

## RECORD OF EXECUTIVE DECISION TAKEN BY AN EXECUTIVE MEMBER

This form **MUST** be used to record any decision taken by the Elected Mayor or an individual Executive Member (Portfolio Holder).

The form must be completed and passed to the Chief Officer Legal, Performance and Democratic Services no later than NOON on the second working day after the day on which the decision is taken. No action may be taken to implement the decision(s) recorded on this form until 7 days have passed and the Chief Officer responsible for Legal, Performance and Democratic Services has confirmed the decision has not been called in.

**1. Description of decision**

**The Mayor having further considered the proposed acquisition and terms of the acquisition of the Lloyds Bank Building, High Street, Bedford, as outlined in the previous Executive Decision 1763, dated 17 October 2024:**

- (1) Formally responds to the reasons for the objection made by the Budget & Corporate Services Overview & Scrutiny Committee as outlined in Section 5.12 of the accompanying report.**
- (2) Reaffirms the decision to acquire of the Lloyds Bank Building, High Street, Bedford, comprising 17,836 square feet of accommodation for £1,375,000 (plus Stamp Duty Land Tax of £58,250 and professional fees estimated at £30,000) funded from the established Regeneration & Development Fund allocation in the capital programme.**
- (3) Reaffirms the decision to delegate authority to the Chief Executive and Interim Head of Property Services to finalise the detailed terms for the acquisition.**
- (4) Reaffirms that funding for essential maintenance works on the non-leased parts of the building, such as preventative repairs, essential maintenance and site security, and to enable rate mitigation measures to be pursued, at an estimated cost of £100,000, from the Regeneration and Development Fund.**
- (5) Acknowledges the Budget & Corporate Services Overview & Scrutiny Committee's concerns and confirms that, in the future, a business case should accompany reports that approve major acquisitions, projects and schemes, using the corporate format at Appendix B to the accompanying report.**
- (6) Acknowledges the Budget & Corporate Services Overview & Scrutiny Committee's concerns and confirms that, in the future, supporting documents relevant to and appraising the opportunities and risks of the acquisition, project or scheme will be identified in the report as background papers. The investment business assessment report relevant to this acquisition is reproduced at Appendix C to the accompanying report.**

**2. Date of decision**

20 December 2024

### **3. Reasons for decision**

- 3.1 To formally consider and respond to the called-in the decision of the Budget & Corporate Services Overview & Scrutiny Committee (BCSOSC), at its meeting on 11 December 2024, and the Scrutiny Committee resolution to express concern at the decision taken to approve the acquisition of the Lloyds Bank Building, High Street, Bedford.
- 3.2 To further consider the acquisition of the Lloyds Bank building, High Street, Bedford for the benefit of and inclusion within the proposed Mayes Yard development within the town centre.
- 3.3 To recognise that the regeneration of Bedford town centre is a key priority, reflecting the importance of a strong and vibrant town centre in achieving the growth objectives set out in national policy as well as regional and sub-regional strategies. The Mayes Yard area has been identified as a key area of change within the emerging Local Plan and a key development site proposals for the re-development and revitalisation of Bedford town centre.
- 3.4 To recognise that the opportunities offered by the Council's existing land ownership in this development area have the potential to further stimulate economic regeneration and enhance the overall environment of the river and the town centre and significantly improve the access to and use of it.
- 3.5 To recognise that the acquisition of further property interests, such as the Lloyds Bank Building, would enable the Council to promote a significant regeneration opportunity as a key landowner, as well as in its role as a Local Planning Authority. In addition to the ability to influence the overall scale of development, scope exists to achieve benefits of a non-financial nature, including the expansion of the Corn Exchange and updated Library in line with the aspirations of Local Plan 2040.
- 3.6 To acknowledge the Budget and Corporate Services Overview and Scrutiny Committee's concerns regarding the provision of a business case and other supporting documents as part of the decision-making process for proposed property purchases.

### **4. Alternatives considered and rejected**

The alternative option of not proceeding with the acquisition and thus not intervening in the property market or proceeding on a joint venture basis has been rejected. There are, however, many ownerships in Mayes Yard which could frustrate the delivery of a comprehensive scheme in the area, given potential over expectation of land value (impacting on overall scheme viability). Intervention in the market in this case relates to the existence of market failure, with key properties redundant now for some considerable time, adversely impacting on the town centre, with limited prospects of resolution given the retail economy.

### **5. How decision is to be funded**

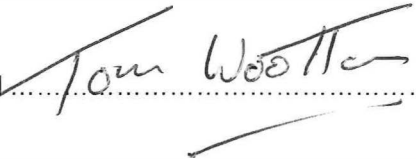
The decision will be funded from the Regeneration and Development Fund allocation in the approved capital programme.

**6. Conflicts of interest**

Name of all Executive members who were consulted AND declared a conflict of interest.	Nature of interest	Did Standards Committee give a dispensation for that conflict of interest? (If yes, give details and date of dispensation)	Did the Chief Executive give a dispensation for that conflict of interest? (If yes, give details and the date of the dispensation).

The Mayor has been consulted on this decision

Not Applicable

Signed 

Date: **20 December 2024**

Name of Decision Taker: **Mayor Tom Wootton**

**This is a public document. A copy of it must be given to the Chief Officer responsible for Legal, Performance and Democratic Services as soon as it is completed.**

Date decision published: ...20December2024.....

Date decision can be implemented if not called in: ...n/a - see below.....

(Decision to be made exempt from call in.....N/A.....)

The decision to which this decision refers has already been called in, therefore isn't available for a further call-in.

**Bedford Borough Council – Report of the Mayor**

**Date of Report: 20 December 2024**

**Subject: PROPERTY ACQUISITION – LLOYDS BANK BUILDING, 34/36 HIGH STREET, BEDFORD**

**1. EXECUTIVE SUMMARY**

- 1.1 Executive Decision 1763, dated 17 October 2024, approved the acquisition of the Lloyds Bank Building, High Street, Bedford, comprising 17,836 square feet of accommodation for £1,375,000 (plus Stamp Duty Land Tax of £58,250 and professional fees estimated at £30,000) funded from the established Regeneration & Development Fund allocation in the capital programme.
- 1.2 In accordance with Constitution Procedure Rule OSC13, seven Members of the Council called-in the decision and, following scrutiny by the Budget & Corporate Services Overview & Scrutiny Committee (BCSOSC), at its meeting on 11 December 2024, the Committee resolved to express concern at the decision taken to approve the acquisition of the Lloyds Bank Building, High Street, Bedford and to refer the decision back to the Decision Maker for reconsideration for the following reasons:
- (a) The price paid is significantly above the “Fair Value” professional valuation, and
  - (b) There are no details of a business case to determine if this is a good investment or not for Council Taxpayers
- 1.3 This report, therefore, further considers the acquisition of the Lloyds Bank building, High Street, Bedford for the benefit of and inclusion within the proposed Mayes Yard development within the town centre, having regard to further consideration of the proposed acquisition and the reasons given by BCSOSC to object to the decision.
- 1.4 The regeneration of Bedford town centre is a key priority, reflecting the importance of a strong and vibrant town centre in achieving growth objectives. The Mayes Yard area has been identified as a key area of change within the emerging Local Plan and a key development site as part of emerging proposals for the re-development and revitalisation of Bedford town centre.

## **2. RECOMMENDATIONS**

The Mayor having further considered the proposed acquisition and terms of the acquisition:

- (1) Formally responds to the reasons for the objection made by the Budget & Corporate Services Overview & Scrutiny Committee as outlined in Section 5.12 of the report.**
- (2) Reaffirms the decision to acquire of the Lloyds Bank Building, High Street, Bedford, comprising 17,836 square feet of accommodation for £1,375,000 (plus Stamp Duty Land Tax of £58,250 and professional fees estimated at £30,000) funded from the established Regeneration & Development Fund allocation in the capital programme.**
- (3) Reaffirms the decision to delegate authority to the Chief Executive and Interim Head of Property Services to finalise the detailed terms for the acquisition.**
- (4) Reaffirms that funding for essential maintenance works on the non-leased parts of the building, such as preventative repairs, essential maintenance and site security, and to enable rate mitigation measures to be pursued, at an estimated cost of £100,000, from the Regeneration and Development Fund.**
- (5) Acknowledges the Committee's concerns and confirms that, in the future, a business case should accompany reports that approve major acquisitions, projects and schemes, using the corporate format at Appendix B.**
- (6) Acknowledges the Committee's concerns and confirms that, in the future, supporting documents relevant to and appraising the opportunities and risks of the acquisition, project or scheme will be identified in the report as background papers. The investment business assessment report relevant to this acquisition is reproduced at Appendix C for information.**

## **3. REASON FOR RECOMMENDATIONS**

- 3.1 To formally consider and respond to the called-in the decision of the Budget & Corporate Services Overview & Scrutiny Committee (BCSOSC), at its meeting on 11 December 2024, and the Scrutiny Committee resolution to express concern at the decision taken to approve the acquisition of the Lloyds Bank Building, High Street, Bedford.
- 3.2 To further consider the acquisition of the Lloyds Bank building, High Street, Bedford for the benefit of and inclusion within the proposed Mayes Yard development within the town centre.

- 3.3 To recognise that the regeneration of Bedford town centre is a key priority, reflecting the importance of a strong and vibrant town centre in achieving the growth objectives set out in national policy as well as regional and sub-regional strategies. The Mayes Yard area has been identified as a key area of change within the emerging Local Plan and a key development site proposals for the re-development and revitalisation of Bedford town centre.
- 3.4 To recognise that the opportunities offered by the Council's existing land ownership in this development area have the potential to further stimulate economic regeneration and enhance the overall environment of the river and the town centre and significantly improve the access to and use of it.
- 3.5 To recognise that the acquisition of further property interests, such as the Lloyds Bank Building, would enable the Council to promote a significant regeneration opportunity as a key landowner, as well as in its role as a Local Planning Authority. In addition to the ability to influence the overall scale of development, scope exists to achieve benefits of a non-financial nature, including the expansion of the Corn Exchange and updated Library in line with the aspirations of Local Plan 2040.
- 3.6 To acknowledge the Budget and Corporate Services Overview and Scrutiny Committee's concerns regarding the provision of a business case and other supporting documents as part of the decision-making process for proposed property purchases.

#### **4. THE CURRENT POSITION**

- 4.1 The Mayes Yard area is identified in the emerging Local Plan 2040 (currently subject to examination) as a significant redevelopment opportunity within Bedford town centre. The scheme includes the key cultural facilities at Bedford Corn Exchange, the Harpur Suite and Bedford Central Library together with the former Debenhams department store, all of which are within the Council's freehold ownership.
- 4.2 The freehold interest of the Lloyds Bank Building and adjoining land, High Street, Bedford is key to delivering an element of the proposed Mayes Yard scheme. Through negotiation over several months, the recommended purchase price was agreed at £1,375,000 and Executive Decision 1763, dated 17 October 2024, approved the acquisition of the premises, comprising 17,836 square feet of accommodation for £1,375,000 (plus Stamp Duty Land Tax of £58,250 and professional fees estimated at £30,000) funded from the established Regeneration & Development Fund allocation in the capital programme.
- 4.3 This decision was called-in, in accordance with Constitution Procedure Rule OSC13, and subject to scrutiny by the Budget & Corporate Services Overview & Scrutiny Committee (BCSOSC), at its meeting on 11 December 2024. The Committee resolved to express concern at the decision taken for the reasons specified in section 1.2 above and the Decision Maker is, therefore, required to further consider the decision.

## 5. DETAILS

### Background

- 5.1 The Lloyds Bank Building, High Street, Bedford occupies a prominent town centre location in the High Street, Bedford and it comprises 17,836 square feet of accommodation (net internal floor area) and occupies a total approximate land area of 0.137 hectares (0.33 acres). The property comprises a three-storey mid-terrace offering brick/part rendered elevations set under a pitched tile/part flat felted roof, which has been converted to operate as a banking hall with associated offices and storage. The property offers, on the ground floor, the main banking hall, together with strong room, meeting rooms and offices. The upper floors comprise a combination of offices, stores, kitchen and toilet facilities. In addition, the basement comprises a strong room, storage area, staff mess room and toilets. A substantial parking area is available to the rear.
- 5.2. Executive Decision 1763 and the supporting report, dated 17 October 2024, sought to provide a comprehensive appraisal of the regeneration objectives, risks, opportunities and potential financial returns and the resourcing of this commercial property investment. This report is referenced as a background paper to this report. The report identified that, in developing the business case, advice had been specifically commissioned from specialist advisors in the field:
- Hartnell Taylor Cook – to undertake a valuation and supplementary property advice.
  - Robinson & Hall, Chartered Surveyors and Property Consultants – to undertake a building survey.
- 5.3. In addition, in relation to the wider Mayes Yard regeneration opportunity, the report identified that Rund (specialist surveying and construction consultant) had been employed to test viability, produce a technical due diligence report to identify project risks and opportunities and provide framework for selecting a developing partner for the holistic Mayes Yard-wide redevelopment. The data in relation to viability has been useful in evaluating this specific acquisition opportunity.
- 5.4. By way of further background, the Executive considered and approved a report, at its meeting on 16 October 2024, that set out the strategic importance of the Mayes Yard development and the strategies for the remaining land acquisitions and the selection a development partner to take the scheme forward. This report is referenced as a background paper to this report. More recently, an informal market testing exercise via an opportunity flyer has sought expressions of interest from potential developers for the Mayes Yard project. The flyer is attached at **Appendix A**.

