

Leicester
City Council

Cabinet

27 January 2003

BELGRAVE BAHENO PEEPUL CENTRE REQUEST FOR FUNDING

Report of the Director of Education and Lifelong Learning, Cultural Services and Neighbourhood Renewal and the Chief Finance Officer

1 PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to ask members to consider the request for a capital grant of £260,000 towards the construction of the Peepul Centre.

2. SUMMARY

- 2.1 Belgrave Baheno is an established voluntary organisation currently funded by the Education Department who have requested that the city council provide a contribution of between £260,000 and £500,000 towards the construction of the Peepul Centre.

- 2.2 The proposed Peepul Centre will provide a wide range of activities through a purpose built community centre. The activities proposed will contribute extensively towards meeting the strategic objectives of the Council, including:-
advice on healthy living, ICT training, nursery and crèche provision, arts events, a fitness studio, restaurant, cyber café and facilities for Asian weddings and conference hire.

- 2.3 A service and financial analysis has been undertaken of the business plan of the Peepul Centre in order to inform members before taking any decision. In particular five issues were considered, namely:

- a) The implications of the proposed Centre on current direct provision in the area.
- b) Whether the capital cost estimates can be considered robust.
- c) To what extent other funders have committed to the project, and whether or not the project is realistically capable of being funded.
- d) Whether or not there is a realistic business plan, demonstrating that the centre is a viable concern once it is operational.

- 2.4 To summarise, the analysis of the business plan of the Peepul Centre, the total capital cost of the project is estimated at £14.4 million. The business plan does not include designs or bills of quantities so it is not possible to

accurately assess the estimates given. However, using the breakdown of costs and the total area given, it seems that the estimated capital cost is in the right ballpark.

- 2.5 The funding of the estimated capital cost of £14.414 million is not yet finalised. Of this sum, £2.832 million has already been secured, a further £10.388 million has been verbally promised or ring-fenced, and decisions on £932,000 of bids are expected early in the new year. If the Council's proposed contribution of £260,000 was also included, this would make a total of £14.412 million of funding or 100% of the total required. Assuming that all decisions are favourable, the capital funding would be achieved.
- 2.6 The operational viability of a completed centre is difficult to assess and the area of greatest risk. An analysis of the business plan suggests that the assumptions regarding income are optimistic though not impossible, and would depend upon high demand being generated.

3 RECOMMENDATIONS

- 3.1 Members are asked to consider whether they wish to make a contribution of £260,000 towards the construction of the Peepul Centre. It is recommended that a favourable decision should be subject to 90% of the capital funding being secured.
- 3.2 That the Director of Education and Lifelong learning be the lead director for the project (noting it has service implications).
- 3.3 That, authority be delegated to the Director of Education and Lifelong Learning to impose any detailed conditions he considers necessary to protect the Council's money through the development of a detailed service specification and contractual funding agreement.
- 3.4 There be no commitment or inference of a commitment for the Council to make revenue contributions to the Peepul Centre, and the Peepul Centre be advised that £260,000 is an absolute maximum.

4. FINANCIAL IMPLICATIONS

- 4.1 The Council's corporate capital programme for 2003/04 to 2004/05 is the subject of a separate report on your agenda. If the Peepul Centre is approved, the contingency available over the next 2 years will reduce to £1.7m (£0.9m if the VREE is also approved). Whilst the sum requested is relatively small, the Council's capital funding needs do, of course, considerably exceed the sums available.
- 4.2 The Peepul Centre scores highly on the formal scoring matrix used to assess capital projects. This is chiefly due to the huge leverage which is attracted from other funders.
- 4.3 The Council currently gives grant aid to Belgrave Baheno of £125,600 p.a. and it is not proposed to change this grant aid or to give any guarantees regarding such funding in future years as a result of this report.

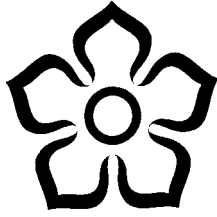
5. Report Authors/ Officers to contact:

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DECISION STATUS

Key Decision	No
Reason	N/A
Appeared in Forward Plan	No
Executive or Council Decision	Executive (Cabinet)



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SUPPORTING INFORMATION

1. THE PEEPUL CENTRE

- 1.1 The Peepul Centre is a multi-purpose centre planned for a site in the Belgrave area of the city to be run by Belgrave Baheno, a community based women's voluntary organisation that was set up in 1979.
- 1.2 The proposed services to be delivered from the Peepul Centre are intended to include advice on healthy living, ICT training, nursery and crèche provision, arts events, a fitness studio, restaurant, cyber café and facilities for Asian weddings and conference hire.
- 1.3 The successful completion of the Peepul Centre would provide a major new resource to the City of Leicester, and would contribute towards the community plan objectives of equality, education, jobs & regeneration and health and social care.
- 1.4 Belgrave Baheno have requested that the city council provide a contribution of between £260,000 and £500,000 towards the construction of the Peepul Centre.
- 1.5 This report sets out both a service and financial analysis of the business plan of the Peepul Centre in order to inform members before taking any decision as to whether they wish to make any contribution to the project. In particular five issues are considered, namely:
 - a) The implications of the proposed Centre on current direct provision in the area.
 - b) Whether the capital cost estimates can be considered robust.
 - c) To what extent other funders have committed to the project, and whether or not the project is realistically capable of being funded.
 - d) Whether or not there is a realistic business plan, demonstrating that the centre is a viable concern once it is operational.

