

Business Case for the Adoption of a Heathpark Woods Community Hall by the Parish Council

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Executive Summary

This business case outlines the strategic, social, and economic benefits of the parish council adopting and managing the new Heathpark Woods development community hall, as well as the alternative option of adopting the building to be managed by a charitable trust. The acquisition and management of this community hall by the parish council could significantly enhance community cohesion, provide a versatile venue for events, and generate potential revenue streams, contributing to the overall development and well-being of the community while complementing existing village facilities.

However, it is crucial for Members to carefully consider all associated risks, particularly the significant financial risks currently indicated by the available figures. While project costs can only be estimated at this stage, it appears unlikely that the level of hired hours would be sufficient to offset the ongoing operating costs of the hall. This, combined with the initial set-up costs, could expose the Council to financial strain, potentially necessitating the use of existing reserves or an additional charge on the precept to finance the project if the Council were to manage the building. The alternative, of a charitable trust managing the building is not without risk to the Council and will also need careful consideration.

Objectives

Enhance Community Engagement: Create a central hub for social, cultural, and recreational activities, fostering a sense of community.

Provide a Versatile Venue: Offer a space for various events such as meetings, educational workshops, and health and wellness groups. Additionally, the building could be used as a satellite office for the Parish Council and an outreach base for Councillors and voluntary sector groups.

Generate Revenue: Develop sustainable income streams through rental fees, events, and partnerships.

Strategic Alignment

The adoption of the community hall aligns with the parish council's strategic goal to improve the quality of life for residents by providing essential services and promoting community cohesion.

It would also:

- Enhance community facilities
- Encourage civic participation
- Promote local culture and heritage

Option 1 – Council to adopt and manage the building

Benefits

Social Benefits:

- **Increase Community Interaction:** A venue for community events will encourage interaction among residents in the immediate vicinity, of all ages and backgrounds.
- **Support for Local Organisations:** Provide a space for local clubs, groups, and non-profits to meet and operate.
- **Enhance Well-being:** Host fitness classes, mental health workshops, and social gatherings contributing to the physical and mental well-being of residents.

Economic Benefits:

- **Revenue Generation:** Rental income from private events, business meetings, and community group activities.
- **Job Creation:** Potential for part-time employment opportunities in hall management, maintenance, and event coordination.

Cultural Benefits:

Cultural Events: Provide another venue for local artists, musicians, and performers, enhancing cultural vibrancy in the community.

Risks

Operational Risk:

- **Community Engagement:** Risk of underutilisation, where a lack of community engagement and event bookings can result in financial losses and wasted resources

Additionally, low participation and engagement levels could weaken the community's vibrancy and effectiveness.

- Other communities or organisations offering similar benefits could draw away members and resources.
- Compliance & Liabilities: Ensuring compliance with health and safety regulations and other standards is another critical area, as non-compliance can lead to fines or closure. Liability risks are also significant, including potential accidents or injuries on the premises, which could lead to costly legal actions and insurance claims.
- Governance: The parish council must ensure that the hall's management is effective, transparent, and accountable. Poor governance can result in mismanagement, conflicts of interest, and operational inefficiencies. Additionally, there is a risk of volunteer burnout or insufficient volunteer engagement, which can compromise the hall's operations and programming.

Mitigation: Establishment of a dedicated strategic plan with clear operational guidelines.

Reputation Risks:

- Negative Publicity: Bad press or negative social media exposure can harm the community's reputation and member trust.
- Conflict Resolution: Poor handling of conflicts can exacerbate issues and damage relationships within the community.
- Community Resistance

Mitigation: Engage with the community through consultations and surveys to ensure support and address concerns.

Financial Risk – see financial analysis below

Financial Analysis

Initial Costs:

Acquisition: the transfer or purchase of the community hall is anticipated to be a nominal fee.

