

Petitions Officer  
Local Government Unit  
Strategy, Policy and Performance Division  
Department of Infrastructure  
Sea Terminal Building  
Douglas, IM1 2RF

4<sup>th</sup> August 2023

Dear Sir

**Re: Strang Comer Field developments, Strang, Braddan "The Roundhouse" - Construction costs/equipment costs/ creation of a Special District/ issuing a 10 year lease**

There are four individual matters contained in this Petition document which all relate directly to the Commissioners development at the Strang.

I am instructed by Braddan Parish Commissioners who request the consent of the Department of Infrastructure, under section 51 of the Local Government Act 1985 to:

- 1) borrow a sum of money not exceeding £3,345,327 repayable within 30 years to defray the additional cost of construction and consultants fees for a community leisure facility.

The monies are to be borrowed from the HSBC over a period of 30 years with the margin of 5.8300% and the repayment, capital and interest £59,078 per quarter.

- 2) borrow a sum of money not exceeding £255,053 repayable over 15 years to defray the cost of items of equipment that will not have a lifespan of 30 years (ie office furniture, playground equipment).

The monies are to be borrowed from the HSBC over a period of 15 years with the margin 5.8300% and the repayment, capital and interest £6,386.78 per quarter.

I am also instructed by Braddan Parish Commissioners who request the consent of the Department of Infrastructure, under sections 8 and 42 of the Local Government Act 1985, to create a Special District to allow them to (if required) charge non-residential ratepayers a special rate to contribute toward the additional costs of construction and consultants fees of the leisure facility at the Strang. The Order to be in place for a set period of 5 years.

Finally I am instructed by Braddan Parish Commissioners who request the consent of the Department of Infrastructure to issue a 10 year lease for a Unit used for the purposes of dentistry.

Financial Report dated 30<sup>th</sup> June 2023 (update on 21<sup>st</sup> July 2023) (Appendix 1)

A full report covering all aspects is attached.

A copy of the advert to be displayed in the local newspaper, the Commissioners website and Facebook page, is attached.

Should you require any further information I should be pleased to assist.

Yours faithfully

A handwritten signature in black ink, appearing to be 'J C Whiteway', written in a cursive style.

J C Whiteway *MBA*  
Clerk

[colin.whiteway@braddan.im](mailto:colin.whiteway@braddan.im)

## **Braddan Parish Commissioners**

### **LOCAL GOVERNMENT ACT 1985**

The Braddan Parish Commissioners have submitted a Petition seeking the approval of the Department of Infrastructure:-

- Under Section 51 of the Local Government Act 1985 to loan the sum of £3,345,327 repayable over 30 years to cover the additional costs of both the construction and consultants fees relating to a family leisure facility "The Roundhouse" at Strang Corner Field, Strang, Braddan.
- Under Section 51 of the Local Government Act 1985 borrow a sum of money not exceeding £255,053 repayable over 15 years to purchase equipment that does not have a lifespan of 30 years (ie office furniture, sporting equipment, playground equipment, benches and bins).
- Under Sections 8 and 42 of the Local Government Act 1985 to create a Special District ( to be effective for a period of 5 years), for the purposes of setting a rate for all non-residential properties in the Parish to help meet the additional construction and consultants costs of the leisure facility.
- Under Section 25 of the Local Government Act 1985 to issue a ten year lease to a tenant who will operate a dental practice

Further details of the Petition may be obtained from the Braddan Parish Commissioners Office, Close Corran, Union Mills, Braddan or from the Commissioners' website [www.braddan.im](http://www.braddan.im)

The Petition will be considered by the Department of Infrastructure and any views on the proposal should be submitted to the Petitions' Officer, Local Government Unit, Central Support and Change Division, Department of Infrastructure, Sea Terminal Building, Douglas, IM1 2RF, no later than noon on 25<sup>th</sup> August 2023.

