

SURREY COUNTY COUNCIL**CABINET****DATE: 30 NOVEMBER 2021****REPORT OF CABINET MEMBER: MARK NUTI, CABINET MEMBER FOR COMMUNITIES****LEAD OFFICER: MARIE SNELLING, EXECUTIVE DIRECTOR FOR CUSTOMERS AND COMMUNITIES****SUBJECT: YOUR FUND SURREY APPLICATION – NORMANDY COMMUNITY SHOP AND CAFÉ LIMITED****ORGANISATION STRATEGY PRIORITY AREA: GROWING A SUSTAINABLE ECONOMY/TACKLING HEALTH INEQUALITY/ENABLING A GREENER FUTURE/EMPOWERING COMMUNITIES****Purpose of the Report:**

This report is for Cabinet decision making approval for funding the amount of £518,354 from Surrey County Council's (SCCs) Your Fund Surrey, towards the construction of a community shop and café located in Normandy Surrey. Under the governance of the fund Cabinet are responsible for decisions on expenditure over £500,000.

The vision of Your Fund Surrey (YFS) is to bring community-led and place-making projects to life, with a focus on wider community benefit that leaves a real legacy.

The body of the report sets out detail on the project and the assessment of the application against the fund.

Recommendations:

It is recommended that Cabinet:

1. Approve the recommendation to fund project CF104 Normandy Community Shop and Café Limited – Normandy Community Shop and Café, for the full amount requested £518,354.
2. Consider the further following conditions in awarding this funding:
 - a. The project demonstrates a commitment to local skills, vocational training, volunteering and employment opportunities linked to the enterprise, including support for employment opportunities so the widest cross-section of residents can benefit from this project.
 - b. The project demonstrates a commitment to sustainable practices in the operation of the shop and café premises, and that Surrey County Council, through its Greener Futures team, should provide support and advice.

Reason for Recommendations:

The recommendations will enable expenditure from the Your Fund Surrey to be awarded to the Normandy Community Shop and café project. This application has been the subject of a rigorous assessment process by officers, as set out in the body of this report. Officers consider the project to meet the aims and published criteria of the fund and to satisfy the requirements to award funding.

The application is recommended for a full award of funding as the project has been formulated in response to a demonstrated community need which is extensively supported both in advocacy and financially by residents. It will provide the widest possible community benefit directly through using the shop and café but also in relation to the opportunities provided, such as training and employment.

The recommendation in the report will contribute towards the Surrey County Council's (SCCs) priority areas of growing a sustainable economy so everyone can benefit; tackling health inequality; enabling a greener future through using renewable energy and trading of local produce; and enabling communities through investing in a meaningful and lasting way in the Normandy community.

Executive Summary:

1. The focus of the project, to develop a community shop and café, was initiated following a community survey in 2019, which identified the lack of a local shop and social hub for the hamlets that make up Normandy.
2. The results of the community survey demonstrated strong community support for a shop and cafe and indicated residents' willingness to help set-up and then to volunteer in different capacities and contribute towards such a venture. A community share offer launched in relation to the project has generated £89,421, with over 280 people investing.
3. The constituted management committee composed of 12 principal volunteers has followed best practice through being advised by the Plunkett Foundation, a national charity that aims to help rural communities in the UK create and run community-owned enterprises. It has been constituted as a community benefit society, which enables these investors to own the business and run it for the benefit of the community.
4. Normandy has several valued existing facilities in the village, including the village hall and the cricket club. In the early stages of the project, a full evaluation was carried out, considering the reuse of, or modification to existing buildings, but other locations were considered inappropriate on grounds of location due to distance from the village centre, expense, or that the land had already been reserved for alternative uses.
5. In November 2020, the management committee secured planning permission from Guildford Borough Council (GBC), to turn a patch of land at Manor Fruit Farm, in the centre of Normandy, into a community shop and café. The site will house a shop, selling basic groceries and local products as well as a café to serve as an open access meeting venue for residents.
6. Normandy Parish Council (NPC), who are the long-term tenants of the site on a lease from GBC, have stated that they will sublease the land for a peppercorn rent for an initial period of 35 years.
7. The funding of £518,354 is being sought from YFS will be utilised for the construction costs of building the partially timber framed community shop and café. A detailed breakdown of the costs is contained with the finance section of this report (pg.5).