Operating costs

The detailed costings for the proposed Heathpark Woods Community Hall are shown in Appendix 1 and give a total cost for the initial year of £72,260. The numbers are based on the information available at this time from similar sized centres and include estimates and assumptions as reflected in the notes to the calculations. As such these numbers should not be regarded as definitive. The costs are summarised in the table below:

Heathpark Woods summary costings			£
- Staffing			31,834
- Utilities			10,679
- Security			2,142
- Property			8,905
- Other			100
			53,660
- Capital items (one off costs)			18,600
			72,260

The following points should be noted:

- Staffing costs are based on WPC employing an Administrator, Cleaner and Caretaker. These costs could be reduced if staff were employed on a contractor basis though this would depend on the availability of staff. There would also be other administrative costs associated with the employment of staff that would fall upon the existing staff/councillors.
- The figures include a maintenance reserve for future major works. This would include redecoration of the centre, replacement of fixtures and fittings and similar items. The amounts budgeted would be held in an EMR. Ongoing maintenance costs are included separately.
- The Capital items are to purchase furniture for the hall, office and meeting rooms, electrical appliances for the kitchen and various miscellaneous items that may arise. These are likely to be one-off costs for the initial fit out with minor replacement costs coming from the standard maintenance budget.

Revenue projections

Revenue for the Community Hall could be derived from three sources:

- Series bookings for community groups/businesses (nursery, dance classes etc).
- Ad hoc bookings from the local community for parties or events.
- Hosting for council-backed events – fairs, markets, exhibitions.
- Partnerships and sponsorships, partnering with local businesses and organisations for sponsored events and activities.
- The space could also be used for WPC/Village committee meetings thereby reducing the costs incurred in other areas.

Financial Risk

The financial risk to the Council lies in the ability to cover the costs from the revenue generated. The alternative would be to add an amount to the precept to cover any losses foreseen. The level of revenue generated is difficult to forecast at the current time but is likely to take time to develop. There is also a need to factor in the total level of demand in the Parish that cannot currently be satisfied by other community assets (Field of Remembrance, Briars Centre, 3 x Church halls, various clubs).

A review of the charging structures for a sample of local halls shows the following rates charged to commercial users for hourly hall hire:

- Field of Remembrance, Windlesham	£22
- St John's Church, Windlesham	£22
- Briars Centre, Lightwater	£25
- All Saints Church, Lightwater (commercial)	£25
- All Saints Church, Lightwater (one-off)	£30

Given the location of the hall it is likely that it would require an hourly rate of £22 to be competitive. To effectively match the ongoing costs of £53,660pa this would require the hall to be hired for 2,440 hours, equivalent to an average of almost 47 hours per week over a year. For each reduction in costs of £1,144 the weekly usage required would fall by 1 hour meaning that should sufficient savings arise from the indicative costings then the hire requirement would fall. Note that this would not cover the element of one-off costs which would require either a drawdown from existing reserves or a charge in the precept.

Given the numbers involved the Council will incur significant financial risk in its adoption of the Community Hall. There will be a need for additional funding to be used to pay for the initial set-up costs plus a potential charge to reserves if the hall does not generate a surplus on running costs. This is not sustainable in the long term. The level of usage required would suggest that, particularly in the early years, this would be the case. The alternative would be to provide funding through a charge to the precept which may be difficult at a time when demands on the Council are already increasing. (This would be particularly relevant in the case of a separation of the Council under the CGR which would potentially leave Windlesham ratepayers more exposed assuming the centre were to pass to a new Parish Council.)

Implementation Plan

Phase 1:

- Engage with stakeholders for input and support.
- Secure approval from the parish council and relevant authorities.

Phase 2:

- Finalise acquisition terms.
- Equip the hall with the necessary facilities and amenities.

Phase 3:

- Launch and Operation
 - Launch a marketing campaign to promote the hall.
 - Establish a booking system and management team.
 - Host an inaugural event to introduce the hall to the community.

Conclusion

With careful planning and management, the hall could become a thriving hub of activity, benefiting all residents in the immediate vicinity and surrounding area. However, while adopting the community hall presents an opportunity for the parish council to enhance community engagement and generate revenue it carries significant financial risk which should not be ignored.

Option 2: Council to adopt the building, for management by a charitable trust.

Benefits

When a parish council owns a community building that is run by a charitable trust, several benefits can arise from this arrangement. Below are the key advantages:

Operational Flexibility

- If built on a strong base of volunteers a charitable trust can reduce staffing costs and increase community involvement in the building's operations.
- The trust can design and implement programs, events, and services that are specifically tailored to meet the needs of the local community, making the building a vibrant and relevant hub for residents.