Dated this 11<sup>th</sup> August 2023

J C Whiteway *MBA*

Clerk to the Commissioners

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## **Introduction**

This report was preceded by an Interim Financial Report (IFR)\* dated 30<sup>th</sup> June 2023 (copy attached at Appendix 1) and is supplementary to the original Petition submitted in November 2020

The main purpose of the report is to seek approval to two loans from HSBC. The first relates to the funds required to cover the additional costs for construction and consultants fees over the original budget for the new leisure facility, and the second to fund the equipment and facilities required to operate "The Roundhouse" at the Strang in Braddan.

There are two supplementary issues:

- 1) Under Sections 8 and 42 of the Local Government Act 1985 to create a Special District ( to be effective for a period of 5 years), for the purposes of setting a rate for all non-residential properties in the Parish to help meet specifically the additional construction and consultants costs for the leisure facility (***Special District***)
- 2) A request for approval under Section 25 of the Local Government Act 1985 to issue a 10 year lease agreement to a tenant who is seeking additional security due to the likely longevity of the business and the financial commitment that is required to establish a new dental practice. (***Tenancy Lease Terms***)

**\*Figures shown in 1.4, 1.5, 3.7 and 8.1 have now been updated and included in this document**

## **1) Strategic Context**

1.1 This scheme remains the number one priority for the Commissioners. It is without doubt a flagship development for the local authority. It can be seen as an attraction not only for parishioners but for the whole of the island and possibly a recruitment incentive for people wishing to come to the island.

1.2 The functional content of the building has not significantly changed since the project approval, nor has the emphasis toward "wellbeing, fitness, health and families".

1.3 It will be a focal point for the Parish, and it provides services and facilities that are sought by: parishioners, the staff and their families of the adjacent Nobles Hospital, its residencies and Palatine GP Practice.

1.4 The concept itself is unique to the island and unlikely to be replicated.

## **2) Statement of Need**

2.1 Since the commencement of the project the economy has changed. The Commissioners (and indeed central government and all involved in the construction industry) now face the consequences. Whilst the building industry was facing a crisis in 2020 with threats of potential company collapses and job losses, the Commissioners have faced the diametrically opposed situation where material costs have spiralled and labour is in high demand and often not available. The long term effects of Covid (people not returning to work and increased production costs), Brexit and the war in Ukraine, were not expected by anyone at the time of commencing this project.

2.2 Although the Commissioners have not yet heavily promoted the facility to the general public (in accordance with their media strategy), time has been taken to seek support from the general public (at the Well Being Event at the NSC in April 2023), Manx care staff (by using presentation boards) in the Hospital, and sports clubs and Associations from whom we have received tremendous support and encouragement.

2.4 As an indicator, the tenant of the gym has received 300 requests from Nobles Hospital staff interested in using his facility and the Commissioners have been approached by the Associations and clubs for football, basketball, badminton, netball, volleyball and pickleball. To add some diversity the Commissioners have spoken to orchestras and dance schools who have expressed an interest in book the hall after have being shown around , and Manx Care are considering using the facilities for training rooms and conferences.

2.5 A new booking system is due shortly where the expressions of interest to use the facilities will be converted into firm bookings, but the demand/interest is high.

2.6 It is important to emphasise that the sports hall is seen as supplementary to the National Sports Centre and not a competitor. The Commissioners are grateful for the advice and support given to them by the NSC management in establishing policies and procedures.

2.7 The Commissioners are now in a position where they can confirm that one of the tenants will be Clear Pharmacy which will be a huge bonus for the local residents, hospital, GP Practice, and all users of the facility.

2.8 The Commissioners can confirm that the following facilities are being provided:

Commercially let:

- Coffee shop (100 covers)
- Indoor soft-play area for young children
- Childrens nursery (babies and under 4's)
- Gym
- A baby sensory facility
- Pharmacy
- Dental surgery (3 chair)
- Therapy suites ( 2)
- Beautician

Local Authority operated services and facilities (which are chargeable and will generate revenue)

- Sports Hall/ auditorium ( high standard facility with sprinkler system, 120 fixed seats overlooking the hall and 120 pull out seats that extend into the hall for conferences/ theatre/ musical venue). It has a sprung floor with the same supplier and specification used by the NSC. The facility is to be hired out on a similar basis to the NSC and measures 33m x 19m. It is suitable for international level sports ie Island Games and Commonwealth Games.
- Conference room (weddings, special occasions, meetings and training room)
- Village green suitable for occasions requiring marquees.