Description of project benefits

8. The presence of a shop and café as an open access meeting spot, is perceived to reduce the feeling of isolation felt by many of the older residents and increase the community spirit. In addition, the provision of a shop will reduce unnecessary journeys due to the current requirement to travel 4-5 miles for provisions.
9. The proposed location of the shop and café, at Manor Fruit Farm, near to village hall and the surrounding green space acts a hub for many local activities. Groups that currently use those facilities for activities, dog-walkers, cyclists, and families visiting the playground would have a place to meet, to have refreshments and to shop.
10. The facilities would be accessible for all residents irrespective of their access to a private vehicle. It is planned to assist the elderly by utilising the existing community bus service to pick up residents from their homes as well as making home deliveries.
11. The benefits derived from the project will actively contribute toward the delivery of SCC Priorities 2021-2026:

Growing a sustainable economy so everyone can benefit

- The shop and café stock local produce thereby supporting local businesses and driving local economic growth and job creation.
- Initially one permanent shop manager would be employed, the remaining workforce will be composed of volunteers from the community. The project already has over 100 residents involved as volunteers.
- Work experience opportunities would be offered to help run the shop and café, including students and clients of the adjacent Therapy Garden (a charity offering horticultural therapy services).
- Constituted as community benefit society, it is registered with the Financial Conduct Authority (FCA) with the specific intention that it must benefit the community.

Tackling health inequality

- The shop and café would contribute to reducing isolation experienced by some villagers as highlighted in the initial survey, including residents with limited mobility who may otherwise feel unable to leave their homes, via use of the existing community bus service.
- Connections have been created with local care and support groups such as a Therapy Garden, which offers social and therapeutic horticulture to adults with a range of physical and mental hardships.

Enabling a greener future

- The shop and café intend to reduce waste by limiting packaging of items bought in to the shop and café, re-using and recycling where possible, and not using plastic bags.
- The shop will source products locally to minimise food miles and reduce car journeys for food purchases.
- The partnership with the adjacent Therapy Garden provides an opportunity to compost food waste from the café.
- The building has been designed to be as energy efficient as possible and in many instances exceed the requirements to insulate the building. Photovoltaic panels will be installed on the roof of the building.
- Internally, the project proposes the use of mechanical heat ventilation recovery to reuse the heat generated by the fridges and freezers used.

- Sustainability is a key requirement of the design which includes a partial timber structure from a Forestry Stewardship Council (FSC) or similar accredited source.
- The project management team have started to engage with the Parish Council to agree to some additional environmental improvements to the site, including the possibility of a green wall to the building and planting additional trees.

Empowering Communities

- The community has demonstrated their interest in the project through the community survey that initiated the proposal and already 280 members of the community have invested in the project.
- The approach the organisation has taken, local engagement and advice sought is a powerful demonstration of community empowerment in action.
- The project complements existing local initiatives and will provide a hub for the village, which is accessible to all, with community activities encouraged such as book groups, business networking events, and suppliers' events.

Project Timeframes

12. Key delivery dates are approximately. 42 weeks, comprising of:-
 - 16 wks. groundworks
 - 6 wks. construction (Off site fabrication)
 - 20 wks. fit-out, training, stock

Management of the project

13. The Society which manages the project is led by a Management Committee. Several workstreams have been specified to direct work including Business Planning, Finance, HR, Premises, Retail Operations, Products and Services, and Communications. Under the Society Rules, management Committee Members are elected for a three-year tenure of office, with the possibility of co-option if a temporary vacancy arises.
14. The shop and café would initially employ one permanent shop manager, assisted by community volunteers who will complete an induction before starting on the shop floor. Dependent on workload, another part-time member of staff may be added.
15. From a financial perspective, the plan will be for all early profits to be build up business reserves, as there is no requirement to pay dividends to shareholders.

Project Lifespan

16. The life span of the proposed structure is dependent upon several factors; the method of construction, materials used, location, ongoing maintenance and use of the building. The project will use high quality materials, carpentry in the construction phase and comply fully with building regulations and structural engineering.
17. The expectation is that the timber frame building would last beyond 100 years, given regular maintenance, and repair to any damage, The life expectancy of the selected Cedral cladding which lasts over 30 years was a key consideration.
18. To ensure the community shop and café serves the community for many years the alarm, CCTV and Fire System and high value equipment such as the appliances, refrigeration and ventilation systems will all be maintained with approved maintenance contracts. A maintenance log would be maintained and be available for inspection.

