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1 Introduction

This note presents economic and financial information for Option 3 as described in the Redditch Library FBC.

2 Economic Overview

Table 1 presents a summary of the cost-benefit analysis of the option. The methodology used as part of this analysis is the same as has been presented in previous iterations of the FBC document and will be described in detail in the final version of the FBC.

Please note that the economic costs presented below do not represent the financial cost of the project. Economic costs represent the social cost of the project to society. Financial costs are detailed in Section 3 below.

2.1 Benefit and Cost Overview

Table 1: Cost benefit analysis summary

Economic Case – value for money analysis	Option 3 – small rectangular new build
Total net additional benefits	
Labour Supply Benefit	£6,723,426 ¹
Amenity Benefit	£132,873
VURT - Commercial	£1,133,609
VURT - Residential	£894,227
Vacancy Uplift/Impact of increased footfall	£1,814,218
Total benefits for the BCR (A)	£10,698,353
Costs	
Total cost (B)	£4,044,426
Of which is private sector cost (C)	£0
BCR calculation formula (A-C) / B	2.6
NPSV	£6,653,927
Sensitivity tests	
Sensitivity 1 BCR – lower demand for rentable restaurant and office space	1.9

¹ Based on gross direct jobs creation of 40 FTE.

Sensitivity 2 BCR – 50% lower impact on public realm	2.2
Sensitivity 3 BCR – 50% increase in costs	1.8

The quantitative outputs shown above should be considered alongside the qualitative analysis presented in the main FBC document.

3 Financial Overview

3.1 Capital Cost Summary

Tables 2 and 3 present a summary of the financial costs of the scheme.

Table 2: Financial cost summary

Source	Option 3 – small rectangular new build	
Mott MacDonald	Facilitating Works Estimates	£505,000
	Cost of Building Work	£2,066,323
	Main contractors' preliminaries	£463,000
	Main contractors' overheads and profit	£152,000
	Design & Project Team Fees	£239,000
	Risk Allowance	£343,000
	Inflation	£248,000
Aspinall Verdi	Planning cost	£50,000
	Project financing	£0
	Sales and Legal fees	£21,107
	Marketing	£7,036
	Development Management	£103,030
Total	£4,197,494	

Table 3: Annualised cost summary

	Total	2022/23	2023/24	2024/25	2025/26
Option 3	£4,197,494	£50,000	£1,129,216	£1,505,621	£1,512,657

3.2 Funding

Table 4 presents the funding requirement for the scheme.

Table 4: Funding

	Option 3 – small rectangular new build
Towns Fund Grant	£4,197,494
Loan	£0
Total	£4,197,494

Funding for the project will be provided primarily by the Towns Fund. A total of £4,200,000 is available from the Town Deal grant funding. This constitutes 100% of the total capital cost of Option 3.

3.3 Affordability

Analysis of potential rental income from both the Office and Food and Beverage space has been undertaken by Aspinall Verdi. Gross annual revenue for the building is estimated at £102,810. This is based on the assumption that individual tenants take on the responsibility for the internal maintenance and bills of their units.

Annual operating costs for the management of the building, external maintenance, letting expenses and potential void costs, accounting for gaps in rental income, are estimated at 10% of the annual revenue for the Food and Beverage Units and 7.5% of the annual revenue for the Office units. These costs will be borne by the owner of the building. Once these costs are accounted for, annual net revenue is estimated at £94,042.

For the project to be deemed affordable it should be the case that additional ongoing costs, such as financing costs, that the council or operator will incur are less than the annual net revenue. Advice to be sought from Redditch Borough Council on the potential annual cost of loan repayment.

Table 5: Revenue

	Option 3 – small rectangular new build
Gross annual revenue	£102,810
Net annual revenue	£94,042