## Call-In Process

- 5.5. In accordance with Constitution Procedure Rule OSC13, the decision was called-in and, following scrutiny by BCSOSC on 11 December 2024, the Committee resolved to express concern at the decision taken to approve the acquisition of the Lloyds Bank Building and to refer the decision back to the Decision Maker for reconsideration for the following reasons:
- (a) The price paid is significantly above the “Fair Value” professional valuation, and
  - (b) There are no details of a business case to determine if this is a good investment or not for Council Taxpayers.
- 5.6. This report, therefore, further considers the acquisition of the Lloyds Bank building, High Street, Bedford for the benefit of and inclusion within the proposed Mayes Yard development within the town centre, having regard to the reasons given by BCSOSC to object to the decision.
- 5.7. A key concern following scrutiny relates to the property valuation and consideration payable for the acquisition. The Council, in August 2024 instructed chartered surveyors, Hartnell Taylor Cook (HTC), to value the property and they reported that the property had a ‘Fair Value’ of £920,000 using the ‘investment approach’ under the valuation guidelines of the Royal Institute of Chartered Surveyors (RICS). This compared to the vendors minimum selling price requirement of £1,375,000.
- 5.8. There is a need, however, to consider the concept of marriage value/synergistic value, which can result in premium payments. RICS, as a leading professional body working in the public interest to advance knowledge and uphold standards, state a “special purchaser” is a buyer who is willing to pay more than market value for an asset because of advantages not available to other buyers. This is confirmed by RICS in their professional standard publication, Valuation of Development Property (October 2019 edition), that a property’s value can be defined by the concept of marriage value/synergistic value, whereby paying a premium price for a property adjacent to a premises you also own is accepted commercial practice.
- 5.9. HTC confirmed that, if the building is needed to secure the future of the Mayes Yard Regeneration scheme and is a strategic foothold in delivering Phase 1 of the scheme, it could be regarded as an essential purchase. HTC state that, without the back up of a Compulsory Purchase Order, the Council are under an obligation to negotiate the best price possible and, if that best achievable price is £1.375 million, then that is the level the market has dictated that the Council need to pay if they wish to purchase the building. Whilst the Council has resolved to use the Council’s compulsory purchase powers if necessary to complete land assembly within a reasonable timescale, the formal making of any compulsory purchase order requires further consideration, and it will need to be the subject of a further report to Executive setting out the need and justification for an order and that there is a compelling case in the public interest. It is considered that having ownership of this additional property within the proposed regeneration area would be likely to add weight to any future application for use of compulsory purchase powers, which may also assist with future negotiations for the purchase of other properties in that area.

- 5.10. BCSOSC also made reference to the need for a business case to support the acquisition, implying that the decision to acquire was made without detailed consideration of the benefits, opportunities and value of the purchase, and the consideration relevant to the acquisition.
- 5.11. In coming to the original decision, however, it is relevant that a detailed report was prepared by Officers and a business case was prepared in accordance with the corporate template adopted by the Council. It had not, however, been past practice to at all times publish these templates but, given the feedback from the scrutiny process, it is now attached at **Appendix B**. In addition, a supporting document relevant to and appraising the opportunities and risks of this particular acquisition is reproduced at **Appendix C** for information.

#### Responding to the Scrutiny Concerns

- 5.12. The Mayor has further considered the proposed acquisition and terms and responds as follows:
- (a) The regeneration of Bedford town centre was a key commitment in the Mayoral manifesto, and a key priority which the residents of Bedford Borough elected him to do. The Mayor is, therefore, responding to this commitment by purchasing these properties and working out a way for them, in combination with other assets under the Councils control in Mayes Yard, to deliver a scheme that will make residents and visitors want to use them, not sit idle and economically inactive, contributing to the decline of the town centre.
  - (b) The area occupied by Lloyds Bank represents a key component of the Mayes Yard regeneration proposal that will revitalise the town centre, support businesses and provide the community with town centre improvement, including increased town centre living and footfall.
  - (c) The independent valuations commissioned by the Council for properties in the Mayes Yard area state the value of properties can be considered in the context of the Council as a “special purchaser”.
  - (d) The Royal Institute of Chartered Surveyors (RICS), as a leading professional body working in the public interest to advance knowledge and uphold standards, state a “special purchaser” is a buyer who is willing to pay more than market value for an asset because of advantages that are not available to other buyers.

- (e) The RICS also state in their professional standard publication, Valuation of Development Property, October 2019, that a property's value can be defined by the concept of marriage value/synergistic value, whereby paying a premium price for a property adjacent to a premises you also own is accepted commercial practice.
- (f) The Council purchased the adjacent Debenhams building earlier in 2024 for significantly less than the guide price by the vendor, and considerably less than what it is understood that the building sold for in the last decade when part of a larger portfolio with other Debenhams stores.
- (g) The Debenhams and Lloyds Bank buildings combined have that prospect of marriage value arising from the opportunity to merge the assets as a new development, which could create additional value, but importantly, enable a special purchaser, such as Bedford Borough Council, the opportunity to deliver a transformational redevelopment project, which will breathe new life into Bedford town centre.
- (h) The size of the plot to be acquired is considerable and this acquisition will, therefore, have a significant impact on the development potential. This includes the area of land in Mayes Yard that would be required for the Corn Exchange expansion, whenever this project is scheduled in the capital programme. It is the intention, pending expansion, to safeguard the land required in any scheme of development proposed for the Mayes Yard area.

5.13. It is proposed, therefore, to continue with the acquisition on the terms originally approved in Executive Decision 1763, dated 17 October 2024.

5.14. This report does, however, concur with BCSOSC in regard the need for good practice and, following consideration, makes recommendations for the future in relation to the need for a business case and/or valuation report to accompany reports that approve major acquisitions, projects and schemes.

## **6. ALTERNATIVES CONSIDERED AND REJECTED**

6.1 The alternative option is not to proceed with the acquisition and thus not intervene in the property market or proceed on a joint venture basis. There are, however, many ownerships in Mayes Yard which could frustrate the delivery of a comprehensive scheme in the area, given potential over expectation of land value (impacting on overall scheme viability). Intervention in the market in this case relates to the existence of market failure, with key properties redundant now for some considerable time, adversely impacting on the town centre, with limited prospects of resolution given the retail economy.

## 7. KEY IMPLICATIONS

<b>7.1 Legal Issues</b>	<p>Local Authorities have general powers to acquire and dispose of land either for the Council's functions or for the benefit or improvement or development of their areas, but when trading or exercising their power of general competence for a commercial purpose this must be done through a company. The main law relating to Acquisitions is the Local Government Act 1972.</p> <p>Section 120 empowers a principal council to acquire by agreement any land inside or outside its area for the purposes of (a) its functions under any enactment, or (b) for the benefit, improvement, or development of its area. A principal council may acquire by agreement any land for any purpose for which they are authorised by this or any other enactment to acquire land. Notwithstanding that the land is not immediately required for that purpose; and, until it is required for the purpose for which it was acquired, any land acquired under this subsection may be used for the purpose of any of the council's functions.</p>
<b>7.2 Policy Issues</b>	<p>The regeneration of Bedford town centre is a key priority set out in the draft Corporate Plan 2024/2025-2027/2028 and the Town Centres Capital Delivery Plan, reflecting the importance of a strong and vibrant town centre in achieving growth objectives. The property to be acquired is within the Mayes Yard area which has been identified in the emerging Local Plan as a key development site for the re-development and revitalisation of Bedford town centre.</p> <p>Constitution Procedure Rule OSC13 references call in arrangements for decisions made by the Executive. The original Executive Decision 1763, dated 17 October 2024, that approved the acquisition of the Lloyds Bank Building, High Street, Bedford, was called in by seven Members of the Council and the decision was scrutinised by the Budget &amp; Corporate Services Overview &amp; Scrutiny Committee (BCSOSC), at its meeting on 11 December 2024. The Committee resolved to refer the decision back to the Decision Maker for reconsideration.</p> <p>This report provides a formal response to the concerns made by BCSOSC at the decision taken and, following consideration, the Mayor considers that the acquisition of the Lloyds Bank Building, High Street, Bedford should proceed on the basis of the originally agreed terms. The report outlines the reasons for reaffirming this decision.</p>

<p><b>7.3 Resource Issues</b></p>	<p>The total cost of acquisition is £1,433,250 including Stamp Duty Land Tax. Professional fees for the transaction are estimated at £30,000. There is provision to fund this within the Regeneration and Development Fund allocation in the approved capital programme. The intention is that the property will be included as part of a wider regeneration scheme known as Mayes Yard.</p> <p>The Council would expect to obtain a reasonable rate of return from this investment. It must be recognised, however, that the full development potential will not be realised for some considerable time. A full report would be submitted to the Executive for approval of the terms of disposal and the formal Development Agreement between the Council and the preferred developer. The rental income receivable from Lloyds would need to be added to the 2025/2026 revenue budget.</p> <p>Should Lloyds vacate, holding costs for the property are estimated at £60,000 per annum based upon the liability for National Non-Domestic Rates security and utility costs of the unoccupied part of the building. Endeavours will be made, following acquisition, to manage these revenue liabilities.</p> <p>It is proposed that the funding of the property holding costs in 2025/2026 is from the Surplus Properties budget, pending disposal of the site for short term uses and, in the longer term as part of an approved regeneration scheme.</p> <p>Whilst there is an existing tenant in part of the building, it is inevitable that some maintenance costs will be incurred in 2025/2026 (and potentially in future years). It is considered, at this stage, that a sum of £100,000 should be allocated for this purpose, which could be funded from the Regeneration and Development Fund</p>
<p><b>7.4 Risk Implications</b></p>	<p>The key risks relate to the potential holding costs should the tenant exercise a future break option in their lease. Officers will liaise with the tenant at the earliest opportunity to establish their intentions. Should they indicate that they intend to vacate, then a strategy for ensuring a short-term let to minimise the potential costs. There is also the risk that the Mayes Yard development does not proceed, in which case, the Council would lease the property on commercial terms and manage it within its investment portfolio.</p>
<p><b>7.5 Environmental Implications</b></p>	<p>The site is currently unattractive and does not make a positive contribution to the streetscape. Eventual re-development will, therefore, result in a positive impact. All relevant environmental considerations will be considered at the design and planning stages of the project.</p>

<b>7.6 Equalities Impact</b>	In preparing this report, due consideration has been given to the Borough Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. The specific proposal has no relevance to the Council's equality duty and, as such, an equality analysis is not needed.
<b>7.7 Impact on Families</b>	The vacant and underutilisation of the site does not make a direct contribution to the lives of Bedford Borough families, seeking retail, leisure, and community pursuits. Eventual re-development will, therefore, result in a positive impact. The positive impact a short to medium, and longer-term redevelopment project could have on the site will be considered at the design and planning stages of the project.
<b>7.8 Community Safety and Resilience</b>	The site is currently underutilised and has been a magnet for anti-social behaviour including fly-tipping and criminal behaviour. Eventual re-development will, therefore, result in a positive impact. All relevant community safety and resilience elements will be considered at the design and planning stages of the project.
<b>7.9 Impact on Health and Wellbeing</b>	The vacant and depressed condition of the property asset does not make a positive contribution to the health and well-being of the Bedford Borough Community. Eventual re-development will, therefore, result in a positive impact. Relevant health and wellbeing elements which could make a positive impact for the Bedford Borough Community will be considered at the design and planning stages of the project.

## 8. **SUMMARY OF CONSULTATIONS AND OUTCOME**

8.1 The following Council units or Officers and/or other organisations have been consulted in preparing this report:

Portfolio Holder for Planning, Prosperity& Economic Growth  
 Chief Executive  
 Assistant Chief Executive (Chief Finance Officer)  
 Interim Monitoring Officer & Chief Officer for Assessment, Application & Business Support

All relevant comments have been incorporated into the report, as necessary.

**9. WARD COUNCILLOR VIEWS**

9.1 This report is not relevant to an individual ward but affects all wards.

**10. CONTACTS AND REFERENCES**

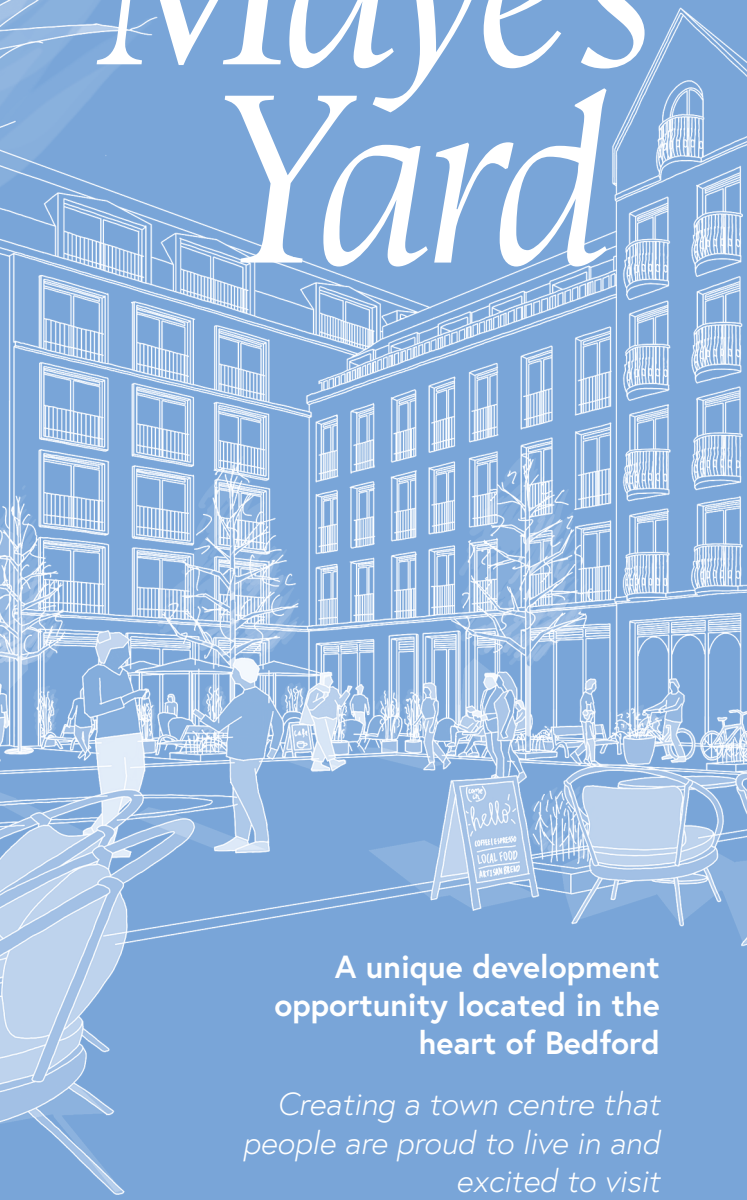
10.1 Please see references in the table below:

Report Contact Officers	Margaret Birtles, Interim Head of Property Services <a href="mailto:margaret.birtles@bedford.gov.uk">margaret.birtles@bedford.gov.uk</a> ext. 44894
File Reference	N/A
Previous Relevant Minutes	Executive Decision 1763: 17 October 2024 – The acquisition of the Lloyds Bank Building, High Street, Bedford.
Background Papers	Mayes Yard, Bedford – Preferred Developer Selection Process and Land Acquisition Strategy (Report of the Mayor, Portfolio Holder for Planning, Economic Growth and Prosperity and Chief Executive, considered by Executive on 16 October 2024.  Executive Decision 1763: 17 October 2024 – The acquisition of the Lloyds Bank Building, High Street, Bedford.  Hartnell Taylor Cook – Property valuation and supplementary property advice.  Robinson & Hall, Chartered Surveyors and Property Consultants – Building Survey.
Appendices	A: <a href="#">Mayes Yard: Opportunity Flyer</a>  B: <a href="#">Business Case Template</a>  C: <a href="#">Supporting Business Assessment for the Property Investment</a>

COMING SOON



# Mayes Yard



A unique development opportunity located in the heart of Bedford

Creating a town centre that people are proud to live in and excited to visit

## The Vision

The regeneration of Bedford town centre is a high priority and the Mayes Yard area has been identified as a key area of change within the emerging Local Plan.