Financial and Value for Money Implications:

19. YFS applications undergo two levels of financial testing depending on how reliant the project is on ongoing income streams to maintain the viability of a YFS funded asset.
20. The project costs are based on independently sourced quotations and have been scrutinised by officers within the Finance team in relation to any monies which may be allocated to the project.
21. The project has applied for £518,354 which equates to 85% of the overall project costs. The remaining monies needed for the project have been raised through a Community Share Offer.

Table 1. Financial summary

Summary	Complete / select
Total scheme cost in £	£607,775
Amount applied for	£518,354
Percentage of cost against total	85%
Total of other funding	£89,421 (Community Share offer)
Amount suggested for funding	£518,354
Have the other funding sources been secured	Yes
Is there a Commercial element to the project	Yes

Table 2. Proposed YFS grant utilisation

Site setup	£5,403
Foundations and building base	£44,862
Project/site management	£23,105
Surveys, structural and CDM engineers, building regs and planning	£15,368
Construction of building	£226,478
Build contingency	£30,000
Scaffolding and basic materials	£9,201
Carpentry, Electrics and Plumbing	£69,964
Drainage, services, pathways	£49,746
Plastering, decorating, finishing	£19,227
Kitchen	£25,000
Total	£518,354

22. Each item of projected costs has been supported with three competitive price quotations from different suppliers to independently provide a price on the work, in order that value for money can be demonstrated. Quotations have been obtained from suppliers of goods or services independent of the applicant organisation.
23. As SCC only provide capital funding (and the fund is designed to empower communities without ongoing reliance on the council) any running costs, maintenance costs, insurance, operating costs, provision for asset replacement (i.e., depreciation) will need to be covered by (potentially significant) income streams. These are likely to carry a degree of risk and therefore sustainability cannot be guaranteed. The Funding Agreement sets out terms in relation to withholding, suspending and repayment of funding should the organisation cease to exist.

