

CABINET

16 March 2011

VOLUNTARY SECTOR ACCOMMODATION

REPORT OF ASSISTANT DIRECTOR (ACTIVE COMMUNITIES)

Contact Officer: Jen Anderson Tel No: 01962 848 592

RECENT REFERENCES:

[CAB2126](#), 9 February 2011, Voluntary Sector Accommodation

EXECUTIVE SUMMARY:

The situation in respect of accommodation for voluntary organisations based in Winchester, and the context in which these organisations are now operating, has changed – particularly with the economic downturn and the Comprehensive Spending Review which has resulted in a reduction in the amount of public sector funding available to support voluntary organisations. This has had an impact on the viability of the Winchester Centre in St Georges Street, as set out in CAB2126. Winchester Area Community Action (WACA) has signalled its intention to surrender its lease on the building back to the Council. This report sets out the results of an options appraisal and recommendations for action.

RECOMMENDATIONS:

That Cabinet:

1. Authorises the Head of Legal Services to accept a surrender of the lease on 68, St Georges Street from Winchester Area Community Action subject to conditions set out at Paragraph 7 of the report.
2. Authorises the Head of Estates to undertake minor alterations as necessary at 68, St Georges Street to prepare for a new lease.
3. Approves the principle of letting 68, St Georges Street for office/consulting purposes.

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4. Approves the principle of letting accommodation within City Offices described in the report, on terms to be approved by the Head of Estates.
5. Authorises the Head of Estates to undertake alterations as necessary to create a suite of accommodation suitable for voluntary sector partners within the Council's City Offices building in Colebrook Street; and authorises the Head of Estates to submit such applications for statutory consents as may be required to enable the works proposed to the City Offices to be undertaken.
6. Authorises the Head of Estates to seek separate rating assessments for the new accommodation to be created in the City Offices and at 68 St Georges St, to enable charitable rate relief to be applied for by the appropriate occupiers.
7. Recommend that where the criteria for discretionary rate relief are met, it be granted to WACA, CAB and other charitable organisations occupying space within the City Offices and at 68 St Georges St, Winchester.
8. The Head of Estates be authorised to enter into contracts for the provision of services to the occupiers of 68 St Georges Street, such as cleaning, lift, fire extinguisher and alarm maintenance, to be paid for by the occupiers via a service charge.
9. Subject to the approval of these proposals by Cabinet, the Chief Executive be authorised to use his delegated powers (as a matter of urgency) to provide authority to incur capital expenditure (within budget) necessary to adapt the ground floor accommodation in the City Offices referred to in the report for independent use.
10. The appropriate gross revenue budgets for operation of the new accommodation within City Offices and at 68 St Georges St to facilitate appropriate service charge accounting be agreed between the Portfolio Holder, and the Heads of Estates and Finance (with a net nil effect on the Council's total Budget Requirement).
11. That approval be given for the Assistant Director (Active Communities) in consultation with the Portfolio Holder for Transformation and Resources and the Head of Finance to agree the terms of a loan to be made to WACA.

## CABINET

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### VOLUNTARY SECTOR ACCOMMODATION

#### REPORT OF ASSISTANT DIRECTOR (ACTIVE COMMUNITIES)

#### 1 INTRODUCTION

2 The situation in respect of accommodation for voluntary organisations based in Winchester, and the context in which these organisations are now operating, has changed – particularly with the economic downturn and the Comprehensive Spending Review which has resulted in a reduction in the amount of public sector funding available to support voluntary organisations. This has had an impact on the viability of the Winchester Centre at 68, St Georges Street as reported in CAB2126. Winchester Area Community Action (WACA), the current leaseholder, has signalled its intention to surrender the lease back to the City Council and Cabinet agreed to a formal appraisal options for the continued support of WACA and, through them the voluntary and community sector. This paper updates Cabinet on changes to circumstances since the previous report, sets out the results of an options appraisal undertaken to determine the best way forward, and makes recommendations.