The opportunities offered by the Council's existing land ownership in this development area have the potential to further stimulate economic regeneration and enhance the overall environment of the town centre.

The aspiration is, through placemaking, to create a desirable and commercially viable scheme which respects the heritage and key views of the town, exploiting the favourable location.

**This project creates opportunities for an attractive mixed use development such as:**

- A range of differing size commercial units for small and larger occupiers.
- Signature Buildings
- Preservation and enhancement of the scheduled monument.
- Residential opportunities at upper floors.
- Improved pedestrian connectivity with browsing routes that link St Paul's Square, Silver Street, High Street and Harpur Street.
- Enhanced cultural facilities, with relocation of the library and potential to enable the existing Corn Exchange Expansion.

## The Location

- The site is located in Bedford town centre.
- Comprises a complete urban block.
- Within the Conservation area and is adjacent to a number of listed buildings including.
- Approx 60% of property is now owned by the council including the recently acquired former Debenhams. Further negotiations with landowners are ongoing.



## Planning Context

Emerging Policy HOU2 provides for a mixed-use development to create an extended cultural quarter, including residential, leisure, retail and potentially a hotel. The policy includes; (i) the commitment to reconfigure the Corn Exchange, (ii) the preservation of the scheduled monument "Remains of the George Inn" and (iii) the need to prepare a master plan and design code for adoption as a Supplementary Planning Document.

Bedford Local Plan 2040

Key Area of Change



## Expressions of Interest

Written expressions are kindly sought from developers and occupiers by 20<sup>th</sup> January 2025. Please specify:

- A good, evidenced track record in regeneration.
- A commitment to Bedford and to maximise the development opportunity on this site.
- A preparedness to prepare and submit detailed development and financial proposals for consideration by the Council as part of the next phase ITT process.
- Next step will be an 'Invitation to Tender' stage in 2025. The Council will not exclude applicants from consideration if they do not submit their initial expression of interest.
- All applicants are welcome to visit Bedford town centre and meet with the Mayor and Portfolio Holder to discuss the opportunity.



Indicative image of new public square

**For enquiries, please contact:**

**Charles Hawkeswood MRICS**  
Property Project Manager  
Commercial Services &  
Business Transformation

Bedford Borough Council, Borough Hall,  
Cauldwell Street, Bedford, MK42 9AP  
m. 07831 584162  
e. charles.hawkeswood@bedford.gov.uk  
www.bedford.gov.uk

# Illustrative Layout

Showing the area's potential for change



**Zone B:** GF Retail – 19250sqft,  
Upper floors – 77000sqft residential

Silver Street

Zone B

High Street

**Zone C:** GF retail – 4500sqft,  
Upper floors – 21000sqft  
Plus existing buildings including  
Corn Exchange theatre

Zone C

Potential Expansion of  
Corn Exchange (Theatre)

Corn Exchange

SM

Zone A

**Zone A:** GF Retail = 26500sqft,  
Upper floors – 108000sqft residential

Harpur Street

Zone D

St Paul's Square

**Zone D:** Existing buildings including Harpur Suites

SM = Scheduled Monument

Note - Floor areas shown are subject to  
planning permissions



## JUSTIFICATION FOR PROPOSAL

### **Explain how this scheme will support the Council / Services priorities:**

The Council has existing ownership in the Mayes Yard area (comprising the Corn Exchange, Harpur Suite and some rented property). Acquisition of further property interests, such as the Lloyds Bank Building, would enable the Council to promote a significant regeneration opportunity as a key landowner, in addition to its role as a Local Planning Authority. In addition to the ability to influence the overall scale of development, scope exists to achieve benefits of a non-direct financial nature, including the essential expansion of the Corn Exchange and updated Library in line with the aspirations of Local Plan 2040.

## ALTERNATIVE OPTIONS

### **What alternative options have been considered (including “do nothing” or a slimmed-down version) and why have they been rejected in favour of this bid?**

The alternative option is not to proceed with the acquisition and thus not intervene in the property market or proceed on a joint venture basis. There are, however, many ownerships in Mayes Yard which could frustrate the delivery of a comprehensive scheme in the area, given potential over expectation of land value (impacting on overall scheme viability). Intervention in the market in this case relates to the existence of market failure, with key properties redundant now for some considerable time, adversely impacting on the town centre, with limited prospects of resolution given the retail economy.

### **What is the effect of not doing this scheme if the funding does not become available?**

It is considered that in the absence of local authority intervention in this case, third parties could:

- (a) Gain significant interest in the development area and effectively hold a ransom over the delivery of a more strategic form of development that would be beneficial to the community, and overall aspirations of the Council in terms of improvements to its cultural offer.
- (b) Develop the building in isolation (taking advantage of planning permitted development rights to enable a conversion of the building), with a loss of site integration and synergy.

## INVEST TO SAVE

A definition is given in Appendix B

Is this an 'Invest to Save' bid?	<b>No</b>
If yes:	
What is the annual revenue saving?	
What is the payback period? (years)	

## CAPITAL COST OF PROJECT

List here the anticipated gross costs

	<b>2024/2025 £000</b>	<b>2025/2026 £000</b>	<b>2026/2027 £000</b>	<b>2027/2028 £000</b>	<b>2028/2029+ £000</b>	<b>TOTAL £000</b>
Land works						
Land purchase		1,375				1,375
Building works		100				100
Professional Fees	30					30
Vehicles						
Plant / Equipment / Furniture						
IT Hardware						
Software & Licences						
Capital Grant to 3 <sup>rd</sup> Parties						
SDLT Taxation		58.25				58.25
<b>TOTAL COST</b>	<b>30</b>	<b>1,533.25</b>				<b>1,563.25</b>

### Explain how the estimates were arrived at, and level of risk over how these may compare with actual costs:

The freehold interest is available to purchase with offers invited in the region of **£2,000,000**. An independent valuation survey has been obtained from Hartnell Taylor Cook (HTC), Chartered Surveyors and Property Consultants, and this indicates a "Fair Value" of **£920,000**. In determining the synergistic value regard has been given to the overall regeneration benefits from the strategic investment. In this regard, The Royal Institute of Chartered Surveyors (RICS), state that a property's value can be defined by the concept of marriage value/synergistic value, whereby a special purchaser paying a premium price for property adjacent to a premises also owned is accepted commercial practice. HTC confirmed that, if the building is needed to secure the future of the Mayes Yard Regeneration scheme and is a strategic foothold in delivering Phase 1 of the scheme, it could be regarded as an essential purchase. HTC state that, without the back up of a Compulsory Purchase Order, the Council are under an obligation to negotiate the best price possible and, if that best achievable price is £1.375 million, then that is the level the market has dictated that the Council need to pay if they wish to purchase the building.

*(Property Acquisition/Executive Decision/20 December 2024)*

## SOURCE OF FUNDING

List here the funding sources. Evidence should be attached where possible.

	2024/2025 £000	2025/2026 £000	2026/2027 £000	2027/2028 £000	2028/2029+ £000	TOTAL £000
Specific Government Grant <i>Specify -</i>						
Developers Contribution **						
Lottery / Heritage						
Other sources (specify)						
<b>EXTERNAL FUNDING</b>						
Direct Revenue Financing						
Capital Receipts						
Borrowing *	30	1,533.25				1,563.25
<b>INTERNAL FUNDING</b>	30	<b>1,533.25</b>				<b>1,563.25</b>
<b>TOTAL FUNDING</b>	<b>30</b>	<b>1,533.25</b>				<b>1,563.25</b>

\* Borrowing is the balance of funding required to fund the project

\*\* In the case of non-cash contributions (e.g. land donation), please gross up the figures in the funding table to show a cash equivalent figure (estimate) and provide a brief note in 'Other Comments'.

## REVENUE IMPACT OF PROJECT

List here the incremental year-on-year impact on the revenue budget

TYPE OF EXPENDITURE	2024/2025 £000	2025/2026 £000	2026/2027 £000	2027/2028 £000	2028/2029+ £000	TOTAL £000
Staffing costs						
Other running costs		0*				0*
(Income)/(Savings)		(80)*				(80)*
<b>Net impact (excluding schools)</b>		<b>(80)*</b>				<b>(80)*</b>
Net impact to schools						

\* Note:

(Property Acquisition/Executive Decision/20 December 2024)

**TOTAL COST OF PROJECT**

List here the total cost of project (total of boxes above)

TYPE OF EXPENDITURE	2023/2024 £000	2024/2025 £000	2025/2026 £000	2026/2027 £000	2027/2028+ £000	TOTAL £000
Capital cost						
Revenue cost / saving						
<b>Net impact (excluding schools)</b>						

What is the on-going cost saving in future years?	The expectation is that there will be positive payback from the investment which will be in the form of regeneration benefits for the community, cultural enhancements and a revenue return from the final scheme of development (the terms of which will be identified in a formal Development Agreement between the council and the preferred developer (when appointed).
What is the expected life of the project? (or time before further capital expenditure is required)	20 years

**KEY MILESTONES (DATES) \*\*\***

Feasibility Study:		Other 1 **:	N/A
Business Case/Appraisal:		Other 2:	October 2024
Detailed Design *:		Other 3:	N/A
Planning permission:		Other 4:	N/A
Tenders Sent:		Other 5:	N/A
Contract Approved:		Other 6:	N/A
Project Start:		Other 7:	N/A
Project Complete:		Other 8:	N/A
Final Retention Payment:		Other 9:	N/A

\* Scheme needs to be passed through Design Services before approval. Enter the date submitted.

\*\* Please add other key milestones where appropriate

\*\*\* Note: This business case relates to the property acquisition. A further evaluation will be required to determine the expected investment payback from the scheme of regeneration (which will be influenced by the eventual scale of development and scheme viability).

*(Property Acquisition/Executive Decision/20 December 2024)*

## **RISKS**

**List the likely risks of the scheme and an indication of the probability and impact of each risk. Risks could include reputational, financial, political, or delivery risks.**

There are, as with all commercial investments, risks associated with returns. There is risk, therefore, that the acquisition does not generate a positive return. Moreover, the timing of the development can also be a critical factor in achieving optimum success, particularly in terms of market conditions, the state of the national economy and levels of investment confidence within the development industry.

There is a risk that the regeneration opportunity will take an extended time to deliver, thus incurring annual holding costs for the property acquired (unless rate mitigation measures are successful). In addition, a long-term unoccupied property can have reputational risks.

There is a risk that, due to market conditions, the acquired asset could reduce in value.

## **EVALUATION CRITERIA**

**List the criteria against which this scheme will be evaluated upon completion e.g. how will the success of the project be measured? (Increased output; improved performance indicators?)**

Regeneration benefits  
Positive return on investment  
Cultural enhancements




## **OTHER COMMENTS**

**List any other supporting information not covered elsewhere on this form:**

## POLICY LED EVALUATION

Please refer to the guidance notes below and enter your self-assessment in the table below.

		<b>RAG Rating</b>	<b>Self-Score</b>	<i>(Out of maximum)</i>
<b>A</b>	Council Priorities		10	10
<b>B</b>	Statutory Requirements		4	10
<b>C</b>	On-going Revenue Impact		4	10
<b>D</b>	Funding for Capital Scheme		0	10
<b>E</b>	Net Cost		2	10
<b>F</b>	Asset Management Plan		5	5
<b>G</b>	Sustainability		2	5
<b>H</b>	Financial Risks		2	5
<b>I</b>	Other Risks		5	5
	<b>TOTAL</b>		<b>34</b>	<b>70</b>

 = Non-Compliance    = Part-Compliance    = Compliance

## CONTACT INFORMATION

Please give the name of officer who should be contacted for further information on this capital bid.

<b>Name:</b>	Margaret Birtles
<b>Ext:</b>	44894

## APPROVAL BY DIRECTOR

I approve the submission of this bid:

<b>Director name:</b>	Laura Church
<b>Date:</b>	10 October 2024

*(Property Acquisition/Executive Decision/20 December 2024)*

## PRIORITY LED SCORING FOR CAPITAL SCHEMES

There is a scoring system that aims to quantify the benefits of proposed capital schemes in relation to other proposed schemes, so that all capital bids can be prioritised.

This provides support as to how to score Business Cases.