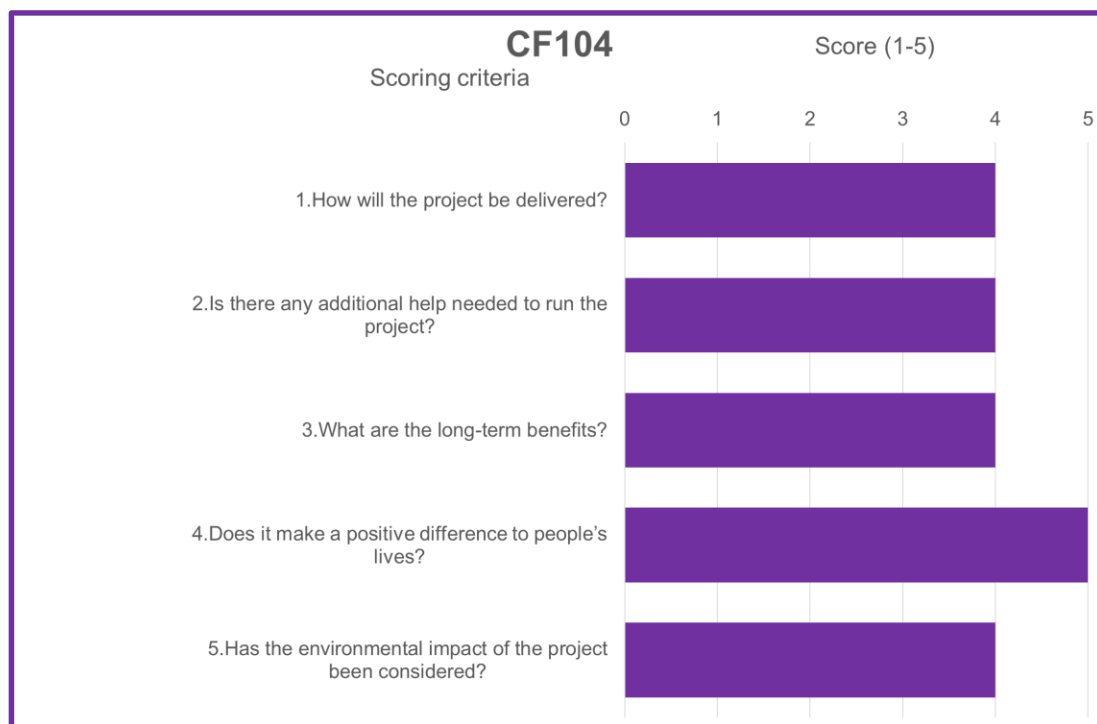
Commercial Finance Assessment

24. A commercial finance assessment was conducted as it was recognised that the project is contingent on the successful delivery of a commercial model. The bidder provided the following information in relation to the commercial element of the project which were assessed by Officers in the Commercial finance team:
- Business Plan
 - Profit and Loss Account (at least 3 years)
 - Cashflow Forecast
 - Risk matrix with mitigating actions where appropriate
 - Evidence of benchmarking and/or market testing where appropriate.
25. It is noted and accepted that approving bids that are dependent on a commercial model for their long-term viability carries inherent risk. Assessments are undertaken to ensure consideration has been given to these risks and additional information is requested where it is felt necessary.
26. It was noted that the margin for the shop is very low. A modest increase in the cost of goods, a high demand for low margin goods, or increased need to pay for staffing, would put pressure on the profitability of the shop.
27. The applicant has recognised the need for contingency to allow for adverse movements and from a financial perspective, the plans are for all early profits to be directed towards building up business reserves, as there is no requirement to pay dividends to shareholders.
28. Based on the information provided by the bidder, it has been deemed that the project would be viable if the commercial model is delivered, and the risks are managed appropriately.

Assessment of the application against the criteria for the fund

29. This application for funding has been through the due diligence and agreed governance process for the fund, which are publicly available on the County Council website.
30. The application has been subject to a rigorous two step application process involving assessment and scoring by Your Fund Surrey Officers, with input from the Expert hub, a group of specialist Officers providing insight for the eligibility of funding. The application has been assessed and scored independently by three Officers whose scores are then moderated. A summary of the Assessment Report comments for the project against the funds five published scoring criteria are set out in Annex1.
31. The application scored a total of 402 out of 500 when scored by Officers broken down as follows:

Table 3. Assessment Score Breakdown



Advisory Panel Comments

32. As set out in the overall governance document for YFS (INSERT LINK), the YFS Advisory Panel functions in an advisory capacity and its role is intended to assist formal decision-making processes which sit outside the Panel. The role of the YFS Advisory Panel is to review shortlisted applications following the assessment and scoring of bids by Officers, and to advise and inform the final officer recommendations to the appropriate decision-maker on the proposed funding awards to be made.
33. The YFS Advisory Panel, via the Chair sought additional clarification in relation to this application to which responses were provided, these included:
- On the Legal and Financial processes for Your Fund Surrey from Officers including an overview of the financial review that Officers carry out, further detail on the risks and mitigations identified in the commercial financial review of the project, the controls SCC would have in relation to the investment; detail of the items YFS grant specifically pay for.
 - On the Project governance from the applicant including the specific expertise of the management committee in managing a project of this type, succession planning and in relation to how disputes would be handled, and provisions have been put in place to ensure the project would be running effectively in 15-20 years.
 - On the design and build of the project from the applicant including an explanation of the decision to build a new facility, rather than modify and enhance the existing facilities in the village for this project. The life expectancy of the timber frame.
34. The panel recognised the considerable effort has gone into the application. Though the Advisory Panel was not able to reach a broad consensus in relation to the specific officer recommendations, a number of members of the panel were supportive of the project. One Panel member felt unable to support the application, feeling that they required extra detail in relation to aspects of the project, this was information in addition to the clarification questions that were already asked and answered. The Local Division Member whilst a member of the panel, declared a non-prejudicial interest and took no part in the Panel's deliberations.

Consultation:

Summary of Support

35. At the end of 2019, a survey of the village indicated that of the 30% of households who responded, over 80% indicated the need for a shop and café in the village which could act as a meeting place for residents. The Crowdfunded Community Share Offer resulted in over 280 people committing to invest over £95,000 on the project.
36. Support for this project has grown demonstrated by the success of Pop-Up Café and each Friday a Pop-Up Market is held at the location, which has provided an opportunity to increase local interest in the project and to discuss the progress of the project.
37. A total of 64 positive and no negative comments were received in response to the formal planning permission consultation in November 2020.
38. Have Your Say, which has had the Normandy Shop and Café featured on the Commonplace website, has received 369 comments. There was only one negative comment which stated that the community shop and café would be too far from Guildford.
39. The Division Councillor Keith Witham is highly supportive of the project.

