



Finance Report on Redevelopment of 5-7 Church Street

Property Development Committee: 13<sup>th</sup> June 2017

Agenda Item: 6

**Net Expenditure 2016/17:** c£26,000.

**Future Net Expenditure:-** The below table has been calculated using the current net expenditure plus any additional expenditure for the different options  
*Please note, these are illustrative figures only*

Year 1

Income	Option B	Comments	Option D	
MKC Libraries Tenancy Fee	£6400	Increases annually by RPI	£5,000	Possible reduction due to reduced space
Additional rental from Office	£5,400	Based on current rates – includes electricity, NNDR but not telephone	0	
Room Hire (estimated)	£4,000	Based on an increase due to increased facilities	£3,000	Minimal estimated decrease due to reduced space
	£15,800.00		£8,000.00	

Expenditure	Option B		Option D	
NNDR	£12,000	*Estimated reduction due to reduced usable space (in form of lobby area, toilets etc.	£8,000	Estimated reduction due to decrease Library, SSTC and community space
Other Expenditure	£10,000	*Reduction due to perceived reduction in heating costs due to more efficient systems	£6500	Estimated reduction due to decrease in Library, SSTC and community space.
Caretaker Salary	£5000	Slight increase due to additional toilets	£4,000	Slight decrease due to decreased overall area
Officer Salary	£5242	Estimated 5 Additional hours per week necessary due to preparation of business plan/room hire/liaison/ with builders during refurbishment. Based on TC salary	0	
Project Manager Salary	<b>£12,500</b>	<b>Added in for 1 year</b>	£12,500	Possible part-time project manager necessary for 2 years?
PWLB Loan of £300,000 (Annual Cost over 25 years)	17,645	If in the final detail, the costs are reduced, then we may be able to borrow less. Total cost of loan = approx.: £407,563	0	We will need to ensure that there is sufficient cash flow to pay the VAT prior to reclaiming it c £400,000 (20% of 2 million)
Ongoing Building Maintenance	£2,000	We have £14,000 in the Earmarked Reserve. If anything major occurs not covered by insurance. Rather than increasing the precept further, a further short term loan could be sought	£2,000	Larger external building area to maintain
	£64,387.00		£33,000.00	

**NOTE: In Year 1: there is the possibility of up to 3 months reduction in NNDR c£4,400**

Year 1 – Net Cost (Expenditure minus Income)

	Option B	Option D
Net Cost	£48587	£25000

Year 2 :-

Income	Option B	Comments	Option D	
MKC Libraries Tenancy Fee	£6400	Increases annually by RPI	£5,000	Possible reduction due to reduced space
Additional rental from Office	£5,400	Based on current rates – includes electricity, NNDR but not telephone	0	
Room Hire (estimated)	£4,000	Based on an increase due to increased facilities	£3,000	Minimal estimated decrease due to reduced space
	£15,800.00		£8,000.00	

Expenditure	Option B	Comments	Option D	
NNDR	£12,000	Estimated reduction due to reduced usable space (in form of lobby area, toilets etc.	£8,000	Estimated reduction due to decrease Library, SSTC and community space
Other Expenditure	£10,000	*Reduction due to perceived reduction in heating costs due to more efficient systems	£6,500	Estimated reduction due to decrease in Library, SSTC and community space.
Caretaker Salary	£5000	Slight increase due to additional toilets	£4,000	Slight decrease due to decreased overall area
Officer Salary	£5242	Estimated 5 Additional hours per week necessary due to preparation of business plan/room hire/liasion/ with builders during refurbishment. Based on TC salary	0	
Project Manager Salary	0		£6,500	Possible part-time project manager necessary for 2 years?
PWLB Loan of £300,000 (Annual Cost over 25 years)	17,645	If in the final detail, the costs are reduced, then we may be able to borrow less. Total cost of loan = approx.: £407,563	0	
Ongoing Building Maintenance	£5,000	We have £14,000 in the Earmarked Reserve. If anything major occurs not covered by insurance. Rather than increasing the precept further, a further loan could be sought	£2,000	Estimated due to larger external building area to maintain. Additional Fees to developer?
	£54,887.00		£27,000.00	