### A – Council Priorities

Indicate how the proposed scheme meets with the Council priorities.	
Very Low – no real impact	0
Low – some impact	2
Medium – a noticeable contribution	4
High – a significant	7
Very High – a major contribution	10

The Council's priorities and overall vision for a Borough will focus of four distinct themes:	Tick all themes supported
<ul style="list-style-type: none"> <li>• <b>Providing a Healthy Future...</b> Providing safe, sound, supportive, cost-effective services which promote independence, health, well-being and choice.</li> </ul>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>• <b>Protecting and Preserving the Local Environment...</b> Protecting and preserving the natural and built environment whilst enabling and supporting sustainable growth.</li> </ul>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>• <b>Brighter Futures for Children...</b> Improving outcomes and life chances for all children, particularly vulnerable children through early intervention.</li> </ul>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>• <b>Serving Residents Effectively...</b> Providing residents with helpful, efficient and cost effective customer services that meet their needs</li> </ul>	<input type="checkbox"/>

## **B – Statutory Requirements**

Indicate how the proposed scheme contributes to Statutory Requirements (e.g. health and safety).	
Very Low – no real impact (e.g. discretionary)	0
Low – some impact	2
Medium – a noticeable contribution	4
High – a significant	7
Very High – a major contribution (e.g. legally unavoidable)	10

## **C - On-going Revenue Impact**

Indicate how the scheme will impact on the revenue budget once the scheme is completed.	
Annual revenue costs increase by >6% of the gross cost of capital scheme	0
Annual revenue costs increase by >2% of the gross cost of capital scheme	2
Minor impact (changes <2% of the gross cost of capital scheme)	4
Annual revenue savings of >2% of the gross cost of capital scheme	7
Annual revenue savings of >6% of the gross cost of capital scheme	10

## **D - Funding for Capital Scheme**

Indicate how the scheme will be funded.	
0 to 10% of the gross cost of capital scheme met externally	0
11 to 30% of the gross cost of capital scheme met externally	2
31 to 60% of the gross cost of capital scheme met externally	4
61 to 90% of the gross cost of capital scheme met externally	7
91 to 100% of the gross cost of capital scheme met externally	10

### **E – Net Cost**

Indicate what the net cost of the scheme is.	
Over £5m	0
Between £1m and £5m	2
Between £500k and £1m	4
Between £100k and £1m	7
Less than £100k	10

### **F – Asset Management Plan**

Indicate how the proposed scheme contributes to the Council's Asset Management Plan.	
Very Low – no real impact	0
Low – some impact	2
High – a major contribution	5

### **G – Sustainability**

Indicate how the proposed scheme contributes to the Council's sustainability Agenda.	
Very Low – no real impact	0
Low – some impact	2
High – a major contribution	5

### **H – Financial Risks**

Indicate what the level of financial risk is around the scheme being able to be achieved within the estimates provided in the Business Case.	
Very Low – no real risk	5
Low – some risk	2
High – a major risk	0

*(Property Acquisition/Executive Decision/20 December 2024)*

## **I – Other Risks**

Indicate what the level of risk regarding complexity and issues outside the Council's control.

Very Low – no real risk	5
Low – some risk	2
High – a major risk	0

A summary of the scores above need populating on the main Business Case Template.

## **Invest to Save Bids**

A scheme is likely to be an 'Invest to Save' scheme where:

- 1) For long term schemes (25+ years)
  - Where the net revenue savings exceed the costs of borrowing – currently £90k per £1m borrowed.
- 2) For other schemes (<25 years)
  - Where the net revenue savings (or avoided future costs) exceed the net costs of the scheme – adjusted for cost of borrowing (using Net Present Value (NPV) – currently 3.5%).

**BUSINESS ASSESSMENT FOR INVESTMENT  
IN COMMERCIAL PROPERTY:  
LLOYDS BANK BUILDING, HIGH STREET, BEDFORD**



October 2024

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## **1. Introduction**

- 1.1 The purpose of this business assessment is to provide a comprehensive appraisal of the objectives, risks, expected financial returns and the resourcing of a commercial property investment, known as Lloyds Bank Building, 34/36 High Street, Bedford.
- 1.2 In preparing the business assessment, regard has been had to the Council's power to acquire property, including the statutory guidance on the power in the Local Authority Act 2003 and the Local Authority (Best Value Authorities) (Power to Trade) (England) Order 2009.
- 1.3 In developing this business assessment advice has been specifically commissioned from specialist advisors in the field:
  - Robinson & Hall, chartered surveyors and property consultants – to undertake a building survey.
  - Hartnell Taylor Cook, property consultants – to undertake a building valuation and supplementary property advice.
  - Rund, specialist surveying and construction consultant – to test viability, produce a technical due diligence report to identify project risks and opportunities and provide framework for selecting a developing partner for the holistic Mayes Yard-wide redevelopment.

Further specialist support is likely to be required from legal advisers (in terms of conveyancing and taxation) and treasury management advisers (in relation to the Council's financial strategy and treasury management approach).

## **2. Business Context and Objectives**

- 2.1 The site has been identified in the emerging Local Plan 2040 (currently subject to examination) which considers how a scheme of development could be achieved. The Local Plan allocation also includes Bedford Corn Exchange, the Harpur Suite and Bedford Central Library which are key community and cultural facilities. These premises are already in the ownership of Bedford Borough Council and all form part of the same block incorporating the former Debenhams department store and other retailers, and are collectively known as Mayes Yard.
- 2.2 Bedford town centre continues to undergo a period of structural change. Specifically at the Mayes Yard block, the closure of the Beales and Debenhams Department stores, and the presence of Council assets such as the library and the Corn Exchange, provide an opportunity to redevelop and reconfigure buildings to create smaller commercial units for retail, food and beverage occupiers, other leisure uses and residential opportunities at upper floors. Plans include consideration of an expanded auditorium (from 800 to up to 1,200 seats) within the Corn Exchange to attract a greater range of regional-level shows to Bedford, and the potential for an updated library facility.

- 2.3 The site could be opened up to create pedestrian browsing routes that link St. Paul's Square, Silver Street, High Street and The Higgins as well as delivering new residential units. This would complement other potential sites around St Paul's Square, such as the Court Building and the former Bank site adjacent to Town Bridge which are already allocated for development (Local Plan 2030 Policy 8).
- 2.4 The Mayes Yard redevelopment would create a focus for this cultural quarter of the town centre linking to the Castle Quay development and The Higgins. It is intended that a masterplan and design code will be prepared for this site and will be adopted as a Supplementary Planning Document (SPD). It is expected that work to inform the SPD (including any technical studies that are required) will be funded by the landowner/developer.

<b>Policy HOU2 Mayes Yard, High Street and Silver Street, Bedford</b>	
Land at Mayes Yard and between High Street and Silver Street, Bedford will be developed for a mix of uses to create an extended cultural quarter in this part of the town, including residential, hotel, retail and leisure. Key principles of development include:	
i.	A masterplan and design code to be prepared and adopted as a Supplementary Planning Document prior to the submission of any planning application for the site. The preparation of the Supplementary Planning Document will be led by the Council in partnership with landowners / developers, stakeholders and the local community;
ii.	Provision of residential and / or hotel on upper floors;
iii.	Scheme to involve conversion, redevelopment and new buildings including the reconfiguration of the site currently occupied by Bedford Corn Exchange;
iv.	Preparation of an access strategy;
v.	Heritage impact assessment must be submitted to the Council as a first stage of the masterplanning process;
vi.	Any new development must contribute positively to local character and distinctiveness and enhance or better reveal the significance of the conservation area and setting of any listed buildings;
vii.	Any new development will need to ensure the preservation of the scheduled monument of the 'Remains of the George Inn' and include measures for its conservation and public interpretation, and where opportunities arise, enhancements to its setting;
viii.	Pre-determination archaeological evaluation will be required;
ix.	Financial contributions towards secondary school provision;
x.	Delivery of a low carbon and environmentally resilient development that is adaptive to and resilient to climate change;
xi.	Early engagement with Anglian Water is required in order to identify connection to water network infrastructure.

- 2.5 Commercial property investment must be prudent, with the emphasis on regeneration, housing and delivering services, rather than speculative commercial investments with the purpose of generating rental income. The Council has an established property portfolio to support service delivery and the estate delivers a financial return. The portfolio comprises approximately 420 commercial assets let to third parties from which it derives a gross income of £4.3 million per annum. In expanding this investment activity, through prudent acquisition, the Council considers its objectives to be:
- To make intelligent investment decisions and expertly manage assets to ensure income returns are sustainable over the longer term.
  - To make a significant financial contribution into the medium and long term towards the Council's regeneration activities and capital projects.
  - To influence strategic regeneration opportunities through property ownership, with the intent to achieve best consideration from its assets.
- 2.6 The adopted Corporate Asset Plan 2019-2023 includes a key priority to support economic growth and regeneration by supporting and responding to local business needs, including the identification and delivery of new development through the Property Investment & Development Fund (now classified as Regeneration and Development Fund).

### 3. The Lloyds Bank Building

3.1 The Lloyds Bank Building occupies a prominent town centre location at 34/36 High Street, Bedford. It offers an overall net internal floor area of approximately 1,657 square metres/17,836 square feet accommodated as follows:

Floor	Square Feet	Square Metres
Ground Floor	8,034	746.38
First Floor	3,932	365.30
Second Floor	2,398	222.80
Third Floor	635	59.00
Basement	2,837	263.60
<b>Total</b>	<b>17,836</b>	<b>1,657.08</b>

3.2 The building has a total approximate land area of 0.137 hectares (0.33 acres). The property comprises a three-storey mid-terrace offering brick/part rendered elevations set under a pitched tile/part flat felted roof, which has been converted to operate as a banking hall with associated offices and storage. The property offers, on the ground floor, the main banking hall, together with strong room, meeting rooms and offices. The upper floors offer a combination of offices, stores, kitchen and toilet facilities. In addition, the basement comprises a strong room, storage area, staff mess room and toilets.

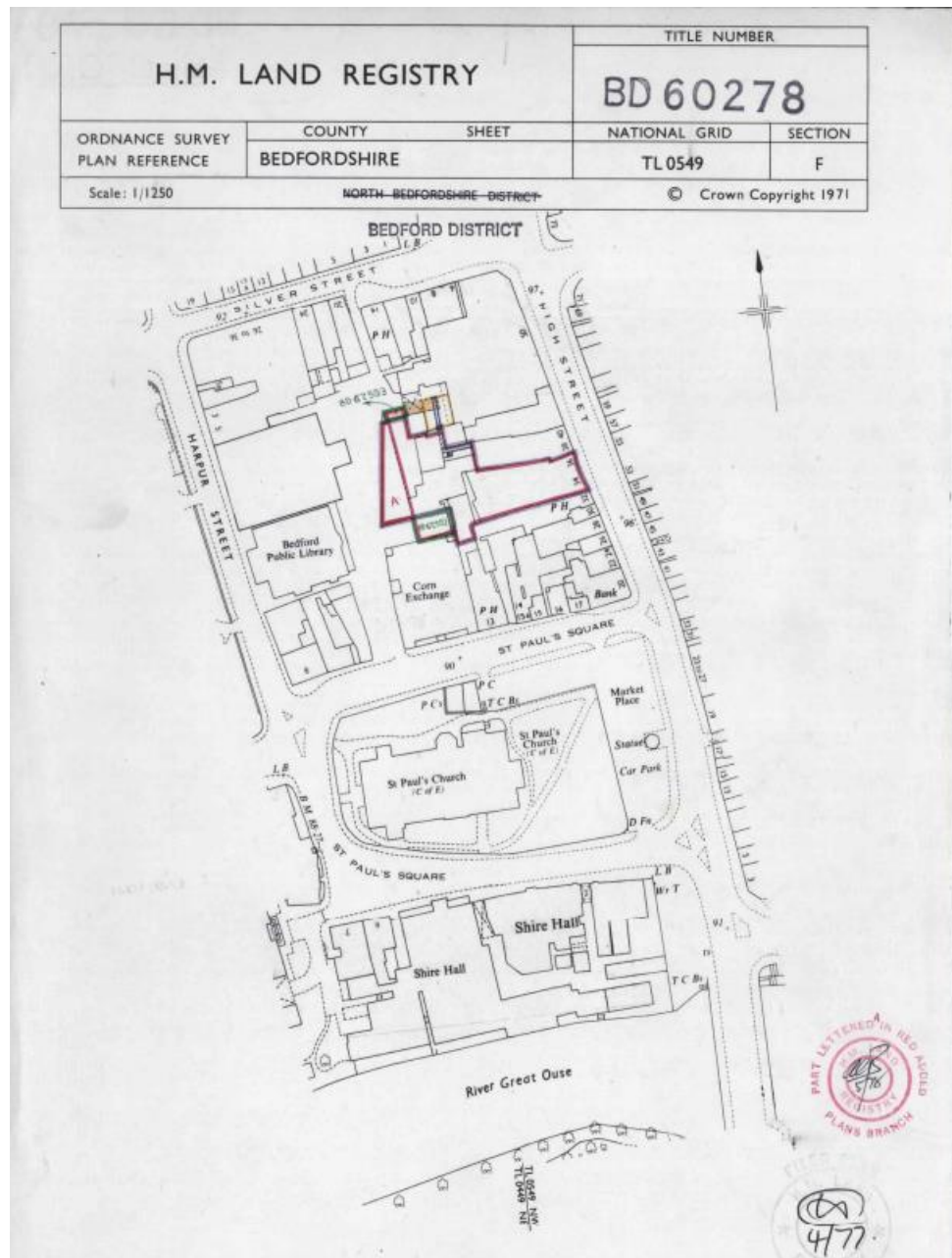
3.3 A substantial parking area is available to the rear that would enable redeveloped to be optimised.

3.4 The property is let to [REDACTED] by way of a lease dated 28 June 2019. The main terms are as follows:

Lease Term: [REDACTED]  
Rent: [REDACTED]  
Tenant Break Options: [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
Rent Review: [REDACTED]  
[REDACTED]  
Repairs: [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
Decoration: [REDACTED]  
[REDACTED]  
[REDACTED]

3.5 There are two rating assessments: 34 High Street, which has a Rateable Value £88,500 and 34a High Street, for which the Rateable Value is £16,250. The total rates payable for 2024/2025 is £57,194.

3.6 In terms of restrictions, there are no known public rights of way affecting the property. The freeholders of numbers 42 and 44 High Street, Bedford have the benefit of pedestrian rights of way (land hatched blue on the title plan shown below). There is no knowledge of any wayleaves or easements affecting the property, nor any restrictive covenants.



3.7 As part of its due diligence, the Council instructed Robinson & Hall to undertake a building survey of the premises. The survey report advises that the property is in fair condition for its age although parts of the building were described as semi-derelict. The basement needs overhauling, there are numerous roof leaks, asbestos is identified in the rear granary part and furthermore the building suffers from pigeon infestation. The report indicates repairs and conversion costs to a non-banking use could amount to a figure close to £2,000,000.

- 3.8 There is no certainty that Lloyds Bank will retain occupation of part of the building in the medium-term, with the contraction in the banking sector reducing the likelihood. There may be scope to relet the ground floor banking hall, but the remaining parts are likely to have limited letting appeal. Any empty property costs would need to be covered within existing Property Services budgets. Alternative uses for the building may exist, potentially retail as part of ground floor and residential flats above, although the intention is to assimilate the building into a wider regeneration opportunity.
- 3.9 The freehold interest is available to purchase and offers had been invited in the region of **£2,000,000** exclusive of Value Added Tax. Through negotiation over several months, it has been possible to reduce the asking price from £2,000,000 to the recommended purchase price of £1,375,000.