*Community facilities (free to use)*

- 500m tarmac walk/talk/exercise track.
- Childrens out-door play area for 4 years to 12 years
- 2 acres of open space (which included village green)

2.9 To summarise the Stakeholders :

- ✓ The general public (which includes local housing estates – present and future)
- ✓ Manx Care staff and their families living in adjacent residencies,
- ✓ Local businesses (increased supply chain)
- ✓ GP practice, (staff and patients)
- ✓ Dept of Education (potential hirers of the facilities)
- ✓ Sports clubs (including national teams who have expressed an interest)
- ✓ Tenants and new employees

### 3) Cross departmental Impact

None

### 4) Impacts

4.1 The building impacts on the general public on a number of different levels. By careful design it provides services in one building that other facilities do not. As an example, it will be possible for parents to watch their younger children playing outdoors in a secure environment from the comfort of a patio or coffee shop.

4.2 Uniquely it provides a seated viewing gallery overlooking the sports hall so spectators can watch sport in comfort.

4.3 At a higher level it provides a pharmacy adjacent to the GP Practice and the hospital. The healthcare staff appreciate the fact that they can use the facilities (pharmacy, gym, beautician, dentist, coffee shop) without having to use their cars to leave their place of work during break periods. It is attractive to health staff and their families who live on the hospital campus who have little or no family facilities.

4.4 At a strategic level it responds to the call of the Department of Enterprise in relation to "Business Isle of Man".

4.5 At an environmental level, a solar array of 120 panels has been fitted to the roof and the nursery has underfloor heating and an air source heat pump.

### 5) Key Risks or dependencies

5.1 The financial management of the scheme was based on an 18 month build (opening Christmas 2022) and an early return of income to meet the loan costs was expected.

#### Income

With the assistance of the Government Valuer (who helped determine the rental value of each Unit) , the leasing of the Units was undertaken via competitive tender in October 2021.

All tenancies are now filled and the charges (which are commercially sensitive) are shown below:

|                             |                 |
|-----------------------------|-----------------|
| 1. Nursery                  | £xxxxx          |
| 2. Coffee shop and softplay | £xxxxx          |
| 3. Pharmacy                 | £xxxxx          |
| 4. Dentist                  | £xxxxx          |
| 5. Beautician               | £xxxxx          |
| 6. Therapy Room 1           | £xxxxx          |
| 7. Therapy Room 2           | £xxxxx          |
| 8. Gym                      | £xxxxx          |
| 9. Baby sensory suite       | <u>£xxxxx</u>   |
|                             | <u>£254,000</u> |



As detailed in the IFR, some tenants have asked for changes or alterations to their Unit and these costs will be added to their rent.

Each tenant will also be responsible to pay Rates (as rated by Government Valuer) and the Heat, Light and Power Charges will be passed on.

Each tenant will also be required to pay a "service charge" which is subject to negotiation.

### Loss

Unfortunately, because of the delay in completion, the Authority has not received the income from the rent and hall hire since January 2023.

The annual rental income is £254,000 and (based on initial feedback) the use of the sports hall is expected to generate £100,000 pa.

With the predicted completion date now 17<sup>th</sup> November this gross loss of income in the present tax year 2023/24 will be in the region of £230,000.

The gross loss from the planned completion date to date of actual opening will be £313,153.

(The staffing and running costs of the facility need to be netted off against these amounts).

