

## **Report of Chairman of Finance to Alderley Edge Parish Council**

### **Approval requested to apply to DCLG for Borrowing Limits of £2.5million, an increase of £500,000 over the current level in order to complete construction of the Alderley Edge Medical Centre**

#### **Recommendation**

That the Council authorises the Clerk, the Chairman of the Council, and the Chairman of Finance to seek a Borrowing Limit from DCLG of a further £500,000, increasing the existing approved loan from £2million to £2.5million. The additional sum is required to cover the costs of constructing a new entrance and toilets for the Festival Hall (required because the Medical Centre is being built where the previous entrance was); to cover additional professional fees; for security to satisfy Secured by Design and NHSE; and for fitting out the Pharmacy and 2<sup>nd</sup> Floor in order to make them suitable for letting.

#### **Reason for Recommendation**

The Parish Council has sponsored the Medical Centre project and the Construction is now under way with completion scheduled for 31<sup>st</sup> March 2016.

The District Valuer has completed a Report for NHS England (NHSE) of the annual rental which is agreed over a lease period of 21 years, and which has defined the final NHSE specification. The Agreement for Lease between NHSE (represented by Alderley Edge Medical Practice) has now been signed, and the final cost profile has been provided to AEPC in the form of a Contract between the Builder and AEPC.

ARCUS have been retained as Advisers to AEPC on the Contract Cost, and on the delivery of the agreed specification between NHSE and AEPC. ARCUS will certify Interim Payment Certificates and AEPC needs to be in a position to meet the payments. PWLB have a process whereby a loan can be agreed and drawn against, on a needs basis. Such a loan must be approved by DCLG, and in turn DCLG will seek assurance from CHALC that they have seen the proposal.

#### **Background**

The main determination has been the likely agreed annual rent payable by NHSE for the facility and over what term. That was agreed in June 2014 at £135,000 pa subject to a 3 yearly increase of 8.25%.

In addition, there will be a rental income from the ground floor Pharmacy and the occupants of the second floor. There are a number of parties who have registered an interest in taking on the Pharmacy and renting space on the second floor. AEPC has now appointed agents to start the letting process with a view to ensuring occupancy and hence rental income on or soon after 1<sup>st</sup> April 2016.

The conclusion is that the rental income will be a minimum of £4.8m (for the surgery, pharmacy and second floor) over a 21year lease period.

A Borrowing level of £2.5million, using indicative figures supplied by PWLB, suggest that the total repayment cost would be some £3.4million, leaving a surplus of £1.4million.