#### 3 OPTIONS APPRAISAL- RELEVANT STRATEGIC OBJECTIVES

3.1 The work of the Winchester Centre helps deliver several outcomes in the Sustainable Community Strategy. Those particularly relating to the work of the Centre are the priority areas of older people's wellbeing, and access to services. Under 'active communities', the following are most relevant:

- People play an active role in their community and help shape how resources are used to deliver local services
- Communities ensure everyone can access the services they need
- People enjoy a range of learning opportunities throughout their lives both formal and informal
- They can share their skills and talents through the district's many volunteering networks.

3.2 The Active Communities Change Plan in relation to the Winchester Centre seeks to achieve:

- Long term sustainability for important services (this refers especially to key clients located at the Winchester Centre - CAB (Winchester) and WACA)

- More efficient and effective working arrangements
- Closer working between sectors

3.3 The Council's Efficient and Effective Change Plan seeks to:

- Lead by example in using our own operational properties to address workspace deficiencies.
- Exploit relevant opportunities for securing shared service delivery and accommodation.

3.4 As the Council explores its new approach of seeking to 'commission' more services and activities from third parties, so WACA will be a key partner in assisting to develop the capacity of the voluntary, not-for-profit and community sector to respond to these opportunities. Whilst it is important that WACA retain their independence from the City Council, it is considered essential that the Council facilitates closer working, and supports WACA in its evolving role.

#### 4 THE CURRENT SITUATION

- 4.1 While feasibility of options was being explored, an opportunity has arisen for the Council to let almost all the space at 68, St Georges Street to a new occupier on a non-secure lease for a minimum of 2 years with access required from 1 April 2011. This would bring in much-needed income and would mean that options for the long term future of the building could be developed while market conditions improve. Winchester Area Community Action (WACA) gave notice to their existing licensees on 21 February 2011. The notice period is 3 months but WACA will assist the Council by making the 2<sup>nd</sup> floor available by 1 April. Where they can, WACA will assist current licensees to find alternative accommodation.
- 4.2 The prospective new occupiers of 68, St Georges Street will not need that part of the building currently occupied by CAB (Winchester), thereby providing an option for CAB (Winchester) to stay on in the building on new terms. It would be difficult to source suitable alternative accommodation for CAB in the short term and this will provide time to consider how their needs can best be met in the medium term. Provided the space is affordable and that the CAB requirements for confidentiality etc are not in conflict with the new occupiers, CAB are content with this proposal.
- 4.3 The accommodation at 68 St Georges St and within the City Offices will have to be let on internal repairing terms, however costs of occupation will have to be recovered by way of a service charge. The Council will have to take on responsibility for the maintenance of the structure, the mechanical and electrical plant and for the provision of services such as cleaning, lift, alarms, fire extinguishers etc and it will therefore be necessary to set up new or extend existing contracts for the provision of these services. The costs of the service charge items have yet to be finalised, but it will be necessary to create appropriate revenue budgets to enable the proper management of the building to be effected. It is recommended that appropriate (gross) service

charge budgets for both buildings be agreed between the Portfolio Holder and the Heads of Estates and Finance, on the basis that this will not increase the Council's total Budget Requirement.

## 5 OPTIONS

5.1 The following options were appraised:-

A) The Council provides more financial assistance via grant aid to WACA to enable the current arrangements to continue, with WACA continuing as landlord and providing facilities management services as now.

B) The City Council agrees to enter into a deed of surrender of the premises, providing this can be done without incurring liability for the outstanding loan secured through a charge on the lease, in which case:-

B1 The Centre remains open; current licensees including WACA and CAB continue to occupy space and the Council takes over as landlord providing facilities management etc and seeking to fill any voids; OR

B2 The Centre remains open; current licensees including WACA and CAB continue to occupy space but a new contract is entered into with a third party to provide landlord services on behalf of the Council.

B3 As Options B1 or B2, but the period of continued occupation after surrender is limited. The Centre is closed after a length of time which allows occupiers to make arrangements to move their operations to other suitable premises. The building then becomes available to let, sell or re-develop.

B4 As B3, but with the Council providing accommodation for some Winchester Centre occupiers within the former parking office in Middle Brook Street on a temporary basis of between 2 and 3 years until site re-developed; and/or

B5 As B3, but with the Council providing accommodation for some Winchester Centre occupiers at the City Offices building in Colebrook Street on a longer term basis.