## **5.2 Tenancy Lease Term**

5.2.1 The Commissioners had, when advertising the Units for lease, stated that they intended to offer 10 years leases. This was their demonstration of their long-term commitment to all tenants. However the Local Government Unit asked them to consider Paragraph 25 (2) of the Local Government Act 1985, relating to 7 year lease periods,

5.2.2 Discussions were held with the tenants and all excepting the dental practice agreed to accept 7 year leases. The dental practice tenant was concerned that a heavy financial commitment was being made , (dental chairs and associated hardware, cabinetry, x-ray machines a lead lined walls) and considering the likely longevity of the business, and it being something that cannot be easily moved to a different facility, would appreciate the 10 year lease.

5.2.3 The Commissioners have acknowledged the request and respectfully request the agreement of the Department of Infrastructure to agree to the issuing of a 10 year lease to the dental practice.

5.2.4 A copy of the lease has been prepared by our legal advisers and is attached for your consideration (Appendix 2). [REDACTED]

5.2.5 For information, it will be a private practice but the tenant is keen to take on an NHS contract if possible.

## **6) Capital cost of Construction**

### **6.1 Construction**

- 6.1.1 The detail relating to the capital costs are included in the Interim Financial Preliminary Report (IFR) but the interest rates on loans have changed on 3<sup>rd</sup> August and the figures have been amended.
- 6.1.2 One further change relates to a proposed access road via Ballaoates Road.
- 6.1.3 Whilst it was proposed in the IFR report that the predicted cost of a new access road be removed from costs for the scheme identified by the Quantity Surveyor (£125,000), there is a risk that decisions made by the Department of Health and Social Care may determine that the Commissioners have no choice other than build the road.
- 6.1.4 The case has been made by the DHSC that the additional traffic to the new building may be detrimental to the hospital road structure, and would require significant investment to rebuild and maintain.
- 6.1.5 The Commissioners feel it is prudent therefore to keep those potential costs in the budget and negotiations continue with the DHSC on this matter.

### **6.2 Consultants Fees**

- 6.2.1 The basis upon which the payment of Consultants Fees were calculated was detailed in the first Petition document. In summary, whilst the scheme had been costed out at £5.9m the Commissioners negotiated their fees based on a £5m construction cost. The Site Supervisor costs were set following a tender process just prior to the commencement of the contract.
  - 6.2.2 In normal contracts the fees are added to construction costs and are repaid over the life of the loan (usually 30 years). The Authority had funds in reserves (due to not having to paying out on a legal action) and, conscious of keeping the loan repayments low, decided to pay the Consultants fees of £579,000 from their reserves to reduce borrowing costs
  - 6.2.3 However the delay in the contract (and variations to the design) has pushed these fees to an estimated £732,849 (see spreadsheet Appendix 3)
  - 6.2.4 The additional £261,066 cannot be covered by the General Reserves and will need to be added to the borrowing.
- 6.3 This figure has been added to the construction loan costs and the Commissioners respectfully request the support of the Department to the proposal that the costs be merged and approval be granted for the Commissioners to loan the sum of money of £3,345,327 over 30 years.

### **6.4 Equipment**

- 6.4.1 In the original 2020 Petition it was stated that the Commissioners would eventually be issuing a further request for approval of a loan to purchase items to make the facility operational. It is felt that it would be more appropriate for these to be paid over a 15 year period due to their life expectancy rather than including them in the 30 year loan for the construction.

6.4.2 As the project has progressed it is now clearer what items are needed to be purchased:

- Sports Hall Equipment – some items ie separator curtain to divide the sports hall, badminton posts and nets and mats were additional pieces of equipment not included in the main contract. These will now be purchased from the same sports equipment supplier as all other items in the sports hall.
- Office equipment/ furniture- an indicative price has been given, but the contract will be put out for competitive tender. Much of the equipment from the present office will be transferred to the new building.
- Technology Investments & Operational equipment  
A “Managed Network” is recommended by our present IT supplier (see quote Appendix 4)
- External Equipment- the Childrens Playground- was tendered with 3 UK suppliers.  
Kompan proved to be the preferred option. Assistance with the selection process was given by schools). Invoice is included in Appendix 4 . The equipment is to be installed by a local installer. Benches and bins are required for the patio area and around the walking track. Also the 500m walking track is not to be lit, so placing double heads on the existing streetlighting on Braddan Road has been put forward as a low cost proposal by the MUA. The MUA provide the Commissioners maintenance and repair contract.  
Finally directional signs are required inside and outside the building. It will be tendered but the design work is ongoing.

