

10th March 2022 Special Council - Questions and Answers and Observations with additional information post the meeting in blue.

Q. Contractor Going Bust - What would happen if the main contractor or the sub-contractor went bust during the contract? A. The Town Council would be expected to look for a replacement contractor which would be something that the CLLD would take account of in the revised scheduling for the project build. It was noted that of the 162 projects that had so far been approved only one had encountered sufficient contractor problems to make the project unviable. The CLLD programme management were able to support to prevent any serious issues occurring.

Q. Council VAT Threshold Figure - The amount of VAT payable on the project was considerable (£120,000). Would opting to tax impact the Town Council's global VAT threshold? The lease should reflect the VAT situation. A. SV – we would seek clarification and report to the next Special Council meeting.

RFO's Update - If LTC opts to tax on the site there ought to be no reason for HMRC to query deduction of the VAT

Opting to tax will also protect the Council's global position. The Council currently have two properties (Public Hall and Guildhall) where it makes VAT exempt supplies of land and property. Under VAT legislation, there is a maximum limit to the amount of input VAT that can be reclaimed on related expenditure, and if this limit is exceeded, no VAT is reclaimable (not just the amount that exceeds the limit). This happened when the Town Council undertook the Public Hall refurbishment, although following lengthy communication with HMRC an agreement was reached on partial reclaim. Opting to tax on this facility would remove it from the Council's exempt supply of land and property and therefore not have an adverse impact on its ability to reclaim input VAT on its existing properties.

You do not need to own the land in order to opt to tax. The option to tax would only affect supplies made by the Town Council and would not affect supplies made by anyone else. Cornwall Council have also confirmed the decision would not impact on them as landowners and their permission is not required.

The decision to opt to tax must be made by a resolution of the Council, and the written record/minute must clearly state details of the land/buildings on which the option to tax is being made. This decision must be notified to HMRC in writing within 30 days and signed by the Town Clerk or RFO. The option to tax will have effect from the date of the decision, or any later date specified, as long as HMRC are notified in writing within the relevant time limits.

Q. Container Costs - The cost of the container-based units appeared very high in relation to the purchase costs of some container projects and was even coming close to the cost of permanent buildings. It did not appear to score well if using the value for money criterion used by the Public Audit Office. A. SV costs of the project had recently been obtained by going out to open competitive tender. The costs were

less than the £1.1 million quoted for the same scheme during the August 2021 tender exercise using the Framework Contractors only. JH – as a general note public sector procurement tended to be more expensive.

Observations – “I refer to the paper below on the typical cost estimates, under the circumstances the relevant item is - quote

- The cost of a building comprising average elemental unit quantities and rates for elements typically included in most common buildings is: £2,180/m²
- 68% of buildings are within the cost range: £1,310/m² - £3,040/m²
- 95% of buildings are within the cost range: £440/m² - £3,910/m²
- The highest cost for a building was: £5,810/m²

<https://costmodelling.com/building-costs>

The smaller the project the higher the multiplier so the price per sq metre seems to equate to 68% cost range”

Q. Post Lease - Site Remediation - Upon the termination of the original lease, how much would it cost the Town Council to remove the containers and make good the site in accordance, with any requirements stipulated in the lease? How would this be funded? A. The granting of a new lease might be the more likely outcome. However, the disposal value of the container units and equipment in them was anticipated to exceed the cost having the containers removed. Figures were brought to the Special Council meeting.

As you can agree, predicting the value of items in 10 years' time is very difficult, however we can give a very rough estimate of cost to level the site using today's rates. Also, upon reviewing similar projects and reviewing decommissioning of modular units, we can look to provide a guide as to what you could expect should full decommissioning be required.

“Roughly time/labour and cost allowances would be anticipated to be as follows;

Allow a week for decommissioning;

- 3 days to remove the timber canopy and walkway + 3days for services (concurrent),
- 1 day to remove the containers
- 1 day to remove foundations

Allowances for the following should be made;

- 3 personnel removing timber, services and the rest for 5 days - £1600
- Cost of 2no 12 yard skips - £1000
- Crane away of containers - £7000
- 6 t machine and driver for a day - £400

- Type 1 for any holes from the foundations – 4 bags (£200)
- 10% OHP

Therefore a rough estimate would be to allow £10k – £15k overall for site decommissioning. (Inflation not accounted for).

As a business we cannot advise on the resale value of the second hand modular units, however review of the current market shows circa £5k each. With 8 modular units this would raise a potential figure of circa £40k. However as you will understand this is very high level and would need reviewing with buyers closer to the time.

Please note that these costs are constructed using current pricing/values and do not take account of a number of different economic factors that could alter over the course of the proposed 10 year time period”.

Q. Lower Rates of Occupancy - The projections as to rates of occupancy of the workshops and the rates of usage of the hireable spaces should be profiled to include lower rates of take up, not least as the income is intended to cover the revenue costs of the project. A. Those figures can be included in the profile.

Number of Units Occupied	£50 per month	Amount Total Rent	Rate of Occupancy
8	£400 per month	£4,800	100%
7	£350	£4,200	88%
6	£300	£3,600	75%

Space hire

In addition to this, a minimum annual income of approximately £3,715 is projected for the external hire of the project’s specialist studio facilities, based in the projects two larger workshops. This anticipates a minimum usage of these facilities at approximately 15% of the facility’s full capacity, at an external hire rate of £7.14 per three-hour session (plus VAT) on any one piece of equipment (note: kiln use will incur a single flat fee rather than a per-hour fee). This highly conservative estimate is based on an occupancy rate of only 10 such hires per week; it is anticipated that these would most likely be significantly higher. The hire fee may be increased in line with any increased project costs. (Note: the price per three-hour session inclusive of VAT would be £8.57.)

Growth Hub (the Government supported business advice hub) have reported that last year they received 14 enquiries from people wishing to start businesses in Liskeard and in 2020 they received a 21 enquiries for Liskeard.

Q. Town Centre – Vacant Shops. - Could the funding not be better spent on refurbishing some of the vacant shops in the town centre, such as, Fore Street as had been suggested at a Town Forum meeting. A. The eligibility criterion for the CLLD funding limited the area covered within the town itself and the type of property – that is eligible for funding – CLLD funding cannot be used for capital improvement to retail premises.

Q. UBR - What are the Town Council's UBR rate liabilities for the units and what liability do we have for the hireable spaces? A. The tenants of the unit's would be liable for the UBR. However, they are likely to qualify for UBR relief. The Town Council might be liable for the hireable rooms. Those points to be clarified at the meeting.

Q. Cash flow - The amounts of money relative to the Council's budget are significant. Cash-flowing will be an issue. When will we know the implications? A. When the preferred tenderer is appointed, the stage payments that they indicate will form the focus of the cashflow analysis.

The capital delivery is now commencing at the start of the new financial year, when the Council will be in receipt of its first half year instalment of the precept, in addition to its general and nominated reserves, making it 'cash rich' with sufficient funds to cover short term payments to the contractor and maintain other project expenditure, before these are reimbursed by drawdown of funds from the ERDF & ESF grants, in addition to usual Council expenditure. On appointment of the contractor, we will also be able to immediately drawdown 90% off the CC ERDF match funding totalling £279,368.

An interest free loan of up to £150,000 is also available from CC via CLLD in case of need.

Q. Global Situation - The global situation could push up various costs associated with the project. A. The situation is beyond our control. We can only go on current prices.