buildings programme - Provides grants for capital funds up to £500k, but the project is ineligible as Bovey does not fall within the eligible postcodes, nor does the area score highly enough on the national Indices of Multiple Deprivation.

BIG main Reaching Communities Programme - This can provide grants for capital investment up to £100k and is a potential funder. The application process is two stage and takes several months with an approx. 1 in 4 probability of success. The programme is orientated towards revenue funding (new services and staff initial start-up and running costs) with investments of up to £500k over 5 years. The project will need to demonstrate the sustainability of the scheme (business plan) and therefore again might be worth considering for a later stage of the hub development - not for initial building construction as grants cannot be applied for in retrospect of the project starting and the timescale may not match the aspirations of the Town Council.

Big Lottery Awards for All This is a small (up to £10K) fast-track grant scheme for multi-disciplined projects which could be a helpful contribution towards the kitting out of the new Hub.

Power to Change programme This re-opens in April 2016 for applications and funds up to £100k which can typically be mixed grant/ loan finance. Funding is aimed at Community Enterprise Organisations so would not be suitable unless an independent community organisation is set up to run the building.

Trusts and Foundations

These are effectively private sources of funds distributed as a result of a philanthropic endowment - usually providing grants of around £5K to £25K and occasionally loans. Some are large national organisations others are small very locally focussed funds. We have investigated a number these trusts which are known to invest in community buildings including: The Henry Smith Foundation, Lloyds Foundation, The Princes Countryside Fund, Bernard Sunly Foundation, the Cloth-Workers Foundation, and the Esmee Fairburn Foundation. Unfortunately the BT Hub project would not be eligible as most Foundations will only invest in registered charitable organisations and for projects addressing social deprivation.

Private sector social responsibility schemes

Land-Fill Tax credit distributors - Viridor. Discussions with this potentially large investor indicated that the Hub project would not meet their community need and environmental enhancement criteria for a large investment, though a smaller contribution towards landscaping and green energy elements could be eligible. However with the closure of the Heathfield site in 2016, Viridor closed to applications on the 30th March 2016. DCT is investigating any other sources of landfill or quarrying tax credit distributors.

EON Energy Action Fund - will provide grants of up to £2000 towards renewable energy and energy efficiency measures incorporated into community buildings.

Loan Finance

Over the past 10 years the availability of loan finance to the community sector has increased enormously and has become a much more common and essential element of any Capital

Investment Plan. The option of loan finance as a significant element of a CIP can be a good approach to take but only if the anticipated management of the project incorporates sufficient income generation streams to make the loan repayments. If the latter is the case the advantage of loan finance includes:

- The alternative of local fundraising and applying for grants can be a much more lengthy and onerous process with no guarantee of success. In the meantime the project costs will be increasing due to inflation etc. and the social needs driving the project, whilst not being addressed, could be worsening.
- The work associated with a loan application is mostly upfront, whereas a successful grant offer requires on-going monitoring and reportage and ties you in to very specific functionality/activities for a lengthy period.

DCT has investigated a number of loan finance agencies on behalf of BTTC including; **The Charity Bank, the SW Investment Group, the Community Investment Fund and the Triodos Bank.** In all cases apart from the latter, investments are only made to independent community businesses and charities. The Triodos Bank appears to be an eligible source. Triodos provides secured loans in excess of £100K and assess each case individually on the back of a business plan and income generation potential.

Public Works Loan Board (PWLB) This is a relatively low interest loan scheme specifically for Local Councils funded by the Dept. of Communities and Local Government. The council should have consulted local residents on the project and associated borrowing. The format of consultation with residents is a matter for the council to decide, however councils should note the following:

- details of the project and plans for borrowing and loan repayment must be accessible to residents from an early stage,
- decisions on borrowing must be taken in an open and transparent way, following discussion in open meetings,
- inclusion of the matter on an agenda for a public meeting of the council will not, in itself, be considered sufficient evidence of consultation,
- the council should ensure that information about the progress of the project continues to be available to residents following the approval to borrow,
- in particular, any proposal to increase the precept to meet borrowing costs **must** be backed by evidence of public support.
- the council should have a realistic budget (this must be affordable, taking account of its effect on the council's precept) for the servicing and repayment of the debt.

All councils are encouraged to let their County Associations know of their borrowing requirements as soon as possible. However, Councils should not apply for borrowing approval until **all negotiations have been completed and all other consents (eg planning permission)** have been obtained. If an applicant Council is successful, processing of the borrowing approval should generally take about 15 working days from the date of its receipt by DCLG. The borrowing approval will authorise the council to take out a loan within a period of twelve months starting with the date of issue of the borrowing approval.

The amount that an individual council will be authorised to borrow will normally be limited to a maximum of £500,000 in any single financial year for any single purpose.

A loan from the PWLB would appear to be the main option for funding for the bulk of the Community Hub Building if BTTC want to commence construction within the next year on the Thatch Inn site. Both project and BTTC are eligible in principle, initial assessment of the application is made by the Devon Association of Local Councils and would include assessment of public consultation and business case submitted along side the application, before being able to progress to DCLG if approved.

Section 106 agreements and the Community Infrastructure Levy

CIL is now replacing the previous mechanism for “planning gain” known as a Section 106. There may be outstanding Section 106 monies accrued for Bovey Tracey which the Town Council will be aware of, if so this is likely to be tied to a particular site and use and not necessarily compatible with the Hub proposal on the Thatch site.