5.2 For the avoidance of doubt none of these options will affect the position of the commercial tenants on the ground floor of the building.

## 6 PREFERRED OPTION

6.1 Bearing in mind the strategic objectives outlined above, the assessment of options has given weight to WACA being able to continue to operate as a viable, independent organisation, but to free them from the encumbrance of having to provide building management services. The options took account of

the importance of supporting WACA and other voluntary sector organisations which provide valuable services to the local community. The appraisal also took into account the emerging option for lease of part of St George's Street to a third party.

6.2 These factors argue for WACA moving from the Winchester Centre to new accommodation. Financial and Estates considerations suggest any such move should take place sooner rather than later. The full results of the appraisal against each objective are held by the Assistant Director (Active Communities).

6.3 The preferred option is B5 whereby:

- The Council accepts surrender of the lease from WACA (subject to satisfactory resolution of the charge on the lease).
- Current licensees (with the exception of the CAB) move out to alternative accommodation.
- The Council seeks to achieve income from the building in the short term while longer term plans are developed (taking into consideration the position of all tenants of the building).
- The Council provides alternative accommodation for some voluntary sector partner organisations through adapting space which could be made available at City Offices, Colebrook Street.

6.4 This option best meets strategic objectives and financial considerations while minimising risk.

## 7 BUILDING REFURBISHMENT LOAN

7.1 As previously reported WACA has a loan with Hampshire County Council provided in 1995 to fund refurbishment of the building when it was first used as a home for voluntary sector bodies. The outstanding amount of that loan at 31 March 2010 was £176,000, and the loan is secured via a charge on the lease of 68, St Georges Street. Upon surrender of the lease the loan will become payable in full. Such a payment would take up all most of WACA's free reserves and leave them insolvent. The existence of the loan is also an impediment to the City Council accepting a surrender of the lease. For these reasons, urgent discussions have been taking place between the City Council and Hampshire County Council to resolve the issue. All parties have agreed an approach to providing for early settlement of that loan. This will entail WACA making a payment from their reserves on the actual settlement date (i.e. immediately before the deed of surrender is signed).

7.2 As part of the proposed tri-partite arrangement for early settlement of the loan, it is proposed the City Council maintain the current level of financial support provided to WACA for 2010/11. The 2011/12 budget contains provision to maintain funding to WACA at £101,800. In addition, WACA receives a rent

subsidy for the Winchester Centre (£73,000 in 2010/11) which will not be applicable once the Winchester Centre is closed. It is recommended that a payment of up to £60,000, drawn from this budget allocation for rent subsidy, be paid in 2011/12 only to ensure WACA's reserves are not unduly depleted in settling the loan. It is further proposed that part of this may be treated as a new loan, to be repaid over an agreed period. This is subject to the final details of support offered being agreed with WACA.

## 8 SURRENDER OF LEASE

- 8.1 Once the loan from HCC is settled, WACA will be in a position to surrender the lease to the City Council and give vacant possession of the Centre when the notice period for licensees has expired. It is recommended that officers be authorised to accept surrender of the lease subject to the following:-
- a) The surrender would take effect on 21 May 2011, and vacant possession would have to be given of the premises on or before that date;
  - b) Acceptable arrangements for the discharge of the existing legal charge in favour of Hampshire County Council would have to be agreed (see paragraph 7 above);
  - c) WACA would be required to use all reasonable endeavours to secure vacation of key parts of the facilities as soon as possible, and in any event by the end of March 2011, and permit access to these key parts to a prospective new tenant from 1 April 2011;
  - d) The Council would require the premises to be returned in their existing state, and all other covenants in the lease complied with up to the date of surrender;
  - e) WACA would have to pay all outstanding bills/rates/other outgoings on the premises up to 21 May 2011. The Council would pay a pro-rata proportion of these costs for any parts of the building which are vacated in accordance with (c) in advance of this date.