#### **4. Commercial Property Investment – Regeneration Objectives**

- 4.1 The regeneration of Bedford town centre is a key priority, reflecting the importance of a strong and vibrant town centre in achieving the growth objectives set out in national policy as well as regional and sub-regional strategies. The Mayes Yard area has been identified as a key area of change within the emerging Local Plan and a key development site as part of emerging proposals for the re-development and revitalisation of Bedford town centre.
- 4.2 In this regard, the Executive are scheduled to consider a report at its meeting on 16 October 2024 which will set out the strategic importance of the Mayes Yard development, the strategies for the remaining land acquisitions and the selection a development partner to take the scheme forward.
- 4.3 In this context, therefore, the acquisition of the Lloyds Bank building is considered significant based on it giving the council a strategic foothold in delivering a town centre regeneration focused on Mayes Yard. It is relevant that:
- (a) Bedford Town Centre’s prime shopping ‘pitch’ has been traditionally centred around Silver Street and until 2017 was endorsed by 4 anchor retailers within 200 yards of each other namely Debenhams, Beales, Marks & Spencer and Next. All 4 have either relocated out of the town centre or ceased trading.

- (b) The departure of 4 key retailers has left a significant void in the town centre which has since only been partially reoccupied. With less choice, relevance and vibrancy the customer footfall in this part of town has inevitably reduced. The town has also been impacted, like most UK towns with trade being lost to out of town shopping and internet shopping.
  - (c) One of the Council's key priorities is to reverse the decline in this part of the town centre by championing a regeneration agenda to improve its fortunes and appeal. It is, therefore, proposed that Mayes Yard will be transformed through the creation of a mixed-use development of new and older buildings overlooking a new public square. The content within the new building fabric is use-interchangeable and could include a significant residential content adjacent to new retail, commercial, food and beverage, hotel, hospitality entertainment, landscaping and further public realm. This proposal accords with a general 'place making' strategy.
- 4.4 The Council has existing land ownership in this development area and, together, the range of assets has the potential to further stimulate economic regeneration and enhance the overall environment of the river and the town centre.
- 4.5 Acquisition of the Lloyds Bank building would further enable the Council to promote a significant regeneration opportunity as a key landowner, in line with the aspirations of the emerging Local Plan 2040. This could deliver financial benefits, together with benefits of a non-direct financial nature, including the essential expansion of the Corn Exchange and updated Library. Architectural studies have shown that, from a master planning perspective, a rear extension to the current Corn Exchange venue (or, if preferred, a new-build possibly involving the redevelopment of the existing library site) involves the need to acquire the Lloyds Bank building as does the provision of a new public square. Any regeneration project which includes elements of new residential use would also create council tax revenue uplift for the Council.
- 4.6 There are many ownerships in Mayes Yard which could frustrate the delivery of a comprehensive scheme in the area, given potential over expectation of land value (impacting on overall scheme viability). Intervention in the market in this case relates to the existence of market failure, with key properties redundant now for some considerable time, adversely impacting on the town centre, with limited prospects of resolution given the retail economy. In the absence of intervention, third parties could:
- (a) Gain significant interest in the development area and effectively hold a ransom over the delivery of a more strategic form of development that would be beneficial to the community, and overall aspirations of the Council in terms of improvements to its cultural offer.
  - (b) Develop the building in isolation (potentially taking advantage of planning permitted development rights to enable a conversion of the building), with a loss of site integration and synergy.

- 4.7 The Council could still promote a larger scheme but, unless a joint venture agreement was established, or acquisition was secured by private treaty, the eventual delivery of an overall masterplan development could rely on the use, where appropriate, of its compulsory purchase powers (CPO) to acquire land or property within the development area. Compensation would in such circumstances be payable.
- 4.8 The acquisition of the Lloyds Bank building, therefore, has real benefits from a regeneration perspective and the potential benefits it can bring to the local economy, community and urban development are summarised as follows:
- (a) Boosting Local Economy: By attracting a diverse range of retailers, the eventual development will create job opportunities, stimulate entrepreneurship, and generate tax revenue. Additionally, the integration of residential spaces can attract a larger customer base, leading to increased foot traffic and spending in the surrounding retail establishments. This economic boost can revitalise the town centre, attracting further investment and development.
  - (b) Enhancing Community Engagement: The innovative integration of residential and retail spaces can create a vibrant and sustainable town centre that meets the evolving needs of modern society. An appropriate mix can foster a sense of community and social interaction and, by providing a central gathering place, it encourages residents and visitors to engage with one another, fostering a stronger sense of belonging and community cohesion. This integration can also promote local culture, arts, and events, further enhancing community engagement and pride.
  - (c) Sustainable Urban Development: Acquiring and developing the building with a mix of residential and retail spaces as part of a more holistic development scheme, aligns with the principles of sustainable urban development. Furthermore, the integration of residential within the town centre promotes a compact and mixed-use scheme, reducing commuting distances and associated carbon emissions.
  - (d) Meeting Changing Consumer Needs: The retail landscape is evolving rapidly, with consumers seeking convenience, experiential shopping, and a sense of community. Acquiring and developing a large town centre site that combines residential and retail spaces can cater to these changing needs. By offering a diverse range of retail options, entertainment facilities, and residential units, it creates a one-stop destination that meets the demands of modern consumers. This integration also allows for extended operating hours, providing flexibility and convenience for both residents and shoppers. The land and, in particular, the substantial car park to the rear, is a key factor in acquiring the building. It provides a realistic opportunity to enable cultural expansion, further diversifying and broadening the Mayes Yard and wider town centre offer for users and exploiting the potential of the existing Corn Exchange.

- (e) Preserving Architectural Heritage: Many town centres boast historic department stores and buildings that hold significant cultural and architectural value. Acquiring and developing these buildings as mixed-use spaces allows for the preservation and adaptive reuse of these heritage structures. By integrating residential units, the Mayes Yard area can be revitalised while maintaining its historical charm. This approach not only preserves the town's architectural heritage but also attracts heritage tourism, further benefiting the local economy.

4.9 In conclusion, the acquisition and redevelopment of the Lloyds Bank building to combine residential and retail spaces, therefore, presents numerous advantages for the local economy, the community and urban development. By fostering community engagement, boosting the local economy, promoting sustainable urban development, meeting changing consumer needs, and preserving architectural heritage, this innovative approach can create a vibrant and sustainable town centre. It is crucial for local authorities, developers, and stakeholders to collaborate and explore the potential of this concept to ensure the long-term prosperity and liveability of the town centre.

## **5. The Power to Acquire Property**

5.1 Local Authorities have general powers to acquire and dispose of land either for the Councils functions or for the benefit or improvement or development of their areas, but when trading or exercising their power of general competence for a commercial purpose this must be done through a company.

5.2 The main Statute Law relating to Acquisitions is the Local Government Act 1972. Section 120 empowers a principal council to acquire by agreement any land inside or outside its area:

(1) For the purposes of:

- (a) its functions under any enactment, or
- (b) for the benefit, improvement or development of its area.

(2) A principal council may acquire by agreement any land for any purpose for which they are authorised by this or any other enactment to acquire land. Notwithstanding that the land is not immediately required for that purpose; and, until it is required for the purpose for which it was acquired, any land acquired under this subsection may be used for the purpose of any of the council's functions.

5.3 The Local Government Act 2003 section 12 gives local authorities' power to invest. It provides that a local authority may invest:

- (a) for any purpose relevant to its functions under any enactment, or
- (b) for the purposes of the prudent management of its financial affairs.

Further legal advice may be required to support the acquisition.

- 5.4 Whilst there is no current intention to form a company, specifically in relation to trading, the Council has two general powers granted under legislation that it may use to set up a company. Namely, the general power of competence contained within section 1, Localism Act 2011 (the 2011 Act) and the power to trade contained within section 95, Local Government Act 2003 (the 2003 Act).
- 5.5 Power to Trade – As stated above, section 95 Local Government Act 2003 gives the Council the power to trade but is subject to restrictions contained within Regulation 2 of the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 (the 2009 Order).
- 5.6 The 2009 Order states at Regulation 2 that "a best value authority" (such as the Council) is authorised to do, for any commercial purpose, anything which it is authorised to do for the purpose of carrying out its ordinary functions and will be required to prepare a business case supporting the exercise of the section 95 power and the council must approve this.

The 2009 Order goes on to state that a best value authority shall recover the costs of accommodation, goods, services, staff or any other thing that it supplies to a company in pursuance of any agreement or arrangement to facilitate the exercise of the power to trade.

- 5.7 General power of competence – Local authorities have the power to do anything that an individual may do in accordance with section 1 of the 2011 Act. This is referred to as the "general power of competence", and a local authority may use this power for its own purpose, a commercial purpose or/and for the benefit of others. This power is, however, subject to a number of limitations, including "pre-commencement limitations"; which confirms that any legal restrictions, prohibitions or limitations that existed prior to 18 February 2012 (when the 2011 Act came into force) will remain in force.
- 5.8 Whilst the provisions of section 1 of the 2011 Act as noted above provide the general power of competence, section 4 (2) 2011 Act states that where a local authority wants to exercise the general power for a commercial purpose, it must use a company. This has been reinforced by subsequent case law.
- 5.9 Section 2 of the 2011 Act limits the general power of competence where it 'overlaps' with a power which predates it. This means that where the Council relies on the general power of competence and there is the same power which pre-dates it and is subject to restrictions, then the general power of competence will be subject to these restrictions. An example of this is section 95 Local Government Act 2003, which gives the Council the power to trade, but is subject to restrictions contained within regulation 2 Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 (the 2009 Order).
- 5.10 It is inevitable that further specialist support is likely to be required from legal advisers (in terms of conveyancing and taxation).

## 6. Property Valuation and Holding Costs

- 6.1 In considering the potential acquisition of land or property for the purpose of future strategic development, the following criteria is important:
- (a) An investment appraisal (or business case) should be carried out, the result of which identifies the land as suitable for current or future strategic development in line with Council priorities and objectives.
  - (b) The appraisal must identify the source of funding for the proposed property investment which has been confirmed as appropriate by the Chief Finance Officer.
  - (c) The appraisal must identify (i) the estimated property holding costs of the acquisition until the investment is realised, and if relevant (ii) any on-going revenue costs associated with the acquisition, together with the approved budget for this purpose which has been confirmed as appropriate by the Chief Finance Officer.
  - (d) The appraisal should endeavour to establish the return on the investment.
  - (e) The treatment of Value Added Tax on the initial acquisition and eventual scheme of development (if the Council retains a controllable interest) needs to be fully considered.
- 6.2 The independent valuation survey undertaken by Hartnell Taylor Cook, Chartered Surveyors and Property Consultants, indicates a freehold acquisition value in the region of £920,000 exclusive of Value Added Tax, using the 'investment approach' under the valuation guidelines of the RICS Red Book, compared to a vendor guide price of £2,000,000 exclusive of Value Added Tax. The valuation does not, however, reflect the synergistic value and, having regard to the overall regeneration benefits from the strategic investment, a valuation of **£1.375 million** is regarded as reasonable and realistic.
- 6.3 The Royal Institute of Chartered Surveyors (RICS), as a leading professional body working in the public interest to advance knowledge and uphold standards, state a "special purchaser" is a buyer who is willing to pay more than market value for an asset because of advantages that are not available to other buyers.
- 6.4 The RICS also state in their professional standard publication, Valuation of Development Property, October 2019, that a property's value can be defined by the concept of marriage value/synergistic value, whereby paying a premium price for property adjacent to a premises also owned is accepted commercial practice.
- 6.5 In this regard, Hartnell Taylor Cook confirmed that, if the building is needed to secure the future of the Mayes Yard Regeneration scheme and is a strategic foothold in delivering Phase 1 of the scheme, it sounds as if it is an essential purchase. Without the back up of a Compulsory Purchase Order, the Council are under an obligation to negotiate the best price possible for the purchase. If that best achievable price is £1.375 million, then that is the level the market has dictated that the Council need to pay if they wish to purchase the building.

- 6.6 The acquisition value can be funded from the established Regeneration and Development Fund allocation in the approved capital programme, which had a balance of £6.7 million as at 24 November 2023.
- 6.7 It is envisaged, and assumed for the purpose of the business assessment, that the property (if acquired) would be released by the Council for development as part of the wider Mayes Yard development within the emerging Local Plan. The Council would seek, through a formal Development Agreement with the eventual developer to secure “best consideration” from the disposal. The Council has to achieve ‘best consideration’ in respect of its land transactions in accordance with Section 123 of the 1972 Local Government Act subject to the relaxations provided in the 2003 General Disposal Consent to dispose for a lesser amount. “Best consideration” can be achieved by a capital return or revenue returns from the development. The Council would, in this regard, require confirmation that the final consideration satisfies the “best consideration” threshold.
- 6.8 It is envisaged that the eventual development would be commercially viable and financially sustainable with no ongoing revenue impact on Council taxpayers. A full report would need to be submitted to the Executive for approval of the terms of disposal and the formal Development Agreement between the Council and the preferred developer.
- 6.9 It must, however, be recognised that the full development potential will not be realised for some time. There is a long lead in time associated with the wider Mayes Yard regeneration project and, prior to commencement on site, there are many tasks to be undertaken, including the initial due diligence, the developer selection process, the planning process (preparation of the necessary technical studies and architectural design works to support a detailed planning application, obtaining the necessary planning consents, and discharging conditions), the site assembly process, financial viability assessments to support scheme finance arrangements, and project mobilisation.
- 6.10 If CPO were to be deemed necessary, subject to Executive approval, it is considered that the acquisition of Lloyds Bank together with the existing council owned property could significantly improve the chances of a CPO being confirmed by the Secretary of State, as it will help create the ‘lion’s share’ of a significant development site. Having acquired the property ahead of a CPO demonstrates the intent of the council to create a composite development site.
- 6.11 [REDACTED]

6.12 There is, therefore, a medium-term risk that property holding costs will be incurred in respect of the property during the pre-planning, site assembly, scheme viability and project construction phases. The extent to which these will fall on the Council will depend on the success of acquiring tenants in the intervening period, pending development. Holding costs are estimated as follows:

- (a) Business Rates – The total rates payable for 2024/2025 is £57,194 for two rating assessments at (i) 34-36 High Street, which has a Rateable Value £88,500 and (ii) 34a High Street, for which the Rateable Value is £16,250 (multiplied by the business rates multiplier to derive the estimated annual business rate charge for the premises in current form).
- (b) Security costs and fixed costs associated with utility services – estimated at £2,500 per month based upon details provided by the current liable party (£30,000 per annum).