Risk Management and Implications:

40. This application for funding has been through the due diligence and agreed governance process. As part of this process the applicant has provided an overview of risks against the project. This is summarised below. Officers consider there to be adequate control measures in place.

Summary Table of Risks and Key Mitigations

Risk description	RAG	Mitigation action/strategy
Delays to construction, supply chain issues and cost increases related to market conditions or COVID-19.	Yellow	Carry out early site investigations to mitigate potential obstacles to construction and arrange regular inspections from relevant specialists.
Insufficient project team capacity and poor availability of staff with relevant skills and experience.	Green	Establish and maintain good working conditions, seek additional members of the project team with relevant skills and experience.
Net Income received by shop and café lower than forecasted or costs higher than forecast.	Light Green	Continue to improve understanding and forecasting of business and implement regular product reviews to improve range of goods and services.
Emergencies such as fire or floods.	Green	Make sure all staff and contractors are aware of the need for vigilance and take steps to ensure the site is secure.

41. The land is owned by Guildford Borough Council and leased to the Parish Council, with over 100 years remaining. A 35-year draft lease has been initially offered to Normandy Community Shop and Café Limited by the Parish Council. In the event of the lease not being extended after the 35 years, the building is covered by an asset lock, which means it can only be transferred to a community-focused entity, as set out in the applicants governing document.

42. These funds raised will contribute to the overall cost of the project with a proportion of it being required to take care of the revenue costs that cannot be covered by Your Fund. In continued engagement with the community, a weekly market on the site of the proposed shop has been set up, receiving excellent feedback from members of the community.
43. There have been many examples of successful community shops in the UK (United Kingdom), with a record of accomplishment showing that after five years, over 90% of community businesses are still operational. As a community business supported by the Plunkett Foundation, it would benefit from a group of shareholders not motivated by dividends or returns on their investment, but by the certainty that the shop and café would be there for years to come and that all profits from the business would go back into the business or for use on other community projects.

Section 151 Officer Commentary:
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44. Although significant progress has been made over the last twelve months to improve the Council's financial position, the medium-term financial outlook beyond 2021/22 remains uncertain. The public health crisis has resulted in increased costs which may not be fully funded. With uncertainty about the ongoing impact of this and no clarity on the extent to which both central and local funding sources might be affected in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term.
45. The long-term sustainability of the projects funded by Your Fund Surrey is a key factor in assessing their suitability. Certain projects are relatively straightforward, where ongoing sustainability relies only on identifying a modest and reasonably secure source of funds to maintain an asset.
46. Other, more complicated and typically higher value, projects (such as Normandy Community Shop and Café) rely on generating significant levels of ongoing income to cover management, operation, maintenance and ultimately replacement of the asset funded by the grant. The sustained delivery of project benefits also relies on the commitment and longevity of the organisation operating the asset. A level of risk in the ongoing delivery of benefits from these schemes is inevitable and despite officers gaining assurance that mitigations are in place, success cannot be absolutely guaranteed for each individual project.
47. The assessment of risk and mitigations set out in paragraph 41-44, set out alongside the expected benefits of the project have been scrutinised and challenged by officers and are deemed acceptable in this instance. An important consideration is that Your Fund Surrey is a key part of the Council's Empowering Community approach focused upon enabling communities through investing in a meaningful and lasting way. Therefore, the success of Your Fund Surrey will set against establishing a different relationship with communities, empowering them to be more self-reliant. In forging that relationship, the success of individual projects will vary within the benefits delivered by the programme as a whole. Learning points from successful and unsuccessful projects will be taken and used to inform the development and evolution of the fund over time.
48. The borrowing costs associated with the fund have been fully built into the Council's Medium-Term Financial Strategy.

Legal Implications – Monitoring Officer:

49. The report sets out the information and steps for the consideration of the application further to the Council's governance arrangements for Your Fund Surrey.
50. Further to those arrangements, if approved, the Council and the organisation will enter into a comprehensive funding agreement which will include the performance measures that will be put in place to ensure the funding is used as intended as well as clearly describing any support or additional conditions agreed as part of the funding award.

