

The Highland Council

Resources Committee – 25 November 2015

Agenda Item	6(b)
Report No	RES/94/15

Application to Capital Discretionary Budget 2015/16: Merkinch Welfare Hall, Inverness - “Fit for the Future” Project

Joint Report by Director of Finance and Inverness City Area Manager

Summary

Merkinch Enterprise, who are a Company Limited by Guarantee, are to undertake a comprehensive scheme of capital works (contract value c.£810,000) to restore Merkinch Welfare Hall and convert it into a mixed use community facility, with a boxing gym and fitness room on the ground floor and office space on the first floor. The works will include the construction of a new fully accessible entrance to the building from Brown Street, and a lift to the first floor.

This report invites Members to consider providing funding of up to £28,763 from the Capital Discretionary Fund towards a projected deficit of £82,526, to enable the Merkinch Welfare Hall “Fit for the Future” project to proceed.

1. Background

The aims of the project are to:

- 1.1 To Let out the ground and first floors of the building to Inverness City Boxing Club and Merkinch Partnership respectively. Signed letters of intent from both prospective tenants have been received. The rental income derived from these tenancies will cover the management and maintenance costs of the building and will strengthen Merkinch Enterprise and give the organisation more financial sustainability, enabling it to expand its services in the Merkinch area.
- 1.2 To employ a Learning and Engagement Officer to deliver a programme of heritage learning throughout the project, including:
 - Walk and talk open days to give people the chance to “see behind the scenes” of this transformational project
 - A documentary photography group, who with the support of a facilitator will develop their technical skills in photography and record the progress of the works and create a permanent record of the project
 - A history group, who with the help of a facilitator will undertake research into the building and produce a guidebook to the building detailing its history in the community
 - A webmasters group, who with the help of a facilitator will develop their skills and knowledge of websites and web design, and create a permanent electronic record of the building. The website will host news of the project and serve as a project archive
 - A Street Art project with Inverness High School pupils, who will create their own artistic response to the project, which will be displayed on site during the project
 - The creation of a time capsule by Merkinch Primary School pupils, which will be buried in the building

- 1.3 To provide 12 FTE days of training in traditional building skills.
- 1.4 To provide a live learning project into the adaptation of historic buildings for the Architectural Technology students at UHI, who will model the building in terms of its energy performance, before and after the works.

2. Who will Benefit?

- 2.1 A detailed analysis of the economic and social benefits of the project has been undertaken by local economist, Steve Westbrook, and is available if required.

These are summarised below:

- 2.1.1 The Merkinch community will benefit from a range of opportunities to develop their skills in several areas, including IT skills/website design and management, documentary photography, historical research/use of online databases. This will help to improve employability levels.

The project will also help to build community cohesion by bringing different generations together to share and discuss their memories of the Merkinch Welfare Hall. The number of people benefiting from these activities is estimated to be 842 (cumulative) throughout the project period.

- 2.1.2 The environment will benefit, firstly in terms of the environmental improvement of a local eyesore, and secondly because the project will achieve a significant reduction in the energy consumption of the building, which will reduce its carbon emissions by 60% in terms of kg per square metre of floor area. (A detailed report from the services engineer is available as evidence).
- 2.1.3 The number of people benefitting from employment skills training delivered by Merkinch Partnership will increase by 30% from 200 to 260, and will help a greater number of people to realise their economic potential.
- 2.1.4 There will also be a potential net economic benefit to Scotland from each young person who, through their involvement in boxing and/or access to employability services, becomes a long term productive member of the working population, rather than being a drain on national and local resources through receiving continuing benefits; spending spells in prison for crimes or drug offences, or drawing on the services of the NHS for alcohol and/or drug related problems.
- 2.1.5 The increased numbers participating in boxing and related fitness activities (estimated to be 283 by year 5) will improve life chances for young people and help them to lead longer, healthier lives.
- 2.1.6 The project is planned to generate the equivalent of 3 full time equivalent jobs annually.

3. Sustainability

- 3.1 The rental income generated once the building is occupied will build the resilience of Merkinch Enterprise and provide funding to maintain the building on a quinquennial regime. The five year projections for Merkinch Enterprise illustrate that after five years the building will have generated a surplus of £33,538 by year 5. The projected annual maintenance costs are detailed in the Management and Maintenance Plan.

3.2 The two end uses of the building will continue to generate long term benefits for the Merkinch community as described in our Development Appraisal which can be supplied if required: Merkinch Partnership through its enhanced ability to deliver employability services, the ICBC through its ability to transform young lives, both of which will provide a stepping stone into becoming a productive member of the working population rather than being a drain on resources on the state.

4. Proposal

4.1 To consider providing funding of £28,763 from the Capital Discretionary Fund towards a projected deficit of £82,526, to enable the Merkinch Welfare Hall 'Fit for the Future' project to proceed.