6.13 It is considered that there are, however, reasonable prospects of securing a tenancy to at least offset the holdings cost of the property and every endeavour will be made to achieve this at an early stage if the existing tenancy expires.

6.14 [REDACTED]

6.15 It is expected that the property transaction will be completed on 1 April 2025 (with exchange of contracts envisaged by the end of February 2025) and, whilst there is an existing tenant in part of the building, it is inevitable that some maintenance costs will be incurred in 2025/2026 (and potentially in future years). It is considered, at this stage, that a sum of £100,000 should be allocated for this purpose, which could be funded from the Regeneration and Development Fund.

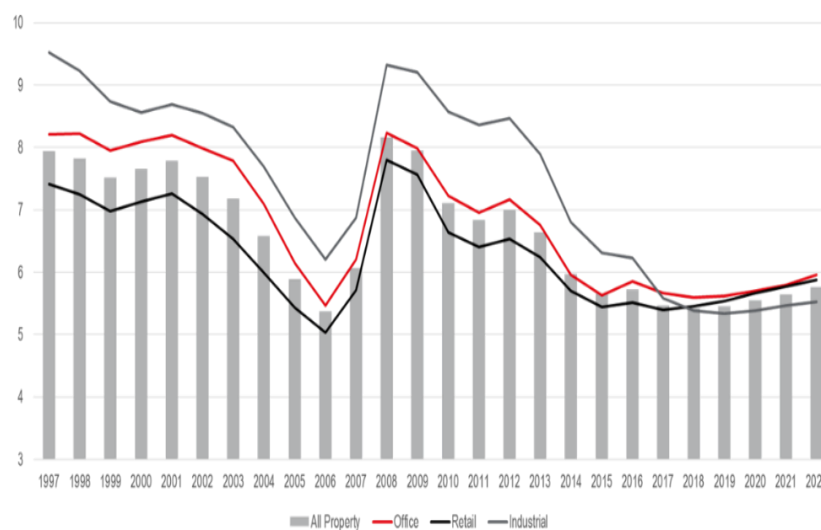
6.16 Taken together, the acquisition costs and essential maintenance costs, are in line with the wider aspirations for the site. There is considered to be synergistic value given the overall regeneration benefits from the strategic investment and, in this regard, the benefits from the acquisition are expected to be significant.



## 7. Investment Appraisal – Other Factors

- 7.1 An important rationale for targeting such commercial assets is because, over time, commercial real estate has produced strong returns with low volatility compared to other investment classes.
- 7.2 The business assessment has considered forecasts that show that the UK commercial property yields are anticipated to remain steady over the coming years in a range across all property, after experiencing a more difficult economic period recently. Individual classes of assets vary but follow a similar path.

Table – Yield Forecasts



Source: Jones Lang LaSalle

- 7.3 It is evident that factors such as recession, escalating interest rates and higher levels of inflation have all negatively impacted growth potential in the commercial property market. These implications means that the climate has become more difficult for property, with potential reduced investment returns.
- 7.4 In terms of acquisitions, however, the low demand being experienced for commercial properties is driving prices down, resulting in a buyers-market for shrewd investors.
- 7.5 Commercial property yields can range from around 4% up to 10% and, what constitutes a good return on investment, will depend on the investment objectives. The overall return, in this case, could include cultural benefits as outlined in this business assessment.
- 7.6 This investment decision is made against a background of historic low interest rates which has made these types of investments more attractive. The situation has, however, changed more recently with the expectation that returns over the medium term will be lower.

7.7 The Council has traditionally used cash balances to internally borrow for its capital programme investments as opposed to using more expensive external borrowing. This has driven the level of cash balances down; sufficient cash balances must be retained for cashflow purposes and, as such, these will be kept relatively short dated and largely overnight.

7.8 The return to the Council (or “consideration”) would need to be as follows:

- (a) The minimum requirement of the Council is that the scheme should be commercially viable and financially sustainable with no ongoing revenue impact on Council taxpayers.
- (b) The financial return must exceed interest earnings on Council balances.
- (c) The financial return must satisfy the “best consideration” threshold required by Section 123 of the 1972 Local Government Act (subject to the relaxations provided in the 2003 General Disposal Consent).

[NOTE: The “General Disposal Consent enables Councils to dispose at less than best consideration provided they meet two criteria. The first criterion is that the Council must consider that the purpose for which the land is to be disposed of is likely to contribute to the achievement of any one or more of the three well-being objectives in respect of the whole or any part of the Borough, or of all or any persons resident or present in the Borough as set out in section 2 of the Local Government Act 2000, namely the promotion or improvement of (i) economic, (ii) social or (iii) environmental well-being. The second criterion is that the difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed two million pounds.

Whilst the Secretary of State has given a General Consent for a sale at less than best consideration, subject to the criteria set out above, the Council’s fiduciary duty to have regard to its local taxpayers’ interests remains. In so far as possible the Council should, therefore, seek to minimise any deficit below best consideration. Any difference between best consideration and sale price would, in effect, amount to a public subsidy. Members would, in these cases, seek to balance the public value to be achieved by means of the promotion or improvement of the well-being of the Borough with the loss of consideration caused by a sale at any undervalue of the amount concerned. By following this advice, an authority will be able to demonstrate that it has adopted a consistent approach to decisions about land disposals and has acted reasonably and with due regard to its fiduciary duty].

- (d) The overall return should include cultural benefits in the form of (i) an expanded auditorium (from 800 to 1,200 seats) within the Corn Exchange to attract a greater range of regional-level shows, and (ii) an updated library facility in the town centre. Regard will need to be given to the Grade II listed status of Bedford Corn Exchange, and the protection of key architectural features, including the ornate ceiling with three glass domes.

## 8. Risk Mitigation

- 8.1 There are, as with all commercial investments, risks associated with returns. The timing, type and mix of investment acquired will be dependent upon both market conditions and opportunity. Whilst this business assessment sets out the initial investment criteria relating to a specific investment opportunity, the Council's investment strategy must be kept under review to take account of material changes in occupational markets or emerging investment markets. Over time, therefore, the Council's portfolio of assets may change.
- 8.2 All commercially based developments involve risk and, at each stage of the process, the commitments made will be at risk as there can be no guarantee that a fully successful development will be achieved. The terms of the Development Agreement between the Council as landowner and the preferred developer will seek to mitigate the inherent risks. Moreover, the timing of the development can also be a critical factor in achieving optimum success, particularly in terms of market conditions, the state of the national economy and levels of investment confidence within the development industry.
- 8.3 The specific development potential and overall viability of the proposed development scheme at Mayes Yard, including the final design, layout and mix of uses, will be subject to the outcome of the planning and section 106 negotiations. Due regard needs to be given to the adopted Local Plan and Government policy, commercial considerations (such as land values), site constraints and the ambition of the project. In any event, the formal Development Agreement between the parties will include conditions that must be satisfied before the Developer will proceed with the scheme. This includes the grant of an acceptable planning permission, a financial appraisal that demonstrates scheme viability and the need to obtain development funding.
- 8.4 With financial return of investments being a key objective (i.e. not a subsidised provision), the Council acknowledges the higher risk on commercial property investment than with treasury investments. The principal risk exposures include vacancy rates due to market conditions and external economic influences; potential reduction in both rental and capital values due to market changes; and obsolescence due to changing demand and technological changes. These risks are managed in accordance with the Council's approved Corporate Asset Plan through proactive estates management practices and regular reviews of the performance of and continued requirement for each asset.
- 8.5 There has been significant interest in Council property investments where the key objective of a Council's Investment Strategy has been to invest in commercial assets to achieve a positive financial return. Following the PWLB consultation response of November 2020 there is now a presumption against investments made purely for yield. As far the Council is concerned, its Investment Strategy does not seek to speculate by investments primarily for financial return and the Strategy continues to be important to the Council's capital investment plans and to the ongoing financial resilience of the authority.

- 8.6 Rund, specialist surveying and construction consultant, were commissioned to test viability in respect of a holistic Mayes Yard-wide redevelopment and this confirmed that potential exists to deliver a financially viable scheme. The Lloyds Bank building is considered to be an important part of the overall land assembly that will enable the optimum regeneration scheme for the area.

## 9. VAT

- 9.1 Value Added Tax (VAT) implications must be considered as part of the appraisal process prior to any decisions being made. Financial Services should be consulted with regard to VAT implications.



## 10. Summary & Conclusions

- 10.1 The purchase of the Lloyds Bank Building is a very important strategic acquisition that has real potential to enable the successful delivery of the Mayes Yard development.
- 10.2 The business assessment indicates, in summary, an adequate return for an investment that compares favourably with existing and alternative investments, after reasonable mitigations in risk associated with the venture. With access to available finance, and relatively low borrowing costs (albeit rising), the conditions are currently reasonably favourable for such an investment although not as advantageous as they were only a year or two ago.
- 10.3 The Council should consolidate its ownership in the area with the acquisition of the building for £1.375 million, in line with the feedback from Hartnell Taylor Cook in terms of market value, emphasising in particular the strength of the organisation in terms of covenant and financial status, insisting that contracts for the acquisition be exchanged within 4 weeks.
- 10.4 The Council should actively pursue other land ownership opportunities in the Mayes Yard area, strengthening the ability to deliver an exciting mixed-use retail, leisure and residential opportunity.
- 10.5 The extension of the Corn Exchange to achieve at least 1,000 seats should be an essential output from the scheme.

- 10.6 This business assessment and realisation of the overall development opportunity in and around Mayes Yard is predicated on the appointment of an experienced development partner, with a track record in the commercial property industry, to formulate a viable scheme that generates an acceptable return to the Council.
- 10.7 There are, as with all commercial investments, risks associated with returns and the risk that a viable Mayes Yard scheme may be difficult to achieve but, in this event, the Council would succeed in owning a building that independently has reasonable rental potential, and development opportunities.
- 10.8 Subject to the outcome of the Rund report, the Council should proceed at the earliest opportunity to the appointment of a preferred Development partner, with detailed terms forming part of a formal Development Agreement; this will ensure the inherent risks to the Council are mitigated. A scheduled report to Executive on 16 October 2024 will formalise these arrangements.

October 2024

# BACKGROUND PAPERS

Charles Hawkeswood  
Property Project Manager  
Commercial Services & Business Transformation  
Bedford Borough Council  
Borough Hall  
Cauldwell Street  
Bedford  
MK42 9AP

14 October 2024

**Our ref.** RJA/Bedford/34-36High St

**Your ref.** [Click here to enter client ref](#)

Dear Charles

### **Bedford – 34-36 High Street (Lloyd’s Bank & site)**

I write further to our conversations and correspondence in respect of the above property, and also the relevance of the formal “Fair Value” Valuation Report we are producing for a number of properties on your behalf, which include the premises at 34/36 High Street. Bedford.

As discussed previously, the portfolio valuation is on the basis of “Fair Value” as defined by the “RICS Valuation – Global Standards 2022”, also known as the “Red Book”. “Fair Value” is defined therein as “*The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions*”. Hence it is sometimes described as a “*mark to market*” approach, meaning it is fair price at which the property may be sold in the market. The Valuation Report (with a Valuation Date of 31st July 2024) is sent under different cover, but the pricing on this basis for the Lloyd’s Bank Building as at the valuation date will be £920/£930,000 net of costs. and excl. VAT.

However, whilst this theoretical value of the building is appropriate for basic pricing, other factors such as the location, with a large part of the demise fronting onto Mayes Yard, the adjoining future development proposals by the Council, the assumption of the break clause being operated in 18 months’ time etc. would suggest that a more practical approach to pricing could be taken although this, by its very nature is a more subjective pricing based on the principles of “Market Value” and/or “Special Assumptions” that include factors not available to HTC at this time.

The Red Book definition of “Market Value” is “*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*”. It effectively describes a deal between parties that are unconnected and are operating freely in the market place and “*represents the figure that would appear in a hypothetical contract of sale, or equivalent legal document, at the valuation date, reflecting all those factors that would be taken into account in framing their bids by market participants at large and reflecting the highest and best use of the asset. The highest and best use of an asset is the use of an asset that maximises its productivity and that is possible, legally permissible and financially feasible*”.

In respect of 34-36 High Street, there is a possible discrepancy between the Fair Value and the Market Value due to the ability for a purchaser of this investment on its own to refurbish the front section and redevelop the rear, Mayes Yard, section of the demise for another use, which could potentially provide an uplift in price to that type of purchaser. For example, and it should be noted this is an example and is not a valuation, if the [REDACTED] break clause was activated, and the lease re-gearred on the front building to a Market Rent on a new 5 or 10-year term,

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the front section would be a standalone investment, whilst the rear section would have an inherent development land value in addition. Hence, it can be seen how a Market Value to a specific purchaser may be a figure higher than the Fair Value given above.

Of more relevance to the Council's position in looking to purchase this building are "Special Assumptions" that may relate to the building and site due to its location and the considerable element of the site that fronts the proposed Mayes Yard Town Centre Regeneration Area. The existence of Special Assumptions in looking at the price of a building can affect the price as Market Value specifically ignores "*price distortions caused by Special Value*". "Special Value" is an amount "*that reflects particular attributes of an asset that are only of value to a Special Purchaser.*" In the case of the demise of 34/36 High Street, there could be a Special Value to Bedford B.C. as a large section of the demise forms an essential part of a considerably larger Regeneration Development site.

