

PHASE 4 BUILDING AND FINANCING PROPOSAL

Following the church meeting on Thursday 27 September 2018, this paper sets out a new financing strategy for Phase 4 of the building project with the support from borrowing £1.6 million from the Baptist Union to enable all construction work to be commenced in the second half of 2019 with an expected completion date of spring 2020.

Why one final Phase 4?

- There is now a proposal (this paper) that addresses the financial requirements
- By combining all work into one phase, construction is more efficient and the construction time on site is reduced by 50%, considerably reducing site set up and operation costs
- The disruption to the daily life of the church is reduced
- There is less loss of income from reduction in external lettings
- Each year the project is not completed could add 2-4% to the construction costs
- Able to complete the Building project in 2020, and not 2024 or beyond

Following discussion with Quantity Surveyors, Contractors and specialist suppliers the Project Team have committed to **Completing Phase 4 at a cost no greater than £2,700,000** (this includes the cost of the Lantern works). **Start – August 2019; Complete – April 2020.**

Projected Financial Position at the proposed start of Phase 4 in August 2019

Phase 4 Budget	£	2,700,000
Balance of current BU Loan in Aug 19	£	164,000
Balance of Member Loan in Aug 19	£	18,000

Total Fund Needed

£ 2,882,000

Available Fund (as at Sept 2018)

£ 710,000

New BU Loan

£ 1,600,000

Still to raise before Phase 4 starts *)

£ 572,000

This is in addition of the ongoing monthly giving

*) We will need to raise this circa £600K to start work; although there are £400K of items which can be excluded from contract until funds are forthcoming. Hence, as a minimum, we will need £200K to allow a construction order to be placed.



Loan Repayment Plan

BU Loan Details			
Loan Value	£	1,600,000	
Term		20 Years	
Interest rate		3.75%	(Base rate + 3%)
Monthly Repayment	£	9,500	(loan and interest)
Flexibility to make early repayment (without penalty)			

Repayment scenarios

1) Based on monthly giving only

Assume congregations maintain the giving totaling £ 9,500 per month

Monthly payment	£	9,500	
Time to repay		20	years (from 2019 to 2038)

2) Based on monthly giving and Gift Days

Assume the same total giving as per the average of £436,000 per annum

Annual total payment	£	436,000	(monthly giving and gift days)
Time to repay		Approximately 4	years (from 2019 to 2023)

(all figures are inclusive of 'gift aid' tax claim)

Possible Questions and Answers

q Why do this?

a Enables us to finish construction by 2020 rather than 2024.

q Can we afford monthly loan repayments?

a Based on our church historical giving since the start of building project in 2011, and providing congregations maintain the level of giving to the building project, then it is affordable (see page 2 above for the repayment scenarios).

q Why is loan over twenty years?

a Gives our leadership maximum flexibility; they can repay lump sums without penalty. If we maintain gift days the loan can be paid off much sooner (see page 2 for the repayment scenarios).

q What would happen if church numbers fell?

a In worst case church leadership might have to consider selling staff houses to repay part or the entire outstanding loan.

q Won't this cost a lot of money?

a If we were able to maintain giving to project at current levels to mid 2023 we would actually save money and have repaid the loan. The breakdown as follows:

Phase 4 as one phase project	Savings	
Savings by doing Project 4A and 4B in one phase	£ 100,000	(overall lower cost)
Increase on Phase 4B due to annual cost increase of 2.5%	£ 186,000	(if delayed to 2023)
Less loss of lettings income by only closing church once	£ 35,000	
Total savings over 4 years	£ 321,000	<i>(a)</i>
Interest repayment on BU Loan (over 4 years)	£ 240,000	<i>(b)</i>
Net savings	£ 81,000	<i>(a) minus (b)</i>

q What are the benefits on using BU and not another bank?

a There are several benefits such as:

- The 'depositors' who provide the money are in fact other BU churches
- The interest paid to the BU benefits those 'depositors'



- The interest covers the BU overheads
- The interest also funds the BU Home Mission
- The loan arrangement is very flexible compared to standard commercial (bank) loan, such as ability to make early repayment without charges and no arrangement fees.

q What conditions are attached to the loan?

a A copy of the BU loan conditions will be made available to all members once the BU loan offer is received.

q What happens if interest rates go up a lot?

a Following a suggestion at the church meeting we will investigate the possibility of taking out interest rate protection; this may prove very expensive. If we are able to maintain the annual level of giving then we can repay the loan sooner which will reduce the impact of interest rates increases.

q What is the total project budget?

a The total budget is now £5.9M which includes the work on the auditorium, which was not included in the original budget. The other factors that have increased the total cost of the project are;

- Increases in the cost of materials and labour since the project started due to the extended project period
- Splitting the project into a number of phases increase the amount of time the contractor is on site and therefore site set up, equipment and management costs are greater
- Increased professional fees from additional meetings and the need to split work into phases
- Some changes to the specification of the work, mainly around IT & AV provision

q What if I want to get more information on this proposal?

a There will be drop in sessions to further discuss the financing proposal with members of the project team on

- Saturday 6 October at 10.45 to 11.30
- Sunday 14 October at 17.30 to 18.30

q What next on Phase 4?

a There are two key dates:

- **18 October** - presentation with images and drawings on the content of

Phase 4. Information will be made available in a display and on the website. Further drop in sessions will be set up to allow congregations to come and ask questions of the Project Team.

- **22 November** – vote on finance proposal and Phase 4

Historical Financial Information

Total project budget - £5,900,000

Total project spend - £3,404,000 to 31/08/18

Stages	Project size	Project start to completion
Phase 1	£300,000	2011
Phase 2	£1,900,000	2013 – 2014
Phase 3	£1,000,000	2015 – 2016
Phase 4*)	£204,000	<i>Ongoing</i>

*) Part of the Phase 4

Giving to project by calendar year

<u>Calendar Year</u>	<u>Amount</u>	<u>Cumulative Total</u>	<u>Cumulative Annual Average</u>
2011	367,851	367,851	367,851
2012	451,181	819,032	409,516
2013	531,815	1,350,847	450,282
2014	597,741	1,948,588	487,147
2015	431,996	2,380,584	476,117
2016	371,060	2,751,644	458,607
2017	304,553	3,056,197	436,600
2018	526,739	3,549,654	467,339