



Business Case for the acquisition of property by Bewdley Town Council

Title of Scheme	Purchase of 67 Load Street, Bewdley (former Barclays Bank)
Source of Capital	PWLB Loan and General Reserves
Capital Value	£320,000

Scheme Summary

The Town Council currently spends £660 per year on the lease for the office at The Guildhall. The Town Council is quickly 'outgrowing' the offices it currently occupies. The office is difficult for the public to access and cannot be adapted to meet modern needs and requirements. If the Town Council were to purchase its own building it would be able to determine what the building was used for, what alterations to make to suit its needs, and to provide cost effective community meeting space in Bewdley town centre.

Strategic Case

As part of the Council's medium to long term strategic and financial planning, it has been identified that the Council will need an office to operate from which suits the needs of employees, Council Members and the community, and to secure a significant tangible asset which will provide future security for the Council.

The property in question is a Grade II listed building in a key location in the town centre and one which has lay empty for a considerable number of years. It is the Council's wish to purchase this property in order to protect its historical value for the benefit of the community, whilst using it as a working office and community meeting space. The Safer Neighbourhood Team (Police and Community Support Officers) have already expressed an interest in renting some space in the building to act as a town centre base for their activities which will make the local policing team more accessible to the public.

Financial Case

The property cannot be purchased without a loan. The Council is currently debt free and has some reserves which can cover the costs of the first year of repayments should the funds be required prior to setting the annual budget. The purchase price of the property is £250,000 and will require around £50,000 of internal and external works to make good years of underinvestment. An additional £20,000 will be required for legal and other professional fees associated with the sale and subsequent renovation works.

Costs of the first year of loan repayments, rates, utilities and general maintenance can be partly funded via the Council's general reserves (to the tune of £15k) plus increases in the precept in 2017/18 and 2018/19 (see attached draft budget plan).

There is scope for income generation through the letting out of meeting rooms and office accommodation for local service providers. This would potentially cover the cost of rates and utilities.

There are specific criteria that the Town Council must meet in order to be able to apply for borrowing approval from the Secretary of State and then apply for appropriate funding:

1. Copy of the minute of the full Council meeting with the resolution to seek the Secretary of State's approval for the proposed borrowing;
2. Copy of the Council's budget for the current year, and next year (if available), showing the provision made to meet the loan costs;
3. Full report to the Council including this business case. This should include a breakdown of estimated ongoing costs, financial planning to fund the loan repayments and the steps/options the Council has in place to mitigate the risk for not being able to afford the loan repayments;
4. Provide information on how the Council will afford the loan repayments, breakdown of funding resources, amounts to be used from reserves, and any increase of precept to fund the borrowing;
5. If the Council precept is to be increased to cover the loan repayment, confirm the amount and percentage of the planned increase related to the loan only (if possible how much increase for house holders at Band D);
6. If applicable provide evidence of public support to increase the precept to cover the loan repayment (e.g. the result of any consultation).

Please see attached draft budget plan for the scheme.

Commercial Case

The property particulars are attached to this business case. The property is on the open market and an initial viewing has revealed largely cosmetic works and damp treatment are required, along with some structural alterations to the ground floor accommodation to make full use of the space. The first and second floor offices may need network cabling etc in order to let them out as potential short let office space. Alternatively, it may be necessary to keep the first and second floors as Town Council office accommodation, and use the ground floor areas as meeting space. It should be noted that although there is step free access to the ground floor, the bathroom and kitchen facilities are currently on floors one and two via a relatively steep staircase.

Elements of the project will involve listed building consent, and possibly planning permission subject to the alterations required, and on the advice of suitably qualified architects and planning officers at WFDC.

Management Case

The project would be delivered by the Town Clerk in conjunction with suitable architects and tradespeople in relation to structural, electrical, plumbing and cosmetic alterations.

Key Risks

The Council may find itself as one of several potential bidders. This means that there is a risk that the Council could be unsuccessful in its bid. The Council should therefore be aware of this possible outcome and the potential for abortive costs. Due to the nature of the property market, a decision may need to be taken quickly in order to put an offer forward. However, an offer can be made on a conditional basis and contracts for sale would not be exchanged until the usual due diligence process has been satisfactorily undertaken.

Abortive costs may be incurred in forming an unsuccessful bid, or failing to reach exchange of contract as a result of due diligence undertaken. These may include feasibility studies, ground investigations, advisers' costs, legal costs, survey fees and officer time. This is a risk which is inherent to the property market and will be managed at the earliest stage of the acquisition.

As has been evidenced by the economic downturn, property investment clearly carries inherent risks due to wider economic conditions beyond the immediate control of the Council. Other property related risks, such as those relating to physical defects and characteristics will be assessed and therefore managed.

The process of due diligence will be undertaken prior to completion which is key to the mitigation of most property risks.

Approval/Support

The Mayor, Chairman of the Policy and Resources Committee and Town Clerk endorse this business case.

Town Clerk	Nick Farress
Chairman of Policy and Resources Committee	Councillor Stephen Clee
Mayor 2016/2017	Councillor John Beeson

Attachments

SWOT Analysis

Draft budget plan

Property particulars

Example PWLB schedule