Reduced Financial Burden on the Parish Council

- By transferring operational responsibilities to a charitable trust, the parish council can reduce its financial and administrative burden, freeing up resources for other community needs.
- The council retains ownership of the asset while benefiting from the trust's management, sharing the responsibility for maintaining the building and ensuring its use aligns with community needs.

Enhancement of Parish Council's Reputation

- Partnering with a charitable trust can enhance the parish council's reputation as a community-focused body that promotes social value and supports local initiatives.
- The arrangement can showcase the council's commitment to enabling community-led management and decision-making, reinforcing its role as a facilitator of local empowerment.

Risks

Running the Heathpark Woods community building through a charitable trust presents several risks to the Parish Council. Here are the key risks that should be considered:

Financial Sustainability

- Charitable trusts often rely on donations, grants, and fundraising activities. If these sources of income are insufficient, the trust may struggle to cover operational costs, maintenance, and unexpected expenses.

Maintenance and Upkeep

- The trust will be responsible for the ongoing maintenance of the building and its surrounding areas, which can be a significant financial burden. Without a commuted sum from Persimmon Homes, these costs could escalate over time.
- If funds are insufficient, there might be a temptation to defer maintenance, which can lead to deteriorating conditions and higher costs in the long run.

Regulatory and Compliance Issues

- The trust must comply with regulations governing charitable organisations, including reporting requirements, governance standards, and restrictions on how funds can be used.
- A charitable trust requires a board of trustees, who must act in the best interest of the trust. Poor governance or conflicts of interest could lead to legal issues or mismanagement of the building.

Operational Challenges

- Charitable trusts often rely heavily on volunteers for day-to-day operations. A lack of skilled or committed volunteers could impact the effectiveness of the building's management.
- The trust may face challenges in maintaining high-quality services or programming if resources are limited, affecting the building's attractiveness and utility to the community.

Liability and Legal Risks

- The trust could be held liable for accidents or damages occurring on the property. Adequate insurance is essential, but this adds to the operational costs.
- The trust must comply with various legal requirements, including health and safety regulations, employment laws (if it hires staff), and property management laws. Failure to comply could result in fines or legal action.

Sustainability and Succession

- The long-term success of the trust depends on strong leadership. High turnover in trustees or key volunteers could lead to instability and challenges in strategic planning.
- If the trust fails to achieve its objectives or manage the building effectively, it may face dissolution. The building's future in such a scenario could be uncertain, with ownership potentially reverting to the Parish Council.

Reputation Risks

- If the trust is seen as ineffective or mismanages the building, it could damage the reputation of both the trust and the Parish Council. This could also affect future fundraising efforts and community support.

Financial Analysis

Operating costs

The centre could be run as a Charitable Trust though for it to do so it would require to be registered as such and would require its own bank accounts and set of books and records. This may present complications going forward and could have costs attached.

The detailed costings reflected in Appendix 1 provide the basis for the calculation of the costs that would be incurred if the centre were to be run as a Charitable Trust. If this were the case however the staffing costs would likely be reduced as most of the roles would become voluntary positions. (The level of cleaning required though would depend on the level and nature of the hirers). This would reduce costs significantly though would require somewhere in the region of £20k hire fees to break even – assuming the cost of capital items were either subject to a council grant or repaid over a period.

The following points should be noted:

- This method does require significant volunteer help which may be a problem given that the FoR is also a voluntary organisation and has to some extent denuded the pool of available volunteers.
- Some cleaning would be required so a source of cleaners would need to be found. Given the issues the Council has had in appointing cleaners for the main Council offices this may be an issue (it is difficult to find someone willing to work for only a few hours a week).
- Ultimately the Council would retain the liability for any losses incurred in the operation of the building. There would be no available reserves to cushion losses and, given that the centre may require time to reach the required hiring levels it is likely that initial losses would be incurred that would need to be funded. The Council would probably need an EMR with funds available to fund initial start-up costs and any future losses which would need to be raised from either the general reserves (with the restrictions noted elsewhere) or via the precept.

Implementation Plan

Phase 1:

- Engage with stakeholders for input and support.
- Secure approval from the parish council and relevant authorities.

Phase 2:

- Finalise acquisition terms.
- Equip the hall with the necessary facilities and amenities.
- Establish a trust and management committee

Phase 3:

- Launch and Operation
 - Charitable trust to take over the management of the building and
 - Launch a marketing campaign to promote the hall.
 - Establish a booking system and management team.
 - Host an inaugural event to introduce the hall to the community.

