



WEST OXFORDSHIRE  
DISTRICT COUNCIL

## WEST OXFORDSHIRE DISTRICT COUNCIL

Name and date of Committee	<b>Cabinet: Wednesday 21 July 2021</b>
Report Number	<b>Agenda Item No. 10</b>
Subject	<b>Options for the future use of 33A High Street, Burford</b>
Wards affected	Burford
Accountable member	Councillor Suzi Coul - Cabinet Member for Finance Email: <a href="mailto:suzi.coul@westoxon.gov.uk">suzi.coul@westoxon.gov.uk</a>
Accountable officer	Jasmine McWilliams - Asset Manager Tel: 01285 623255 Email: <a href="mailto:jasmine.mcwilliams@publicagroup.uk">jasmine.mcwilliams@publicagroup.uk</a> Will McMahon - Valuer & Estates Surveyor Tel: 01993 861583 Email <a href="mailto:william.mcmahon@publicagroup.uk">william.mcmahon@publicagroup.uk</a>
Summary/Purpose	To consider the options for the future of 33A High Street Burford
Annex	Annex A – Options Appraisal (exempt)
Recommendations	a) That officers pursue Option 1 as specified in the report, in line with the principles of the Investment Strategy; and b) That the Group Manager for Commissioning be authorised to approve the final detailed heads of terms for a lease of the site, in consultation with the Cabinet Member for Finance and the Chief Finance Officer.
Corporate priorities	Supporting and building prosperous and inclusive local communities Delivering excellent modern services whilst ensuring the financial sustainability of the Council
Key Decision	Yes
Exempt	Annex A only
Consultees/ Consultation	Senior Officers, Cabinet Member for Finance

## 1. BACKGROUND

- 1.1. The Council owns the freehold of 33A High Street, Burford, shown edged red on the plan at Annex A. The property comprises a ground floor retail unit with ancillary storage space and a single WC. The subject property is located within the same building as the public conveniences which have independent access from the High Street along the side of the building. This report focuses on the future use of the retail shop only which was used by the Council as a Visitor Information Centre up until March 2021. The service was closed after a decision by Cabinet on 24 March 2021.
- 1.2. As the building became vacant an options appraisal, shown at Annex A, was prepared by the Valuer & Estates Surveyor.
- 1.3. The Council has received interest in the property on a commercial letting basis and a freehold sale basis as detailed in the options appraisal at Annex A.
- 1.4. Pending a decision on the future of the property, officers are progressing a short term lease to the Meanwhile Project, a social enterprise initiative run by Oxfordshire Local Enterprise Partnership (OxLEP). The aim of the project is to find local independent businesses and community uses to occupy vacant premises on a short term basis. In turn this helps to mitigate property void costs such as business rates and utilities. The Meanwhile Project has secured £1.9m in funding which will be used in part to help tenants with set up costs. If terms are provisionally agreed with the Meanwhile Project the transaction will be the subject of a delegated authority report under the Interim Head of Legal Services' delegated authority in consultation.

## 2. MAIN POINTS

- 2.1. The options appraisal (Annex A) sets out the market analysis of the property. The options for the future of the property are:

### **Option 1 - Retain and re-let on a commercial basis.**

- 2.2. The Council has already been approached by three separate local businesses who would be interested in taking an occupational lease of the property. This indicates there would be a very short void period if the Council did choose this option. The valuer's opinion of market rent achievable is detailed in the options appraisal at Annex A. The lease would likely be agreed on a full repairing and insuring basis meaning a prospective tenant would be responsible for these outgoings (most likely by way of a service charge given the Council would retain responsibility for the upkeep of the Public Conveniences at the rear of the building).

### **Option 2 - Sell on the Open Market.**

- 2.3. The Council has been approached by one party regarding the possibility of acquiring the freehold to the building. A wider marketing campaign would be undertaken if this option was chosen to ensure the highest possible price is secured. The valuer's opinion of market value is detailed in the options appraisal at Annex A. If this option was chosen the Council would lose out on future income revenue but would receive an immediate capital receipt which could be put towards other Council resources. If the Council wanted to re-invest the capital receipt into another investment property this may prove difficult. Current market conditions with high levels of investment capital held by private and institutional investors mean it is difficult to find good quality reasonably priced investment assets.

## 3. FINANCIAL IMPLICATIONS

- 3.1. The Council's cost in the short term if retaining the property would equate to approximately £9,600 p.a, which comprises £7,554 p.a. for vacant business rates, £61 p.a. for insurance and approximately £2,000 p.a. for day to day maintenance. It is therefore important that a decision is made quickly on the lease or sale of the property.

- 3.2. These costs can be partly mitigated if the short term lease agreement is secured with the Meanwhile Project who will take on the costs of business rates and utilities.
- 3.3. Option 1 - Given the level of interest received to date it would be reasonable to assume the Council could achieve the highest rental level by marketing the property themselves rather than insuring the cost of external agents. As well as the business rate and utilities, the lease would most likely be granted on a full repairing and insuring basis meaning these costs would be borne by the tenant. The estimated annual rental income that could be generated is detailed at Annex A. This is a new income stream for the Council as the Visitor Information Centre was internally run and not income generating. This return equates to a rental yield of 8.5%.
- 3.4. Option 2 - The Council would receive a capital sum, the estimate of which is detailed at Annex A, and have no further costs liability for the building. Such a sale would include continued access rights to the Public Conveniences which would not be included. This capital receipt could reduce the Council's capital financing costs and produce a revenue saving of up to c. £2,600 p.a. at a borrowing cost of 1.3% and would provide a small income in bank interest.
- 3.5. Option 1 is fully in line with the Investment Strategy approved by the Council last year and the revenue stream can be set against the targets set out in the Medium Term Financial Strategy. Option 2 whilst providing a capital receipt will not make a significant impact on the Council funding gap and will need the Council then to seek alternate investment opportunities. Given the risks around Public Works Loans Board funding of 'commercial' investments it would seem counter productive to sell and re-purchase an alternate investment which may fall foul of borrowing rules.

#### **4. LEGAL IMPLICATIONS**

- 4.1. Legal team would produce the necessary sale or lease documentation and include appropriate terms that would prevent the building from being sold for a profit in the future.

#### **5. RISK ASSESSMENT**

- 5.1. If a sale of the freehold title of the property was agreed, the future liability for the property would transfer to the purchaser.
- 5.2. If the Council leases the property out there is a risk of default on the rent. Most occupational interest received to date has been from small independent local businesses who would offer relatively weak covenants. However, a number of interested parties already have a high street presence which means references could be secured from their existing landlords in terms of their reliability to pay rent. The Council could also request a rent deposit to mitigate any future missed rent payments.
- 5.3. As the property is currently vacant there is a risk of a potential void period, however, given the number of enquiries the Council has received this is likely to be short. There is also a risk that improvement works/rent free period for fit out would be required to secure a tenant.

#### **6. EQUALITIES IMPACT**

- 6.1. No impact envisaged

#### **7. CLIMATE CHANGE IMPLICATIONS**

- 7.1. There are no climate change implications in respect of the decision but if the property remains in the Council's ownership it would be assessed along with the rest of the portfolio for any carbon reduction opportunities.

#### **8. ALTERNATIVE OPTIONS**

- 8.1. The Council could decide to retain the property but continue a community use. There would be no financial benefit to this option.

**9. BACKGROUND PAPERS**

9.1. None