2. ANALYSIS OF SERVICE IMPLICATIONS AND LOCATION OF PROJECT

- 2.1 This major scheme in the Belgrave area of the City will have a sizable impact on the future delivery of direct provision. This however needs to be seen as an opportunity by various functions of the Council to work in partnership with this potentially major voluntary organisation so as to extend the level of services available to the community. The extent of how much of an impact the Peepul Centre will have on the delivery of direct provision in the area is uncertain, but it is envisaged that a cross departmental officer led team will work closely with the Organisation over the coming months so as to plan to avoid duplication and to ensure that there is a structured partnership that coordinates further service delivery in the area.
- 2.2 The contribution by the Council to this valuable initiative will be coordinated through the Service Director of Lifelong Learning and Community Development under his responsibility for managing the council's relationship with the voluntary sector. The capital grant, if agreed, and the subsequent proposed transfer of grant funding from Belgrave Baheno (the parent organisation) to the Peepul Centre will be the subject of a contractual agreement for funding and a detailed service specification will need to be drawn up.

3 ANALYSIS OF CAPITAL COSTS

- 3.1 The total capital cost of the project is estimated at £14,414,000. This is broken down as follows:

Land purchase (inc legal fees)	£280,000
Construction costs	£12,344,000
Development costs	£1,790,000
Total capital cost	£14,414,000

- 3.2 These costs are based on indicative estimates provided (following a tendering exercise) by two contractors, Marriott Construction and Miller Construction who carried out a value engineering exercise to arrive at an indicative price. This is a type of partnership arrangement that allows potential contractors to redesign structures in consultation with the client in order to hopefully reduce the price, and is an established industry practice. The business plan stresses that these two companies provided a guaranteed maximum price, and whilst this seems to be a sensible approach to adopt, such a price given can only be indicative until any contract is signed.
- 3.3 The business plan does not provide any designs or bills of quantities so it is not possible to accurately assess the estimates given. However, using the breakdown of costs given and the total area, Commercial Services have looked at the cost estimates, and considered them to be "about right" with the above caveats. Therefore, although some risk relating to contract costs still exists, the estimated capital costs seem to be in the right ballpark.

Should these estimates prove to be insufficient, the scheme will need to be reconfigured.

4 Capital Funding

4.1 The sources of funding for the estimated capital cost of £14.414 million are not yet certain, and are to some extent at least still in a state of flux. There are a large number of potential sources of funding referred to in the business plan and some are more certain than others. The position regarding the main potential funding sources is as follows:

4.2 Millennium Commission £7,000,000

The Millennium Commission have allocated £7m to the Peepul Centre. Of this sum, £500,000 has already been paid with the balance to be paid when “substantial match funding is in place”

4.3 SRB Round 6. £300,000

This sum has been secured and has mostly been already spent on development work.

4.4 Arts Council £1,320,000 (original bid)

£1.2m has been provisionally allocated by the Arts Council, (This has been announced on their website). In addition £120,000 of development funding should be associated with this. However, like the Millennium Commission funding this is subject to match funding being secured.

4.5 Arts Council £1,300,000 (further bid)

A further bid for additional funding has been made to the Arts Council. No indication has been made as to whether it would be successful.

4.6 EMDA £1,331,000

£500,000 has been paid. In addition a further £831,000 has also just been ring-fenced by EMDA according to Belgrave Baheno.

4.7 Objective 2 Funding £1,707,000.

This funding has been ring-fenced for the Peepul Centre by GOEM, but is dependent upon match funding being in place.

4.8 Community Fund £489,000

This has been approved.

4.9 Neighbourhood Nurseries £212,000

The outcome of this bid is expected in January 2003.

4.10 New Opportunities Fund £1,000,000

£1m has been bid for under the healthy living centres programme, which was approved in September subject to match funding being in place.

4.11 Sport England £720,000

The outcome of this bid is expected early in the new year.

4.12 Regional Arts Lottery Programme. £30,000

This has been approved in principle.

