

The following is a document to support Resolutions A which will be presented and voted on at the AGM on the 27th November.

These resolutions seek to revise the approvals given by the members at the Extraordinary General Meeting held on 8th May 2019 to reflect increased costs of £111,000 identified since that date.

The resolutions are as follows:

A1 That the CALSA Management Committee should be authorised to oversee this project and to spend up to £561,000 on it.

A2 That the CALSA Management Committee should be authorised to raise up to £561,000 to help fund the project.

A – Starting Point

The following resolutions were approved at the EGM.

1. That the Association should proceed with the 'Expansion Proposal' to:
 - build an extension to the Clubhouse;
 - install a fourth squash court;
 - install and equip a gym;
 - suitably equip the new upstairs room as a multi-function room;
 - relay and refurbish the changing rooms and showers;
 - incorporate a lift and a disabled toilet.
2. That the CALSA Management Committee should be authorised to oversee this project and to spend up to £450,000 on it.
3. That the CALSA Management Committee should be authorised to establish a 'trading subsidiary' to operate the gym and to issue shares in that company.
4. That the CALSA Management Committee should be authorised to borrow and/or raise up to £450,000 to help fund the project

B – Current Position

During the work to getting to the tender a number of issues came to light that have escalated costs and led to a need to revise the budget to complete the project. One of the largest is discussions with HMRC over the treatment of VAT. That has added £35k to the up front costs, vat we cannot recover, but means our income streams will be improved by £8k p.a.

These building issues include, but are not limited to; the need for a new complete fire detection and alarm system, a steel and concrete floor between the gym and function room, replacing existing surface water drainage system, additional air conditioning for gym and installation of acoustic rated doors between the existing bar and new function room.

All of those additional requirements have been reflected in the five tenders which varied between c£450k and c£780k. However, the cheapest excluded the required items marked with an * in the table below.

Having reviewed the cheapest tenders in fine detail with the QS (Quantity Surveyor) engaged on the project, we identified a few acceptable options for cost savings, several others offered by the QS were rejected as they compromised on quality of finish and longevity of the investment in the building. For example, it is accepted we don't need a fence around the car park, but we would not accept either inferior quality floor coverings, reduced lighting or fewer showers.

C – Revised Budget

Subject to formal agreement with the preferred contractor the revised budget would be :

	£	
Main Contractor	435,000	
Steelwork	14,000	
Squash Court *	14,000	
Non Recoverable VAT	35,000	
Professional Fees	8,000	
Professional Fees To Date	15,000	
Total Further Spending	521,000	
Contingency	40,000	
Total FOR AGM Approval	561,000	

D – How To Raise The Money

It is possible to pay for the additional costs of the project without any additional borrowings or any additional risk to CALSA or its members. In fact for reasons set out below, borrowings will be less than indicated at the EGM.

The table below shows a comparison between how the £450,000 was going to be raised and how the £561,000 would now be raised.

Original £k				Revised £k	
25		Squash Funds		45	In the bank
25		CALSA Funds		45	In the bank
200		Promissory Notes *	3%	120	List of investors in place
50		GymCo Limited		125	List of investors in place
100		Local Investor *	5%	100	Agreement drafted
25		Bank Overdraft *		25	Indicative approval
25		Brewery Loan *		25	Indicative approval
		Sport England Grant		50	Approved and signed
		Lady Hastings Grant		12	In the bank
		Bricks & Tiles		7	List of donators in place
		Fund Raising		7	In the bank
450		Total		561	

The key thing is that compared with the proposal at the time of the AGM, the amount of funds involving risk of liability to CALSA has actually reduced from £350k to £270k. These items are marked with a * above. However, probably more importantly, the personal liability to members has been effectively removed as that bank and brewery would only ever take action against CALSA. In addition the local investor loan agreement specifies no action possible against any member and the promissory notes would require members to take action against themselves.

E – Can The Project Be Deferred

The simple answer is yes. We can retain planning permission for up to six years, but the issues identified in the tender process will remain.

However, we would need to hand back the Lady Hastings grant and give back notice on the Sport England grant. The chances of securing these again for a future project are significantly reduced.

We believe the tender from the preferred builder reflects a position he is in through a deferred contract. The QS believes the price is extremely competitive. He has a proven track record and passed due diligence.

The reality is the present opportunity is unlikely to arise again in the future unless a generous benefactor or benefactors suddenly pops up !!

So, deferring probably means accepting increased costs of the project and a need to raise more borrowed funds to achieve it.

F – Do Nothing

We all know do nothing doesn't really mean do nothing.

If we say it's never going to happen we have to deal with "business as normal". This means that certain issues we were aware of before the project started, and certain items that have emerged during the project requirements to date will still need addressing. In addition, there are items that are not essential, but again were going to get picked up and delivered as part of the project. Where possible I have tried to put a cost to each of those items, the cost being that assessed during the tender process. If they were to be addressed outside the project they may prove to be costlier, although it is possible that cheaper solutions would be available.

Asbestos removal	8,000
New ceilings and lighting	3,000
New fire detection and alarm system	8,000
Roof drainage and soakaway	5,000
Lift and disabled access	40,000
Disabled toilet	10,000
Total	74,000

G – Recommendation

We have an opportunity to deliver new facilities and a first class set of improvements at a price we can afford to commit to. We will deliver an enhanced facility for existing members and the local community. We will need to increase the spend, but we know why and these are all justifiable and we will have a fixed priced contract. The risks all round are significantly less than when the proposal was approved at the EGM.

Because of new funding sources, including £62,000 of grants and the set up of the gym as a SEIS (Seed Enterprise Investment Scheme), we are reducing the debt required by CALSA to fund the scheme.

Potential revenue streams have also increased as we now will not need to incur a vat charge on gym membership (equates to +£8k p.a.) and we have had strong enquiries for hiring the function room that equates to +£10k per annum.

The recommendation of the Management Committee is we increase the approved budget from £450k to £561k.

Stephen Widdison

Treasurer, CALSA & Extension Project Manager

13th November 2019