

**ALTON TOWN COUNCIL
FULL COUNCIL – 15th MAY 2019**

REPORTS BY THE TOWN CLERK

**ITEM 14 PURCHASE OF COMMUNITY YOUTH HUB AND PUBLIC WORKS
LOAN BOARD APPLICATION FOR DECISION**

This item was approved at the last meeting (24th April) but due to the change in District Ward Members, with none of those previously involved being re-elected, EHDC have advised they will need to submit the proposed S106 funding element of the project to the new (Non –Town Council) District Ward councillors for approval which will likely to be delayed until the end of the month.

In view of this and to prevent creating a risk to the project the Clerk is asking Members to approve the application to the Public Works Loan Board for the full allocation of up to £250,000 with Town Council funding of up to £130,000 (as agreed by the previous council on the 6th March)

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. This 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 had previously been on the market and had unexpectedly come back for sale.

At the 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

At the Full Council meeting in the 24th April the Town Clerk provided 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. The case officer has indicated that this will be determined within timescale given.

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 in the Town Centre arising from the Barley Fields Development completed in 2014 but Persimmon Homes have agreed to a variation to facilitate this purchase. **The Clerk notes that with the change of councillors at EHDC the approval of these two items has now reverted to pending as new councillors will be asked for their views before any approval is granted.**

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 the 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 as indeed they were on at the meeting on the 24th April 2019.

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) was approved by Members on the 24th April. 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 did not change the opening/closing balances nor did 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
1% 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 Town Council at the outset to this project identified non-allocated reserves of £155,000 which could be used towards the purchase. These comprise of:

The Greenfield Telcom Mast fund, Molson Coors Licence Fee, Economic Development Reserve and CIL funds.

The original intention identified at the meeting on the 6th March 2019, was to use up to £130,000 of these monies towards the purchase and to apply to PWLB for up to £250,000. This would leave £25,000 of unallocated reserves which could be used to fund future building works on the premises or make up any shortfall in repaying the PWLB loan should the building fall vacant at any time

At the meeting on the 24th April it was anticipated that the S106 monies would be secured and thus Members approved that the monies from the Town Council unallocated reserves were reduced to £43,000 and the PWLB to £205,049.

The rental charged to the King’s Arms would closely equate to the PWLB loan repayments.

Given the delay to the S106 approvals the Clerk is requesting that Members approve the original breakdown of funding resources as below, to prevent any delay to the purchase. Once PWLB approval has been granted the full amount can be drawn down OR if the S106 issues have been resolved the lesser figure of £205,049 can be drawn down

Breakdown of Funding Resources

Alton Town Council	£130,000
Public Works Loan Board loan.	£250,000

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 £250,000 at today's rates the repayment on a fixed rate loan would be 2.5% with two payments per year of £5,947.48. Total repayment per annum £11,894per annum over a 30 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 revised proposed borrowing of up to £250,000