The costs are itemised below and will be put out for tender when and where required.

#### Equipment Budget Breakdown

##### Sports Hall Equipment

|                          |                 |
|--------------------------|-----------------|
| Curtain Separator        | 4,000.00        |
| Badminton Nets and Posts | 4,000.00        |
| 5 a-side Goal Matting    | 660.00          |
|                          | <b>8,660.00</b> |

##### Office Furniture

|                           |                  |
|---------------------------|------------------|
| Office & Boardroom        | 11,629.22        |
| Rotunda (conference room) | 11,264.00        |
| Blinds                    | 3,800.00         |
|                           | <b>26,693.22</b> |

##### Technology Investments & Operational equipment

|                                   |           |
|-----------------------------------|-----------|
| Managed network (quote attached)  | 50,000.00 |
| Booking System (Bookteq)          | 4,000.00  |
| Website (advert Appendix 4)       | 5,000.00  |
| Photocopier/MFD                   | 3,500.00  |
| Mobile phones (maintenance staff) | 1,200.00  |
| Washer/Dryer                      | 500.00    |

|                                      |             |                          |
|--------------------------------------|-------------|--------------------------|
| Floor polisher                       | 1,500.00    |                          |
| First Aid station & defibrillator    | 2,000.00    |                          |
|                                      |             | <b>67,700.00</b>         |
| <b>External Equipment</b>            |             |                          |
| Playground (invoice attached)        | 200,000.00  |                          |
| External Benches & Bins              | 8,000.00    |                          |
| Street Lighting                      | 10,000.00   |                          |
| Signage                              | 9,000.00    |                          |
|                                      |             | <b>227,000.00</b>        |
| <b>Less Grant Funding received *</b> |             |                          |
| Lottery Funding                      | (50,000.00) |                          |
| Regeneration Funding                 | (25,000.00) |                          |
|                                      |             | <b>(75,000.00)</b>       |
| <b>Grand Total</b>                   |             | <b><u>255,053.22</u></b> |

\*Commissioners were able to receive grant assistance for the playground. A sum of £50,000 was given by the Manx Lottery Trust and £25,000 from the Department of Enterprise under the Town and Village Regeneration Scheme 2019.

6.5 The Commissioners respectfully request the support of the Department to the proposal that they borrow a sum of money not exceeding £255,053 repayable over 15 years to defray the cost of items of equipment that will not have a lifespan of 30 years (ie office furniture, playground equipment).

## **7) Capital cost of the Project**

- 7.1 The Interim Finance Report (Appendix 1) gave feedback based on the report from the Quantity Surveyor.
- 7.2 A further report from the Project Manager is attached at Appendix 5.

## **8) Revenue cost of operation**

- 8.1 The costs of running the facility are being calculated by March Consultants but each tenant will be responsible for the costs of their own heat light and power.
- 8.2 It is hoped that the solar array will reduce running costs which will offset its installation costs.