As mentioned above, HTC have not been involved in any overall development appraisals for the Regeneration site and are not aware of figures set aside for site purchase. However, we are aware that Bedford B.C. have spent funds on the purchase of the ex-Debenhams store and own other parts of the Mayes Yard project and are in negotiations with other owners in the area in order to acquire the necessary properties to undertake the Mayes Yard Regeneration project. This shows a commitment to the overall project and the existence of a budget for site acquisition of necessary elements. Within the overall project, the acquisition of certain assets on the site are essential for its success and will form part of that land acquisition budget. You have mentioned in correspondence that the acquisition of 34-36 High Street "*gives the council a strategic foothold in delivering the first phase of town centre regeneration. This could also improve the chances of CPO of the remaining phases if the lion's share of the composite site was secured in advance of a CPO order being confirmed*". This would suggest that it's an essential part of the overall scheme and its value to the scheme (and, therefore, Bedford B.C.), as an investment and site, could be much higher than the theoretical "Market Value" or the "Fair Value" mentioned above of the premises as a standalone asset. Hence, this may be described as an example of a building having a Special Value to a purchaser (i.e. Bedford B.C.).

As discussed, we are not privy to the land acquisition "pot" available for the purchase of essential properties in order to move the Mayes Yard Regeneration Scheme forward, or the amount attributed to each essential holding within the regeneration area. However, given the positive economic attributes of the regeneration scheme, the improvement in public realm and the other benefits to the town of Bedford that it will provide, allied to the essential nature of this site to the progression of the development, an element of Special Purchaser Value could be attributed to the "Fair Value" valuation in assessing the purchase of 34/36 High Street and its site.

If, as commented, purchase of the building is fundamental to secure the future of the Mayes Yard Regeneration scheme and is a strategic foothold in delivering Phase 1 of the scheme, it sounds as if it is an essential purchase. Without the back up of CPO (which, you suggest, the purchase of this site may contribute to achieving) the Council can only negotiate the best price possible for the purchase. If that best achievable price is £1.375m, then that is the level the market has dictated you need to pay (as a Special Purchaser) if you wish to buy the asset.

Regards.

**Rob Amey BSc (Hons) MRICS**

**Partner**

**Agency and Development**

**Hartnell Taylor Cook**

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# Valuation Report

In respect of:

**Bedford Town Centre Regeneration Area Buildings Portfolio**  
on behalf of:



**31 July 2024**



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**Appendix 1**

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Valuation Summary & Location Map

**Appendix 2**

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Instruction Letter & Terms of Engagement

**Appendix 3**

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Property Proformas

- 1. 10 Silver Street, Bedford MK40 1SU
- 2. 12 Silver Street, Bedford MK40 1SU
- 3. 14 Silver Street, Bedford MK40 1SU
- 4. 20-24 Silver Street, Bedford MK40 1SU
- 5. 30-32 High Street, Bedford MK40 1SP
- 6. 34-36 High Street, Bedford MK40 1SP
- 7. 38/40/40A High Street, Bedford MK40 1SP



## 1. Identification of the Client

---

The Client: Bedford Borough  
Council  
Borough Hall  
Cauldwell Street  
Bedford  
MK42 9AP

Client contact: Charles Hawkeswood,  
Property Project Manager, Commercial Services & Business Transformation.

- 1.1 This Valuation Report is produced solely for the named Client for the stated purpose. It is confidential to the Client and its professional advisors. We accept no responsibility, whatsoever, to any other parties. Any such parties who rely on the report do so at their own risk.

## 2. Instructions and compliance

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### Appointment

- 2.1 In accordance with our terms of engagement correspondence dated 18<sup>th</sup> July 2024 (attached at Appendix 2) confirming instructions for us to provide the Client with a Valuation Report in respect of a portfolio of 7 property assets (“the Properties”) that form part of the the Mayes Yard Regeneration Area in Bedford town centre. Having completed our valuation inspections and usual enquiries, we set our report herein.
- 2.2 The basis upon which we undertake valuations is set out in our Standard Assumptions, Terms and Bases of Valuation that forms part of our terms of engagement letter (Appendix 2). Unless specifically stated otherwise this report and our valuation is prepared in accordance with these terms of Engagement.

### Identification of the assets

- 2.3 In accordance with our terms of engagement correspondence we are instructed to value the individual freehold interests in the Properties. The Properties are all located in Bedford town centre, as identified on the attached Valuation Summary table and the appended Location Goad Plan extract map (Appendix 1).
- 2.4 Brief descriptions of the assets and relevant valuation commentaries are set out in the individual Property Proformas (Appendix 3).

### Purpose of valuation

- 2.5 The valuation is required for asset identification of Fair Value for the purposes of purchase negotiations.
- 2.6 We are informed that the Properties comprise part of the proposed Mayes Yard Regeneration Area but that ownership of the freehold interests are currently held privately by various by third parties. We have not had any contact with these third parties.
- 2.7 We are instructed to value the Properties both subject to the existing occupational leases - where details are known and information provided. Where lease details are not known or no information has been provided, we have been asked to state our



own assumptions in respect of occupation.

- 2.8 Where areas for properties have not been provided and we have not been able to access the properties to measure the premises, areas used have been provided by the VOA. We cannot guarantee the accuracy of these areas.
- 2.9 Where we have not been able to inspect properties, assumptions have needed to be made in respect of the internal condition of the premises. We cannot guarantee the accuracy of these assumptions on the condition of the premises.

### **Valuation Standards**

- 2.10 This report and valuation is prepared in accordance with the appropriate sections of the current RICS Valuation - Global Standards 2021 incorporating the IVS International Valuation Standards and the RICS Valuation - UK National Supplement (the 'Red Book').
- 2.11 We have had regard to the International Financial Reporting Standards (IFRS) and our valuation will be prepared pursuant to IFRS 13, which defines Fair Value measurement.
- 2.12 Compliance with Professional Standards 1 & 2 and the Valuation and Technical Performance Standards (VPS 1-5) of the Red Book is mandatory but subject to limited exceptions. Compliance is subject to monitoring under the RICS Conduct and Disciplinary Regulations and the valuation may be investigated for compliance with the Red Book.

### **Identification and status of the Valuer**

- 2.13 This Valuation Report is prepared by Rob Amey BSc(Hons) MRICS, Partner (the Valuer), acting as External Valuer (as defined in the Red Book).
- 2.14 The Valuer is in a position to act with independence, integrity and objectivity, and has sufficient current local and national knowledge of the particular market as well as appropriate skills, qualifications, experience and understanding for the purposes of this instruction.
- 2.15 The valuation is counter-signed by Jonathan Gilbert BSc MRICS ACI Arb, Registered Valuer and Consultant.

### **Material involvement**

- 2.16 We confirm that Hartnell Taylor Cook LLP has not had any involvement in any agency, landlord & tenant, building consultancy work or other valuation instructions for the Client during the last 36 months.
- 2.17 We have not had any previous involvement in properties held in the Clients operational estate.
- 2.18 We do not, therefore, have any conflict of interest in accepting this instruction and, therefore, can report to you with the required level of independence and objectivity.



## Valuation date

2.19 The date of valuation is 31st July 2024.

## Inspection and extent of investigation

- 2.20 The Properties were inspected or viewed externally, dependent upon whether access was available and permitted, during July 2024 by Rob Amey and Jonathan Moore, as detailed in the individual Property Proformas.
- 2.21 If access was permitted/possible, properties were measured and floor areas calculated by Hartnell Taylor Cook. If no access was possible to the buildings, then areas were taken from VOA listings and used for the purposes of the valuations. As access for measurement was not possible for the majority of the portfolio and some properties were undergoing refurbishment at the time of inspection, we cannot, therefore, guarantee the accuracy of the measurements used for the valuations.
- 2.22 The site boundaries of the individual Properties were assessed referring to the plot boundaries noted during our inspection and/or site visit and also obtained from the HM Land Registry website.

## 3. Basis of valuation

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### Valuation definitions

3.1 We have undertaken the valuation on the basis appropriate to this assignment which is Fair Value. Fair Value is defined in the Valuation Standards as follows:-

*“the price that would be perceived to sell an asset, or paid to transfer liability, in an orderly transaction between market participants at the measurement date.”*

3.2 As stated, we are instructed to value the freehold interests in the Properties subject to the existing occupational leases such as have been provided to us or the details of which have been provided by the Client. Where there is no information on leases assumptions in respect of occupation have been made.

### Assumptions and Special Assumptions

3.3 Unless stated otherwise within this Valuation Report, we have made the Assumptions set out in our Standard Assumptions Terms & Bases of Valuation, which we were under no duty to verify.

3.4 The Fair Value is calculated subject to such existing occupational lease information has been provided to us. Where such information is not available, we are instructed to provide valuation on the Special Assumption that the Properties are on market lease terms.



- 3.5 Having regard to the existing and historic uses of the Properties, there is a risk of archaeologically valuable structures or items in the ground , other obstructions or adverse site or ground conditions that could impact on value, particularly to those properties that have tangible redevelopment potential that is material to the reported Fair Values.
- 3.6 In the absence of any archaeology reports and ground survey information, we have assumed that there is no adverse ground or site conditions that would have a material adverse impact on value and that further investigation would not reveal more information that would affect value.

### **Information provided and relied upon**

- 3.7 The Client has provided to us with limited plans, some summary documentation in respect of unit sizes, areas and tenancies, title information and title plans, which we have relied upon and are under no duty to verify.
- 3.8 Where the client has not provided areas or measurements for the properties, and we have not been able to gain access to the premises in order to measure, we have used VOA areas for the purposes of the valuation, which we have relied upon and are under no obligation to verify.
- 3.9 Where we have not been able to inspect the premises, we have needed to make assumptions as to the condition of the premises, which we cannot verify as being accurate.
- 3.10 The Client has not provided any other information relating to the Properties. We assume that any information that has a material effect on our valuation has not been withheld from us.

## **4. Occupational tenancies**

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- 4.1 We are informed that Properties are let as outlined in the information for each property in the Property Proformas (Appendix 3).
- 4.2 Where no lease information is provided, assumed lease terms have been stated in the Property Proformas.

### **Tenant status**

- 4.3 We have made an online status enquiry of the tenant companies that are known, by sourcing a CreditSafe summary report. The Creditsafe company ratings are provided in each Property Proforma.

## **5. Planning**

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### **Planning**

- 5.1 In the absence of any further information and details, for valuation purposes we assume that the Properties benefit from full planning permission and/or established use rights for their existing use and configuration and there are no outstanding notices or breaches of town planning legislation.
- 5.2 Should it be subsequently established that these assumptions are incorrect, it may be necessary for us to revisit our valuation. We have not considered alternative uses unless otherwise stated in the individual property reports.



## Highways

- 5.3 For the purposes of this report we have assumed that the general highway infrastructure leading to the Properties is adopted unless otherwise highlighted in the individual property reports.
- 5.4 We are not aware of any highway proposals that would detrimentally affect our opinion of value and have assumed in the absence of any information to the contrary that there are none.
- 5.5 Should it be subsequently established that this assumption is incorrect, it may be necessary for us to revisit our valuation.

## Rating

- 5.6 We have undertaken searches of the Valuation Office Agency website. Rateable values for the Properties are contained within the individual property reports.
- 5.7 The National Non-Domestic rate for the financial year 2024/2025 is 54.6 pence in the pound which is reduced to 49.9 pence in the pound where a Rateable Value is less than £51,000.
- 5.8 We have not investigated whether the Properties are subject to any transitional relief or phasing and are unable to comment in this respect.

## 6. Environmental issues, Archaeology & Contamination

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### Asbestos and Other Deleterious or Hazardous Materials

- 6.1 We have not had sight of any Asbestos Survey Report or Asbestos Management Plan for the Properties.
- 6.2 There can be significant health risks associated with the presence of Asbestos Containing Materials (ACMs) in a building and we would point out that it is the responsibility of the owner or tenant of a property and anyone else who has control over it and/or has responsibility for maintaining it, to comply with the Control of Asbestos Regulations 2012 (CAR 2012).
- 6.3 Detection of asbestos and deleterious materials is beyond the scope of this report. The majority of the Properties were constructed at a time when ACMs were commonly used. In the absence of any reports or confirmation, we have assumed that all statutory obligations are observed and satisfied.
- 6.4 We have assumed that no other deleterious or hazardous materials have been used on the construction of the Properties or subsequently incorporated in it. If such materials are present then we have assumed that they are appropriately monitored and managed

### Contamination & Archaeology

- 6.5 We have not seen or been instructed to commission any Land Quality Statement, Environmental Screening or other environmental audit for the Properties in relation to the potential presence of contamination, nor are we qualified to do so.
- 6.6 If some of the properties are affected by contamination that is either an inherent feature of the properties themselves, or the surrounding area it could have an impact on value.
- 6.7 In the absence of any archaeological, environmental and ground contamination reports, we have assumed that there is no archaeological conditions or ground contamination that would



have a material adverse impact on value but reserve the ability to reconsider our valuation in light of further archaeological or environmental reports and recommendations. If such further investigations were to reveal archaeological discoveries, contamination or other environmental liabilities then this might reduce the reported value.

### **Invasive Species**

- 6.8 We did not note the presence of Japanese Knotweed or any other invasive species during the course of our inspections, and have not been advised that any are present at the Properties.

### **Flooding**

- 6.9 Flood risks relating to properties are principally two-fold. Firstly, there is a risk of a property flooding given its proximity to a watercourse and, secondly, there is a risk created by heavy rainfall where the provision and proximity of drain and sewer facilities, in light of the amount of surrounding development and extent of hard surfaces, is inadequate. This latter risk accounts for approximately half of UK flooding.
- 6.10 We have made enquiries of the Environment Agency website to provide a general overview of lands in natural floodplains and therefore potentially at risk of flooding from rivers or the sea. The maps use the best information currently available, based on historical flood records and geographical models. They indicate where flooding from rivers, streams, watercourses or the sea is possible.
- 6.11 The Environmental Agency grade flooding as follows:
- 6.12 Flood zone 3 – high probability of flooding. This means in any year land has a 1% or more chance of flooding from rivers, or a 0.5% or more chance of flooding from the sea. This takes into account the effect of any flood defences in the area.
- 6.13 Flood zone 2 – medium probability of flooding. This means in any year land has between a 1% and 0.1% chance of flooding from rivers and between a 0.5% and 0.1% chance of flooding from the sea. This takes into account the effect of any flood defences in the area.
- 6.14 Flood zone 1 – low probability of flooding. This means in any year land has a less than 0.1% chance of flooding from rivers or the sea. This takes into account the effect of any flood defences in the area.
- 6.15 The location of all properties within this report are Flood Zone 1, therefore at a low probability of flooding.