Year 2 – Net Cost (Expenditure minus Income)

	Option B	Option D
Net Cost	£39,087	£19,000

**NEW** Years 3 onwards

Income	Option B	Comments	Option D	
MKC Libraries Tenancy Fee	£6400	Increases annually by RPI	£5,000	Possible reduction due to reduced space
Additional rental from Office	£5,400	Based on current rates – includes electricity, NNDR but not telephone	0	
Room Hire (estimated)	£4,000	Based on an increase due to increased facilities	£3,000	Minimal estimated decrease due to reduced space
	£15,800.00		£8,000.00	

Expenditure	Option B	Comments	Option D	
NNDR	£12,000	Estimated reduction due to reduced usable space (in form of lobby area, toilets etc.	£8,000	Estimated reduction due to decrease Library, SSTC and community space
Other Expenditure	£10,000	*Reduction due to perceived reduction in heating costs due to more efficient systems	£6,500	Estimated reduction due to decrease in Library, SSTC and community space.
Caretaker Salary	£5000	Slight increase due to additional toilets	£4,000	Slight decrease due to decreased overall area
Officer Salary	£5242	Estimated 5 Additional hours per week necessary due to marketing of new building. Based on TC salary	0	
Project Manager Salary	0		0	Removed
PWLB Loan of £300,000 (Annual Cost over 25 years)	17,645	If in the final detail, the costs are reduced, then we may be able to borrow less. Total cost of loan = approx.: £407,563	0	
Ongoing Building Maintenance	£5,000	We have £14,000 in the Earmarked Reserve. If anything major occurs not covered by insurance. Rather than increasing the precept further, a further loan could be sought	£2,000	Estimated due to larger external building area to maintain. Additional Fees to developer?
	£54,887.00		£20,500.00	

Year 3 – Net Cost (Expenditure minus Income)

	Option B	Option D
Net Cost	£39,087	£12,500

**VAT:** With either option we will need to register for VAT and Opt to Tax the building (this is for a minimum of 20 years). All the VAT will be able to be reclaimed. This would mean charging VAT to hirers/suppliers. VAT is broadly similar on both options.

**Further opportunities to offset expenditure costs:-**

	Option B	Option D	Comments
'Rental' of roof to Community energy company who install photovoltaics which we would gain an income from	✓	x	Less likely for option D as it is probable that the developer would own the roof
contribution from MKC towards costs if they agree to divert capital funding from WEA to improve Stony Stratford Library	✓	x	Not likely for option D as MKC Libraries Service have indicated that the newly proposed library space is too small
S106 monies from Elizabeth House	✓	?	
Re-defining of Public Art contribution from S106 agreements may mean being able to use more of this money towards renewal of the 5-7 Church Street building.	✓	?	

Any additional income could be used for:-

**Option B** to reduce the PWLB loan more quickly thus incurring less interest.

**Option D** to put in a fund for building maintenance

**Impact on precept:** Currently the precept of £175,110 is based on a budget for 5-7 Church Street of £8,000 worth of income and £32,000 worth of expenditure. A net cost of £24,000. This would mean varying the precept as follows:-

	Option B Increase to Net Expenditure	New Precept	Percentage Change	Option D	New Precept	Percentage Change
Year 1	£24587+	£199,697	+14%	£1,000+	£175,110	Keep same
Year 2	£15087+	Could reduce back down by £9500 (difference between £24587 and £15,087) to £190,197	- 4.8%	-£5,000	£175,110	0.0%
Years 3 onwards	As Y2	£190,197	None – keep same as Y2	-£11,500	£163,610	-6.6%

The Property Development Committee is asked to **CONSIDER** the report and make a **RECOMMENDATION** to Full Council on which option to choose to ensure the future sustainability of 5-7 Church Street Community building and Library.

Lynne Compton, Clerk and RFO to the Council

6<sup>th</sup> June 2017