## 9) Funding for cost increase

- 9.1 It is not possible to embark on such an ambitious venture without increasing the rate income for the Parish no matter how much income the facility will generate.
- 9.2 The Commissioners have in the past invested hundreds and thousands of pounds in facilities that have generated no income just provided amenities to the parish.
- 9.3 The Commissioners are very conscious of the significant increase in costs for the construction of this facility. Whilst a degree of increase in construction costs was anticipated, the actual increase has caused the Commissioners to consider what opportunities they have available to them to repay this increase.
- 9.4 Consideration has to be given to the reduction in the present operational costs and existing services.
- 9.5 They have looked at their cashflow predictions and feel that the income from facilities, (based on expressions of interest) may have been underestimated by as much as £40,000pa.
- 9.6 With the scope of work for maintenance staff presently being examined, it seems that there will be capacity to undertake work that is presently contracted. Possibilities include general handyman duties and litter and dog bin collection which presently cost approximately £30,000 pa.
- 9.7 Gardening services which are costly will be considered in the same way.
- 9.8 The easiest way to meet these higher costs would be to increase the general rate by approximately 47p. On an average size property that would be an increase in of £70 per year (£1.35 per week).
- 9.9 A matter for detailed examination on income generation relates to the possibility of a **Special District** which is detailed in Sections 8 and 42 of the Local Government Act 1985.
  - 9.9.1 The Commissioners would like to consider, rather than a blanket increase of the rate across the entire parish, collecting a higher rate from non-domestic properties as they may be in a better position to afford an increase.
  - 9.9.2 It is noted that 58% of the Parish rate is collected from non-domestic properties.
  - 9.9.3 They are aware that there were schemes that ran in the 1990's where a number of Authorities raised funds for specific tasks by creating a Special District. The Commissioners have sought legal opinion on the matter and it seems that the creation of a Special District was used to fund drainage works in both Laxey and Lonan, and Rushen in the 1990's.
  - 9.9.4 Section 42 (2) of the 1985 Act states:

*"(2) Where any part of a local authority's district is constituted a special district, the authority shall keep a special fund for the purposes for which the special district is constituted".*
  - 9.9.5 The Commissioners when considering "the purposes" they have looked at the powers they have, under Section 15 of the Local Government Act 1963, to provide entertainment facilities in pleasure grounds.
  - 9.9.6 If a Special District was created it would be for the sole purpose of raising money for additional costs (and not the principle costs) for building the facility.
  - 9.9.7 Whilst Section 8 of the Local Government Act 1985 states inter alia

*(1) The Department may, on the application of a local authority, by order constitute such part of the authority's district as is specified in the order a special district for the purpose of charging thereon exclusively the expenses of the exercise by the authority with respect to the special district of the functions specified in the order.*<sup>38</sup>

the Special District would encompass the entire Parish.

9.9.8 The difficulty is that the matter of raising money by way of collecting a higher rate, cannot be considered in isolation of the entire revenue budget. It could indeed be that, after careful consideration, a rate increase across the board would be acceptable and a Special District not required.

9.9.9 This matter was discussed with the Local Government Unit late 2022 (prior to setting the Parish rate for 2023/24) but it was not pursued as the Commissioners were advised that there was no possibility of achieving passage through all the necessary administrative or legislative changes in time for setting the rate for the next year.

9.9.10 If the Commissioners are to even consider the proposal in preparation for setting the parish rate for 2024/25, the legislation needs to be in place which is why this Petition is being submitted now.

9.9.11 The proposal to raise higher rates from businesses has some similarities to the proposed re-organisation of the Rates System in 2020 where Central Government proposed to collect rates from all the businesses on the island and, on submission of a business case, allocate funds to the local authorities if the general rates did not meet their needs.

9.10 The Commissioners respectfully request that approval be sought in Tynwald

- Under Sections 8 and 42 of the Local Government Act 1985 to create a Special District ( to be effective for a period of 5 years), for the purposes of setting a rate for all non-residential properties in the Parish to help meet the additional construction and consultants costs of the leisure facility.

9.11 A Draft order is to follow.

## **Conclusion**

The Commissioners respectfully request the support of the Department of Infrastructure to the following matters:

1. Borrow a sum of money not exceeding £3,345,327 repayable within 30 years to defray the additional cost of construction and consultants fees for a community leisure facility. (Paragraph 6.3 )
2. borrow a sum of money not exceeding £255,053 repayable over 15 years to defray the cost of items of equipment. (Paragraph 6.5 )
3. Grant consent, under section 8 of the Local Government Act 1985, to create a Special District to allow a higher Parish Rate to non-residential ratepayers. (Paragraph 9.10 )
4. Grant consent to issue a 10 year lease for a Unit used for the purposes of dentistry. (Paragraph 5.2.3 )