## **7. Fire, health & safety and other legislation**

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### **Fire Risk Assessment**

- 7.1 We were unable to ascertain whether Risk Assessments have been undertaken at the Properties hence without evidence to the contrary we have assumed that it has.
- 7.2 We have assumed that the assessments will continue to be reviewed and updated if there are any alterations to the Properties or changes to work practices or use of the Properties.

### **General Legislation**

- 7.3 For the purpose of this report, we have assumed that the Properties comply with current fire regulations, building regulation controls, employment regulations, defective premises and health and safety legislation.



## Discrimination

- 7.4 The Equality Act 2010 places duties on employers and service providers to consider barriers, physical and intangible, that disabled people might encounter when trying to access a service or employment.
- 7.5 We were not able to inspect many of the premises, but have not been made aware of any features that do not meet the requirements of the Act or consider the Act's requirements for reasonable adjustments to be made.

## 8. Sustainability, ESG & EPC

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- 8.1 The sustainability and ESG credentials of a property reflect a combination of inter-dependent objectives and criteria, which have environmental, social, governance and economic consequences that collectively contribute to the investment performance, risk profile and operation of property assets.
- 8.2 Global and national political initiatives and government legislation are aimed at supporting sustainability and ESG targets, meaning that compliance is becoming increasingly important at the asset level. In value and pricing terms we are increasingly seeing "green premiums" and "brown discounts" being applied, depending on the particular property characteristics.
- 8.3 The majority of the Properties comprise older dated stock which may underperform compared with their peers. On the positive side, however, some of the Properties have been upgraded by refurbishment, but we have not been made aware of any environmental improvements.
- 8.4 In the absence of any specialist reports, in arriving at our valuation, possible sustainability and related building obsolescence factors are intuitively reflected in the all-risk yields that we have adopted. We would point out that these assessments involve a higher degree of valuer judgement that would usually be the case and accordingly there is additional valuation uncertainty.
- 8.5 Other than as noted in the preceding sections, for the purpose of this valuation we have assumed that there are no sustainability factors that would have a material adverse impact on value but recommend that you obtain further advice.

## Energy Performance Certificate

- 8.6 Originating from the Energy Act 2011, Minimum Energy Efficiency Standard (MEES) regulations provide for Energy Performance Certificate (EPC) minimum standards such that, with effect from 1 April 2018, it is unlawful to let residential or business premises that do not meet the MEES regulations. EPCs are valid for 10 years and include an energy efficiency rating, from A (most efficient) to G. The minimum threshold is an EPC rating in Band E (i.e. it is unlawful to let premises which have an F or G-rating). Following consultation, the government has issued a new White Paper that confirms the future trajectory for the non-domestic minimum energy efficiency standards (MEES) will be EPC B by 2030.
- 8.7 Furthermore, in order to comply with MEES, it is a legal requirement to obtain an EPC before a commercial or residential building is sold. A compliant EPC is required for all private rented residential properties (including where a lease is already in place and the property is occupied by a tenant) and, from April 2023, landlords of non-domestic properties also are required to secure a compliant EPC before issuing a new lease.



## 9. Market commentary

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### Brief UK Economic Overview

- 9.1 The UK economic outlook deteriorated after a recovery phase following the pandemic induced economic slowdown. Persistent supply shortages and rising inflation contributed to a worsening forecast and a subsequent cost of living crisis. Fiscal policy has to balance spending controls while also targeting to support to the most vulnerable households most acutely effected by the cost of living. Recent thinking is that the bottom of the market has passed following a technical recession at the end of 2023.
- 9.2 The current combination of mildly increasing consumption and falling inflation should support modest positive growth over the remainder of this year and 2025. The Bank of England should begin to ease policy, albeit slightly later than previously thought which should also assist growth. The general election has resolved political uncertainty sooner than expected, and should also provide support to investment – although the new government will not have much room for fiscal manoeuvre if keeping to its pre-set fiscal rules.
- 9.3 Hence, the UK economy is thought to be gradually turning a corner. Following the technical recession in the second half of 2023, GDP growth rebounded by 0.6% in the first quarter of 2024 to 0.5%. Inflation, at one point in 2023 at 11.0% is now down to 2.6%, although unemployment has risen slightly to 4.5%.
- 9.4 The international factors affecting the UK are still uncertain, although improved since 2023, but there are still continuing uncertainties about the future of and the effects of the war in Ukraine and, to a greater degree, the uncertainties caused by the imminent election in the USA.
- 9.5 The Bank of England base rate, set at 0.25% in December 2021, subsequently rose to 5.25% in August 2023. It is widely anticipated that rates will start to fall in the next quarter, reducing to a low of c.3% by the end of 2025. 10-year gilt yields are now at 4.25%, having been at a high in mid-August 2023 of 4.75%. They are expected to reduce further to 4.1% by September and 3.9% in June 2025.
- 9.6 These positive adjustments to monetary policy and other encouraging economic measures are likely to see the continued control of inflation, stimulate growth and also further ease the cost-of-living crisis going forward.

### UK Commercial Property Investment Market Overview

- 9.7 During the first quarter of 2024, Savills reported commercial property investment volumes of approximately £10.7bn, bolstered by strong activity in March; this is reduced on the same period in 2023, but was the second quarter in a row with increasing volumes. Whilst Q2 2024 may be held back by the election, the certainty of a new government and interest rates reducing in the imminent future are expected to increase trade for the remainder of the year.
- 9.8 The RICS UK Commercial Property Monitor for Q4 2023 revealed some growing confidence in its long-term outlook. While mixed, the largest proportion of respondents in Q4 (33%) now believe that the market has bottomed out, seemingly aiding a slightly more positive long-term outlook.
- 9.9 While most of the market remained sluggish and lacking momentum, there were clear incremental improvements. Occupier demand remained negative overall (-7%), although less so than previously (-12% Q3), and although both the office and retail sectors remain relatively weak, sentiment has improved from Q3. Industrial demand remains positive although less so from previous highs.



- 9.10 Prime property continued to outperform secondary units. Footfall is crucial for retail and this appears to be increasing and, whilst energy costs continue to rise, the location of prime units encourage further positive momentum, but also have the possibility of creating a two tier market in many sectors.
- 9.11 When looking at the regional results, the national picture was largely mirrored throughout most parts of the country. As would be expected, the prime office and retail markets in London show stronger rental growth expectations while secondary office space appears to be under great pressure across the capital. Industrial remains strong across the country, with the Midlands is being an attractive market.
- 9.12 Overall, market investment demand remained relatively soft, evidenced by the all-property investment enquiries indicator reporting a net balance reading of -19%. However, this is expected to improve with the new Government in place and the prospect of a reduction in interest rates becoming more likely.
- 9.13 There was a notable improvement to sentiment in credit conditions during the months to Q1 2024 reporting a much flatter -5% reading and expected to prove positive later in the year, this compared to the significantly more negative -44% and -75% seen in the first half of 2023.

### **Rental and Yield Evidence**

- 9.14 We have researched evidence in the area of the properties comprising the portfolio, taking information from agent particulars, website sources of transactions concluded, our own records and conversations with agents and landlords that concluded transactions. These are outlined below.
- 9.15 20 Silver Street – let in April 2023 at a rent equating to £36.00 zone A.
- 9.16 22 Silver Street – let in July 2023 at a rent equating to £35.00 zone A.
- 9.17 24 Silver Street – let in January 2024 on a turnover basis with rolling break options. Turnover rent being paid currently equates to approximately £35.00 zone A.
- 9.18 10 Silver Street – let in June 2024 at a rent equating to £42 zone A. This shop is smaller on the ground floor than other units in this area of the street and very prominent from the square at the junction of High Street and Silver Street.
- 9.19 Rear unit 58-60 High Street – let in July 2023 at a rent equating to £35.00 zone A.
- 9.20 5 Silver Street – currently under offer at a rent equating to £21 zone A. This unit has been on the market for more than a year and is considerably larger than other shop units on the street, including a sizeable basement area and voided upper parts, so is expected to be at a lower level of rent than surrounding properties.
- 9.21 57 High Street – let in August 2023 at a rent equating to £35 zone A.
- 9.22 20 High Street – let in September 2022 at a rent equating to £26.57 zone A. The tenant has subsequently gone into administration/receivership and the property is now vacant.
- 9.23 13 High Street – let in March 2023 at a rent equating to £35 zone A.
- 9.24 21 Harpur Street – let in February 2023 at a rent equating to £35 zone A.
- 9.25 29-41 High Street – available July 2024 freehold with vacant possession, quoting a price equating to £47.40 psf. This is on the weaker trading side of the road to subject properties and is larger in size.
- 9.26 38/40/40A High Street – sold at auction in October 2021 for £382,000. The owner has



subsequently undertaken a full refurbishment programme.

- 9.27 1-3 Silver Street – Sold in December 2022 at a yield of 11.91%. A large property over multiple floors, the unit has since been refurbished and let on a new lease to JD Sports PLC (we have not been able to ascertain the terms of the new lease).
- 9.28 86-88 High Street – sold in May 2023 at a price equating to a yield of 6.7%.
- 9.29 25-29 Midland Road – sold in January 2023 at a price equating to a yield of 11.8%.
- 9.30 In assessing the rental levels for the various properties, the overwhelming evidence on Silver Street in the vicinity of the various subject premises (set in the main by the lettings on the properties themselves) is at £35 zone A. With the exception of 10 Silver Street, which is a more prominent unit, we have, therefore, adopted this level of zone A for Silver Street.
- 9.31 The properties on High Street were harder to evaluate, due to the vastly differing sizes, the relative scarcity of recent evidence and the varying ownership structures and locations compared to the limited evidence. However, taking all these factors into account, the figures used were between £25-£28 zone A.
- 9.32 Yields used were taken by comparison to the evidence of recent transactions; however allowances were made for the date of various of these transactions as the market was considerably affected for 9-12 months by the mini-budget of September 2022 and subsequent uncertainty in the face of rapidly rising interest rates. In the case of larger properties, e.g. 34-36 High Street, yields used and resultant valuation figures were cross-checked against the overall capital value figures achieved on the sales of larger premises.

## 10. Valuations and approaches

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### Market Rent approach

- 10.1 We have adopted the Market Approach to valuation, having regard to the comparable transactions and our interpretation of market sentiment.

### Fair Value approach

- 10.2 We have adopted the Market and Income Approaches using the investment method of valuation, having regard to comparable investment transactions and market sentiment.
- 10.3 Essentially, when valuing the Properties subject to the existing tenancies, we have applied equivalent yields to the current and anticipated future income streams. We have built in anticipated income voids and holding costs, as necessary, at lease expiries, before rounding and deducting usual acquisition costs applicable to the particular lot size.
- 10.4 When valuing on the Special Assumptions made above, we have similarly capitalised our opinions of the Market Rents on an equivalent yield basis, building estimated marketing voids, holding costs, if any, letting & legal fees and an estimated contingency sum for repairs, as appropriate if we have been able to inspect the buildings. Usual acquisition costs are then deducted applicable to the particular lot size. The resultant valuation is then cross-checked against sales of comparable properties, analysed on a £s per sq ft basis.

### Fair Value, subject to existing tenancies

- 10.5 We are of the opinion that the aggregate Fair Values of the freehold interests in the Properties, subject to the existing tenancies, as at the valuation date is:

**£4,145,000**

**(Four Million, One Hundred and Forty Five Thousand Pounds)**



- 10.6 This portfolio valuation reflects the aggregate Fair Values of the individual assets. No adjustments have been made to reflect any potential flooding of the market or prudent letting in the event of a combined purchase.
- 10.7 Our opinion of the Fair Values of the portfolio or individual assets is set out in the Valuation Summary and in the Property Proforma reports.
- 10.8 We consider between 3 and 6 months to exchange contracts would be a realistic period required to achieve the individual values.

### **Value Added Tax**

- 10.9 Our valuation is exclusive of VAT unless otherwise stated.

### **Market conditions explanatory note**

- 10.10 The individual values are not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

### **Fair Value hierarchy**

- 10.11 Assets or liabilities measured as Fair Value are classified into one of three levels based on the nature of the inputs that are used to determine the Fair Value, as follows:
- Level One Inputs are quoted prices in active markets for identical assets or liabilities;
  - Level Two Inputs are quoted prices in active markets for assets or liabilities that are observed directly or indirectly, other than prices included in Level One;
  - Level Three Inputs are unobservable inputs for the asset or liability.
  - The reported Fair Values are undertaken using Level Two Inputs.

## **11. Limitations, disclosures and publication**

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- 11.1 Our aggregate liability arising out of, or in connection with this valuation, whether arising from negligence, breach of contract, or any other cause whatsoever shall not exceed the lower of 50% of the aggregate Fair Values reported, or £10 million.
- 11.2 This Valuation Report is provided for the stated purposes and for the sole use of the named Client. It is confidential to the Client and to their professional advisers. We accept no responsibility whatsoever to any third party for the whole or any part of its contents. Any such parties rely on this report at their own risk.
- 11.3 Neither the whole nor any part of this Valuation Report nor any reference hereto may be included in any published document, circular, or statement, or published in any way without the written approval of the form and context in which it may appear.

Signed:

Signed:

Date: 31<sup>st</sup> July 2024

Date: 31<sup>st</sup> July 2024

Rob Amey BSc(Hons) MRICS  
Partner  
For and on behalf of  
Hartnell Taylor Cook LLP

Jonathan Gilbert MRICS ACI Arb  
RICS Registered Valuer  
Consultant  
For and on behalf of  
Hartnell Taylor Cook LLP



## Appendix 1

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### Valuation Summary & Location Map

## SUMMARY OF VALUATIONS

	Property	Tenure	Tenant (if known or assumed)	Fair Value
1	10 Silver Street, Bedford	FH	████████████████████	██████
2	12 Silver Street Bedford	FH	██	██████
3	14 Silver Street, Bedford	FH	██████████	██████
4	22-24 Silver Street, Bedford	FH	██	██████
5	30-32 High Street Bedford	FH	████████████████████	██████
6	34-36 High Street, Bedford	FH	Lloyd's Bank	£920,000
7	38/40/40A High Street Bedford	FH	██	██████

- \* Assuming a leaseback on sale to ██████████ (see property proforma)
- \*\*Assuming a leaseback on sale to ██████████ (see property proforma)
- \*\*\*Assumes refurbishment works of sports bar completed.

## Appendix 2

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### Instruction Letter & Terms of Engagement

## Appendix 3

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### Property Proformas

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