The current funding position is set out below.

Organisation and status of application	Year 1 £	Year 2* £
Heritage Lottery Fund Successful <input checked="" type="checkbox"/> Unsuccessful <input type="checkbox"/> Awaiting Decision <input type="checkbox"/>	590,760	65,640
Scottish Government Regeneration Capital Grant Fund Successful <input checked="" type="checkbox"/> Unsuccessful <input type="checkbox"/> Awaiting Decision <input type="checkbox"/>	200,127	
Inverness City Heritage Trust Successful <input checked="" type="checkbox"/> Unsuccessful <input type="checkbox"/> Awaiting Decision <input type="checkbox"/>	146,317	16,257
Highlands and Islands Enterprise Successful <input checked="" type="checkbox"/> Unsuccessful <input type="checkbox"/> Awaiting Decision <input type="checkbox"/>	38,000	
Robertson Trust Successful <input checked="" type="checkbox"/> Unsuccessful <input type="checkbox"/> Awaiting Decision <input type="checkbox"/>	20,000	
Maple Trust Successful <input checked="" type="checkbox"/> Unsuccessful <input type="checkbox"/> Awaiting Decision <input type="checkbox"/>	2,000	
Potential contract savings	25,000	
Inverness City Heritage Trust additional funding Successful <input type="checkbox"/> Unsuccessful <input type="checkbox"/> Awaiting Decision <input checked="" type="checkbox"/>	28,763	
Totals (including anticipated Inverness City Heritage Trust – “awaiting decision” and potential contract savings)	1,050,967	81,897

4.2 The total above falls short of the total required to complete the project. The total required has risen to £1,161,627 leaving a shortfall of £82,526. It is proposed to meet this shortfall from the following sources:-

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|---|---|---------|
| • Inverness City Heritage Trust | - | £28,763 |
| • Potential contract savings | - | £25,000 |
| • Request from Capital Discretionary Fund | - | £28,763 |

4.3 A deficit of £82,526 has arisen as a result of tenders for the construction works coming back significantly higher than anticipated.

The applicants have explored all possible avenues to meet this deficit and have contacted existing funding partners to discuss the potential for increased grant assistance with response being summarised below:

- i. We have been advised by our HLF monitor that any request for additional funding from HLF would need to go back to committee, the next one being March 2016. This timescale is too late for us as the contractor is only willing to hold his tender price until January 2016, after that the price would be revised upwards and the deficit increased.
- ii. HIE provided £38,000 funding in March 2015, which at the time was considered to be 'the last brick in the wall'. It was an unusual grant as HIE does not normally support capital projects such as this and they are not able to increase their grant offer.
- iii. Inverness City Heritage Trust cannot increase their grant offer; however they are willing to accept an application for additional funding. This would need to be approved by the Board and preliminary soundings got a mixed response. A formal request for assistance will be submitted on 30 October 2015.

4.4 The project fits with the Councils Programme through:

1. working together for the economy' as the Project will support the creation of quality jobs in the Highlands; and
2. support for an economically vibrant City of Inverness, which is a key theme of the Inverness City Vision.

4.5 The Housing Grants, Construction and Regeneration Act 1996, makes provision for the Council to consider contributing to expenditure incurred in connection with activities which contribute to the regeneration or development of an area. This includes providing or improving training, education facilities or health services for local people.

5. Implications

5.1 Climate Change/Carbon Clever and Equalities

The project will have positive climate change impacts as the buildings will be refurbished to modern standards in accordance with Building Regulations. Application of these regulations will also result in an improvement for those people with a disability.

5.2 Legal Implications

The development will provide an improved service to people living in the Highlands, create employment (both in terms of construction and potentially some increase, or, as a minimum, retention of existing jobs), and ensure a fit for purpose facility is created in Inverness for the City and the Highlands.

5.3 Resource Implications

The current uncommitted balance on the Capital Discretionary Fund is £1.169m subject to the Committee's decision in respect of the previous report on today's agenda. If agreed then the uncommitted balance reduces to £1.069m.

The allocation of £0.029m can be accommodated from the budget. The cost to the Council will also include the cost of borrowing which is assessed at £2,900 pa.

5.4 There are no risk, Gaelic or rural implications to highlight in the report.

Recommendations

Members are invited to :-

- (i) Consider awarding the project to reconstruct the Merkinch Welfare Hall, Inverness a maximum sum of £0.029m from the Capital Discretionary Fund for the year 2015/16, to be advanced only in the event that existing funders are not agreeable to increasing their respective contributions to meet the stated increase in project costs.
- (ii) Agree that Council funding be conditional on other funding being in place.

Designations: Director of Finance and Inverness City Area Manager

Date: 13 November 2015

Author: David Haas, Inverness City Area Manager