- 4.13 Private Trusts £500,000
Belgrave Baheno have bid for £200k from various private trusts. They have previously obtained some funding from the Lord Ashdown Trust. This funding is not expected to be secured until building work has started on the project.
- 4.14 Private sector sponsorship £923,000
It is hoped to obtain private sector sponsorship. Whilst the private sector may see this as an opportunity, they will not want to get involved until the centre is definitely going to be built. This is admittedly a speculative figure, but Belgrave Baheno are confident of achieving significant funding from this source.
- 4.15 Community Fundraising £487,000
This is not assumed to be secured until the new year, though Belgrave Baheno are confident of achieving significant funding from this source.
- 4.16 Heritage fund £500,000
A bid is being prepared for heritage lottery funding.
- 4.17 City Council £260,000
The business plan refers to a bid of £260,000 from the city council.
- 4.18 N.R.F. £43,000
This has been secured.
- 4.19 To summarise, £2.832 m of funding has been secured, a further £10.388 million has been verbally promised or ring-fenced, and decisions on £932,000 of bids are expected early in the new year. If the Council's proposed contribution of £260,000 was also included, this would make a total of £14.412 million of funding or 100% of the total required. Thus assuming that the Millennium Commission approves their funding, the overall capital financing will be mostly in place.
- 4.20 To conclude, an element of risk still exists on the capital funding though significant progress has been made in obtaining such funding. The Council will manage this risk by making its contribution contingent on achieving 90% of the capital funding and will not pay in advance of works being incurred.

5. Operational viability

- 5.1 This is the area that is most difficult to assess, and also that of greatest risk. Four business units are assumed to generate the gross margin required to fund the deficit created by the central overhead and property costs, namely, the Restaurant, Fitness suite, Child Development and the Training/Community development unit. The Arts Unit is expected to break even.
- 5.2 The child development unit should be relatively low risk as Belgrave Baheno have already had previous experience of running this type of facility, and demand for this should be fairly inelastic.
- 5.3 The fitness suite is expected to generate £198,000 gross surplus by 2005/06. The Director of Cultural Services view is that the membership

charges are consistent with the private sector, though competition will be greater with the new facility being built near Abbey Park. This projected surplus has been reduced from the previous business plan which reflects more detailed analysis of usage. There is unlikely to be much effect or loss of income on city council run fitness centres.

- 5.4 The Restaurant, Cyber Café & Bar are planned to generate a gross surplus of £324,000 p.a. when the centre is fully operational. Whereas this could be achievable if a large throughput of visitors to the centre are attracted, and market research undertaken by Belgrave Baheno indicated strong demand for catering facilities, this would be crucially dependent upon the standard of service being of high quality.
- 5.5 The Council currently gives grant aid of £125,600 p.a. to Belgrave Baheno. The business plan assumes continuation of this sum, but Belgrave Baheno are aware that there is no formal commitment on the Council's part to do so in perpetuity.
- 5.6 To conclude, consideration of the revenue viability is that the assumptions regarding income whilst not impossible are optimistic and higher risk than the capital estimates, and would depend upon high demand being generated. However it should also be noted that the Millennium Commission and other main funders have also had the opportunity to see the business plan. The Millennium Commission has taken the view that "although the scale of the project is ambitious, the methodologies employed as a basis for calculating total and potential demand are considered better articulated and the rationale for each income stream clear". Consequently they have concluded that their condition as to the validation of the business plan and demonstration of commercial demand for all the services to be provided, has been fulfilled.

6. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

a. Financial Implications

- 6.1 The Council's corporate capital programme for 2003/04 to 2004/05 is the subject of a separate report on your agenda. If the Peepul Centre is approved, the contingency available over the next 2 years will reduce to £1.7m (£0.9m if the VREE is also approved). Whilst the sum requested is relatively small, the Council's capital funding needs do, of course, considerably exceed the sums available.
- 6.2 The Peepul Centre scores highly on the formal scoring matrix used to assess capital projects. This is chiefly due to the huge leverage which is attracted from other funders.

b. Legal Implications

The Council would have legal powers to make a grant towards the Peepul Centre if it so desired.

c. Other Implications

Risk Analysis

Risk	Likelihood	Severity	Control Mechanisms
Capital costs exceed estimates	Medium	Low/ Medium	Reconfigured scheme if costs increase Possibility of obtaining additional capital funding Delay recruitment of staff Council won't pay funding without invoices
Funding not achieved	Low	High	Council won't pay until 90% of the funding is in place
Revenue targets not achieved	Medium/ High	Medium	Some scope to reduce costs 12% net profit margin estimated gives some safety margin

	Yes/ No	Paragraph referred
Equal Opportunities	Yes	1.1
Policy	No	-
Sustainable & Environmental	No	-
Elderly People on low income	No	-
Crime & Disorder	No	-
Human Rights Act	No	-

d. Background Papers- Local Government Act 1972

Correspondence from the Peepul Centre to the City Council.
Business Plan submitted by the Organisation.

e. Consultations

All Directorates have been consulted in the preparation of this report via Directors' Board..

f. Report Author/s

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