Conclusion

In conclusion, entrusting the management of a parish council-owned community building to a charitable trust could offer significant financial, operational, and community-centred benefits, transforming the building into a valuable asset for local residents. However, it is crucial for the Parish Council to carefully balance these advantages against potential risks and local factors that could influence the trust's success. Establishing the trust with robust governance, sound financial planning, and effective risk management strategies will be key to ensuring the building's long-term viability and positive impact on the community.

Appendix 1 – Operating Costs

Appendix A: HEATHPARK WOOD COMMUNITY BUILDING - INDICATIVE COSTINGS (JULY 24)						
		Notes	£	£	Comments	Source
Expenditure						
- Staffing	1				National minimum wage is £11.44	
- Manager/Administrator			10,920		£15 ph x 10 hours per week plus NI/pension (13% + 27%)	Assumes Administrator is a employed by the Council - pay at £15ph
- Cleaner			9,994		£11.44 ph x 2 hours x 6 days plus NI/pension (13% + 27%)	Assumes cleaner is a employed by the Council - pay at National minimum wage
- Caretaker			10,920		£15 ph x 2 hours x 5 days plus NI/pension (13% + 27%)	Assumes caretaker is a employed by the Council and is paid £14ph. Includes on call time
				31,834		
- Utilities						
- Rates (property)			5,269		£439 x 11; £440.20 x 1	2024-25 rates for Council Offices
- Gas			1,800		Assumes gas appliances fitted in kitchen/heating	Estimate
- Electricity			1,601		Standing charge - £13.41pm; Electricity usage - £120pm. (Solar panels to be fitted which may reduce the electricity cost)	Council office monthly bill - 2 July 24. Monthly cost doubled due to size and likely use of centre
- Water			809		6 month charge x 4 based on type and duration of usage	1 Mar - 31 Aug 24, Office water bill
- Telephony/broadband			1,200		Charge assumes that the building will have broadband coverage and available telephones (office and meeting room space)	Estimate
				10,679		
- Security						
- Alarm contract			162		Annual maintenance charge	Based on current WPC office charge
- Entry system			240		Annual charge - assumes card system included in property design	Estimate
- Fire prevention/alarm systems			240		Extinguishers/alarm system	Estimate
- CCTV			1,500		Assumes CCTV is fitted as part of design brief	Based on current WPC office charge
				2,142		
- Property						
- Insurance			800		Addn charge for Council to cover building/assets	Estimate
- Maintenance			1,500		Should be minimal maintenance on a new building, will increase subsequently (window cleaning, misc repairs, replacement of damaged items etc)	Estimate
- Maintenance reserve (EMR)	2		2,500		Large scale maintenance requirement - redecoration etc	Required for future maintenance requirements
- Refuse collection			2,550		Includes general waste and food waste (£1,800); feminine hygiene (£750)	WEPC/Hants Council informative figures
- PAT testing			120		Depends on appliances held	Estimate
- Legionella testing			35		Annual charge for testing	Goodwater bill for Council office - 27 Jun 24
- Cleaning materials			300		General cleaning materials incl. tools	Estimate
- Hygiene services - supplies			500		Hand wash, loo rolls etc	Estimate
- Hygiene services - fem hygiene			600		Feminine hygiene items	WEPC informative figures
				8,905		
- Other						
- PRS licence			100		Required if music is played at the venue	Current PRS minimum charge
				100		
- Capital items (one off costs)	3					
- Kitchen appliances			2,000			
- Kitchen equip (cups, cutlery etc)			600			
- Furniture			12,000			
- Computer/audio-visual equip			4,000			
				18,600		
Total expenditure				72,260		
Surplus/(deficit) for the period				(72,260)		
Notes						
1	Assumes that staff can be found to fill these positions. Reduced hours required may mean it is difficult to recruit for the positions. Hourly paid contract workers may reduce the cost if available					
2	The maintenance reserve is included to pay for future maintenance costs, replacement of capital items or major works such as redecoration					
3	Capital items are those that are required to make the centre fit for use and would include tables and chairs for the main hall, office furniture etc. There is no indication that these costs would be included in the initial build plan					