

**ALTON TOWN COUNCIL
FULL COUNCIL – 24th APRIL 2019**

**ITEM 9 CAPITAL INVESTMENT (PURCHASE OF COMMUNITY YOUTH HUB)
AND PUBLIC WORKS LOAN BOARD APPLICATION FOR DECISION**

Project Background & Business Case

As Members are aware consultation was undertaken during the spring/summer of 2018 with the local schools and college which established that one of the highest priorities for the young people of Alton would be the creation of a dedicated youth facility in the town providing a combination of a safe space to chill out, somewhere to receive mentoring and advice, a respite space for carers and a location where workshop sessions could be held on diverse subjects from mental health to financial planning.

Working with the King's Arms two further networking and consultation sessions were held in the Council chamber in the autumn with stakeholders across Alton on how local groups could work together with the King's Arms to provide such services to Altonians. These sessions were hosted by Councillor Matthew Bayliss and Councillor Pam Jones.

In working to secure a venue, the King's Arms and the Town Council visited a wide range of locations but struggled to find anywhere which offered dedicated, exclusive use space to lease, was centrally located and affordable. Having exhausted the options the King's Arms approached the Town Council with the idea of purchasing the Bartlett and Butcher building which previously been on the market and had unexpectedly come back for sale.

At the last Full Council meeting on the 6th March, the Council considered the premises and the funding resources required and unanimously agreed to proceed with undertaking the due diligence process to secure the building subject to a successful change of use application for the building, converting it to D2 community use. The Town Clerk was also requested to work with the King's Arms on the terms of a lease for them to occupy the building as a youth hub.

Project Plan

Since the meeting the Clerk can provide the following update on the due diligence work.

Heads of Terms have been drafted and exchanged for the purchase of the property. The Clerk has secured an indemnity in case of withdrawal by the vendor, searches are on-going and draft contracts are being drawn up.

All relevant surveys have now been undertaken including a building condition survey, energy survey, asbestos survey, flood report, health and safety audit of the premises for its use as a public building and an independent valuation. These reports are commercially sensitive and as such will be circulated to councillors separately

The change of use application has now been submitted to EHDC with a determination date of May 21st.

Applications have been made to draw down S106 funding of £44,951 identified for capital investment in community facilities (from the Anstey Road development). In addition permission has been granted (subject to exchange of legal letters) to allow a further S106 sum of £87,000 to be used for the purchase of the building, with the consent of the developer who gave the original contribution, Persimmon Homes. This money was originally earmarked in

2007 for Environmental Improvements arising from the Barley Fields Development completed in 2014 but Persimmon Homes have agreed to a variation to facilitate this purchase.

Applications for grant funding are on-going with EHDC and HCC.

Heads of Term are also currently being negotiated with the King's Arms. The intention is to charge a community, rather than commercial rate for the lease of the building which would effectively equate to the PWLB loan repayments, keeping the building affordable as a community facility but not impacting on electors by way of increasing precept.

As part of the submission requirements for the Public Works Loan Board (PWLB) approval there must be a copy of full minute of the Full Council Meeting with the resolution to seek the Secretary of State's approval for the proposed borrowing and this recommendation is before you this evening. Members of the public are also invited to attend the meeting to give their views on the proposals.

There must also be a copy of the Council's budget for the current year, and next year showing the provision made to meet the loan costs, to be submitted with the PWBL application. An amended version of the budget for 2019/20 (with indicatives for 2020/21 and 2021/22) is included in Councillors' bundles. This shows the additional expenditure to the council of the public works loan board repayments and the additional rental income generated by leasing the building to the King's Arms. No allowance has also been made for buildings maintenance on the proposed new building, as it is proposed to be on a fully repairing lease and as detailed below an allocated reserve will be set up for this purpose. These figures do not change the opening/closing balances nor do they affect the precept request which remains the same.

It is also a requirement of the loan application process that members are given a breakdown of the proposed works, estimated 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. In addition, the Council must evidence how it will afford the loan repayments, breakdown of funding resources, amounts to be used from reserves, and any increase of precept to fund the borrowing.

Estimated Costs

The budget for the proposed purchase is as follows:

Total cost **£380,000** broken down as follows:

Building purchase price	£350,000
Professional fees totalling between	£5,000 and £8,000
Stamp Duty Land Tax	£7,000.00
Land Registration fee	£270.00
Local Authority and other search fees	- £500.00 - £750.00 approx.
PWLB Arrangement Fee	£72.00
Allowance for building repairs	£10,408
10% contingency	£3,500

Breakdown of Funding Resources

S106	£131,951
Alton Town Council	£43,000
Public Works Loan Board loan.	£205,049

Affordability – risks and uncertainties.

The original intention identified at the last Full Council meeting, was to use up to £130,000 of Town Council funds towards the purchase and to apply to PWLB for up to £250,000.

With the securing of S106 monies, it is proposed that the monies from the Town Council unallocated reserves are reduced to £43,000 and the PWLB to £205,049.

This means the Council can earmark in its own reserves up to £87,000 which would fund any future building works on the premises or make up any shortfall in repaying the PWLB loan should the building fall vacant at any time. The rental charged to the King's Arms would closely equate to the PWLB loan repayments.

As with any such project costed in this way, the risk is in answering the question of what would happen should the proposed tenant either withdraw, assign or surrender the lease, resulting in no income for the property. With reserves allocated to mitigate this eventuality the council would have breathing space to find an alternative youth provider to take a lease or look at sharing the space with other community D2 uses.

No increase in the precept is propose to fund the borrowing.

Due to the method of funding the project, which is currently coming from three sources identified, the risks and uncertainties are deemed low with the only uncertainly being the approval of the PWLB loan.

Grant funding is on-going but not being relied upon for the purchase as this would raise a level of uncertainly. Any additional grant funding secured before the purchase would result in a reduction in any approved PWLB loan amount being drawn down.

At a proposed level of £205,049 at today's rates the repayment on a fixed rate loan would be 2.11% with two payments per year of £5,956.40. Total repayment per annum £11,912per annum over a 21 year period.

It is the view of the Responsible Financial Officer, following a meeting with the Council's internal auditors that this is realistically affordable to the Council.

RECOMMENDATION: Members are requested to approve seeking the Secretary of States approval for the proposed borrowing of up to £205,049

RECOMMENDATION: Members are requested to approve the revised council budget for the current year, and next year showing the provision made to meet the loan costs.

RECOMMENDATION: Members are requested to approve the business case for the project and the breakdown of the funding resources.