Teignbridge District Council manages the Community Infrastructure Levy on behalf of the district and produces a strategy for how it will be distributed based upon projected development in the Local Plan. Projected CIL investments for Bovey Tracey are illustrated below.

	15/16	16/17	17/18	18/19	19/20
Bovey Tracey - Without NP	-	-	-	£91406	£191953
Bovey Tracey - With NP	-	-	-	£152343	£319921

- Note that if the parish has an adopted Neighbourhood Plan (NP) the level of investment is significantly increased.
- In the current financial climate there is a high likelihood of these houses being developed. However that is no guarantee.
- CIL money will be paid on the commencement of development, over a two year period, twice yearly.
- The money is required to be spent on delivering infrastructure for the area to support the additional homes. A community hub is likely to meet this requirement.
- Local authorities cannot borrow against future CIL payments. This may also be the case for Town and Parish Councils. However the CIL money may be used for repaying loans to provide community infrastructure as per above point.

Although very positive for future developments, CIL investment is outside the timescale of the current Hub plan. However, it may be worth considering projected CIL as mechanism for early repayment of loans, although this could not provide the rationale for a loan application.

Sale of underused/redundant assets

This is an increasingly common way by which communities help to fund new asset development. By auditing and rationalizing the value of their current plots of land and buildings, underused or redundant assets can be sold for best market value, providing a capital receipt to contribute to the new project.

3) Anticipated Project costs:

Project elements	Estimated Cost
Demolition & clearing of site	Already completed
Site works/Construction	750,000
Professional/technical fees & permissions (12%)	90,000
Fit out / equipment	30,000
Contingency (5%)	43,500
Total	913,500

Budget

The relative costs of key elements of the capital project in table above are modelled upon recent examples of new community building projects, along with guidance from the Big Lottery and RIBA.

The estimated cost of a new build of this scale and complexity and given the site constraints is based upon informed discussions within the steering group who have architectural / building expertise on the team, and those members who have had discussions about this proposal with other professionals in recent years. For Example an extract from the initial design brief drawn up in early 2015 states:

“From previous plans and associated Quantity Surveyor reports, it is envisaged that a building such as this could be achieved for a maximum budget of £1 million. The funds of the Town Council are limited and we would expect that the costs come in significantly lower than this. We expect that a good quality and durable building for the growing population of Bovey Tracey will be achieved by the budget we have set.”

A more accurate and detailed picture of costs will be forthcoming once the new design brief is drawn up and short-listed construction professionals have been invited to tender a quote.

4) Conclusions and way forward

The search for significant potential grant investment has been disappointing, to a large extent this reflects the current economic climate in which sources and amounts of grant-aid has been shrinking in recent years and where grants are available they are targeting very specifically, For Example, Bovey Tracey town does not score highly in the government’s Indices of Multiple Deprivation which precludes it’s post codes from being eligible for investment from the Big Lottery Community Buildings programme. Similarly this Community Hub proposal is not eligible for other large grants primarily because a) it does not have a job creation/economic impact and/or b) To

qualify the Hub would have to be owned and managed by an independent charitable organisation/social enterprise.

Loan finance appears to be the way forward, largely dependent upon a successful application to the PWLB. A second loan could be sought from the Triodos bank or the District Council to help address cash-flow or shortfall.

The table below illustrates a funding package based upon the current situation and known variables. Note: Figures proposed are Net and the Town Council will need to seek expert advice around VAT implications for build costs and ongoing charges.

Proposed Funding package:

Notes	Source	Amount	Status
1	Stage 1, 2016: Public Works Loan Board	£100,000	To be applied for
2	Stage 2, 2017: Public Works Loan Board	£500,000	To be applied for
3	BTTC designated reserves	£160,000	Confirmed
4	Sale of old Town Hall	£100,000	Confirmed
5	DCC: Investing In Devon grant	£35,000	Confirmed
6	TEDC: Technical Fees grant	£5,000	Committed
7	Partner contributions (DCC, Libraries Mutual, TEDC, TIC)	*£13,500	Under Negotiation
	Total	£913500	High % likelihood

* Minimum contributions required, however it is anticipated that the Town Council are expecting to exceed this figure.

Explanatory Notes:

1. If the development and associated costs are undertaken as a two phase project, an initial PWLB loan of £100,000 could be applied for in 2016/17 to cover the costs in that financial year of an initial enabling phase including permissions, a portion of professional fees and early site works.
2. A second loan of £500000 from PWLB can be applied for in 2017/18 along with an extension to the loan repayment schedule. This would allow the main construction and kitting out phase to be completed in first half of that financial year.
3. In February 2012 the Town Council published its Quality Update newsheet which informed the community of their proposal to raise the precept by £40,000 per year from April 1st 2012 in order to fund the development of a Community Hub on the Thatch Inn site. BTTC explained that this extra precept would be designated to the Hub development and the repayment of a PWLB loan. This sum has now been accruing over 4 financial years and provides £160,000 of designated reserves.
4. Capital receipt for sale of Old Town Hall completed in February 2016
5. This was a grant scheme that DCC provided in order to distribute the capital receipt from the sale of Exeter airport.
6. Teignbridge District Council have committed this contribution towards the technical fees associated with the Hub development.
7. As discussed in Section 2 above, a number of negotiations are currently underway to firm up a capital contribution from each of the main partner beneficiaries of the new Hub.