Equalities and Diversity:

51. Your Fund is designed to provide investment in schemes that encourage community participation, reduce isolation, and develop the potential for social wellbeing and economic prosperity. As such it is anticipated that it will have a positive impact on a number of those who may rely on or gain support from within the local community and those within protected characteristics that maybe more likely to experience social and economic exclusion.
52. An Equalities Impact Assessment has been produced for Your Fund Surrey and was circulated as an Annex to the Your Fund Surrey Cabinet Report 26th January 2021.
53. The applicant has completed a needs assessment as part of the application to Your Fund Surrey to ensure the shop and café open and accessible for all. The applicant will be subject to regular monitoring to understand if there are any equalities and accessibility issues that need to be addressed.
54. The proposal to build the Normandy Shop and Café will deliver an easily accessible venue for underrepresented groups through providing transport to the shop for those that are unable to travel longer distances across the county as they do not have access to a private vehicle. It is also intended that the shop and café would provide facilities for young people to meet in a safe environment.
55. The Normandy Shop and Café would provide support and contact for those people who are living alone or have previously been able to travel to a local venue to socialise and interact with other members of the community.

Other Implications:

56. The potential implications for the following council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	No direct implications
Safeguarding responsibilities for vulnerable children & adults	The project is partnered with the adjacent Therapy Garden, which offers social and therapeutic horticulture to adults with a range of physical and mental hardships.
Environmental sustainability	The project has a positive contribution to Environmental Sustainability, with specific reference to Materials and water Waste Energy Transport Landscape and trees as set out in para.11.

Public Health	The project has a positive impact on wider health determinants with specific reference to reducing social isolation and loneliness as set out in para 11.
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What Happens Next:

- Following Cabinet approval, in line with the normal Cabinet decision making process as set out within the constitution, the Cabinet decisions will be incorporated and published a part of the Cabinet decision notice according to standard procedures and are subject to call-in.
- Once the financial decision has been taken and published and the call-in period has expired, the YFS Team officers will prepare the relevant schedules and funding agreements to enable payment of funds and monitoring and evaluation of the project against its outcomes.
- The YFS Team officers will then issue a provisional offer of funding to the applicant, including a copy of the draft Funding Agreement incorporating any additional conditions.

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Consulted:

Division County Councillor

Portfolio holder for Communities

Resources, Corporate Finance – Surrey County Council

Annexes:

Annex 1: A summary of the Assessment Report comments for the project against the funds five published scoring criteria

Sources/background papers :

Your Fund Surrey Criteria

Your Fund Surrey Governance Document



THINK

BIG

A summary of the Assessment Report comments for the project against the funds five published scoring criteria

Criteria 1. *How will the project be delivered?*

- Planning permission in place.
- Experienced management team
- Good practice demonstrated through seeking the advice of the Plunkett Foundation, setting up a management committee, shaping the project from the 2019 resident survey and offering a share initiative.
- The bid references a range of conversations with other community cafés and taking on board their experience in terms of approach and proposals.

Criteria 2. *Is there any additional help needed to run, the project?*

- Board of elected members of the society, supported by volunteers with specific roles.
- Significant contributions through share option only accessible if all funding is in place.
- Applicant has advice from the Plunkett Foundation's specialist community society experts in setting up the project.
- The organisation has placed a high emphasis on the use of volunteers to maintain the running of the shop/café. Considering the survey response this seems reasonable.
- The community share element is very encouraging and shows buy in from local people on a practical basis.

Criteria 3. *Long Term Benefits*

- The needs expressed in the survey by residents shows a desire for this sort of enterprise in this location
- Social isolation would seem to be a real need that which this would address.
- Not only for shopping items but for social interaction.
- Reliant on volunteers and will require focus on retention to maintain opening hours. Requirement of generating income through use.

Criteria 4. *Does it make a positive difference to people's lives?*

- Evidenced through surveys and YouTube channel, demonstrated through Crowdfunding, attendance at pop-up markets and in volunteering, organisation / partnerships with Therapy Garden and local school
- The organisation has researched the statistics about their customer base, but also the practical engagement and survey is a good complement.

Criteria 5. *Has the environmental impact of the project been considered?*

- Photovoltaic cells to the roof of the building to gain energy from the sun, and mechanical heat ventilation recovery to reuse heat generated by fridges and freezers.
- Short life food used in the café and waste given to Therapy Garden for composting. Project evidence this would encourage more carbon neutral practices, such as local shopping for local produce and less travel.