## 9 CREATING SPACE FOR VOLUNTARY ORGANISATIONS AT CITY OFFICES, COLEBROOK STREET

- 9.1 In line with strategic objective of securing closer working between public sector bodies and our aim of enhancing customer access through the City Offices to a wider range of services, the Council is in discussion with a number of potential partners about co-location at premises in Colebrook Street. Key voluntary organisations vacating the Winchester Centre are keen to co-locate there, providing multiple benefits, especially where there are valuable synergies with Council services and objectives.

- 9.2 Feasibility work has been undertaken to identify space in the Council's City Offices building which could be adapted to accommodate voluntary sector partner organisations, and in particular WACA and Relate.
- 9.3 The space identified is on the ground floor of the building behind the Customer Service Centre and currently occupied by the Land Charges and IMT Teams. The proposal will entail these teams moving to alternative space which can be made available elsewhere, in City Offices.
- 9.4 It is proposed that the configuration of the space will be in line with the Council's policy of hot desking with shared bookable meeting rooms including confidential spaces for consulting. In addition, the space will need to be made self-contained with its own entrance on to the Colebrook Street Car Park, and with its own toilets and kitchen facilities. This separation reflects the need for security for Council staff and data, as well as the importance of WACA and others to retain their independent identity.
- 9.5 It is recommended that delegated authority be given to the Head of Estates to agree terms for the letting of this space. The terms will provide for the payment of a rent for the floor space and a service charge to meet the proportionate cost of services provided.
- 9.6 The new accommodation will be capable of being rated separately and where the occupiers are able to obtain discretionary rate relief it is recommended that this be approved, to enable the costs of occupation to be reduced for both the Charities concerned and the Council.

## 10 CONCLUSION

- 10.1 This report has updated Cabinet as to the current situation and set out the results of the options appraisal and the recommendations flowing from this. Once approvals are in place, work to implement the preferred option can go forward.

## OTHER CONSIDERATIONS:

### 11 SUSTAINABLE COMMUNITY STRATEGY (RELEVANCE TO):

- 11.1 A strong and vibrant voluntary sector is vital to enable the delivery of the Sustainable Community Strategy. It is also a desirable outcome in and of itself because of the rewards and benefits to individual volunteers and those they serve, and the increased resilience of communities. A strong voluntary sector is therefore promoted through the Sustainable Community Strategy and the active communities change plan.

### 12 RESOURCE IMPLICATIONS:

- 12.1 The financial implications of the package of proposals contained in this report are forecast to have no overall net effect on the total revenue Budget Requirement for the Council in 2011/12. However, gross income and gross



expenditure will each reduce by c. £13k pa. This is after taking into account the changes in support for WACA, Income from the proposed new 2 year lease on 68, St Georges Street, and Income from the new voluntary sector area at Colebrook Street.

- 12.2 An amount of £100,000 has been provided for in the budget in relation to potential costs arising from the surrender of the lease back to the Council.
- 12.3 Voluntary groups can be supported in accordance with s.2 Local Government Act 2000. This outlines a local authority's power to promote the economic, social and environmental well-being of their area and is relevant to partnership working with community organisations.
- 12.4 The Council must have full regard to the Sustainable Community Strategy when making grants or providing other financial assistance and the statutory guidance on 'well-being' powers and the statutory limitations in the Local Government Act 2000 does not preclude the actions proposed in this report. Additionally s.142 Local Government Act 1972 specifically enables support to be given to making information/advice centres available with voluntary groups.

### 13 RISK MANAGEMENT ISSUES

- 13.1 There is a risk of insolvency of key voluntary organisations if accommodation issues are not resolved in a way which is affordable for them and this would affect delivery of the Sustainable Community Strategy.
- 13.2 Much needs to be achieved in a very short timescale if the recommendations are to be implemented satisfactorily. Priority must be given to this project which will impact on progress of other projects.
- 13.3 The City Council also acts as Guarantor for the Pensions liabilities of WACA. The pensions liability included in the Financial Statements for the year 2009/10, calculated on an FRS17 accounting basis, was £398,500. There are various scenarios that would result in the crystallisation of this obligation, including if the organisation became insolvent.
- 13.4 There are a number of commercial tenants who occupy the ground floor of the building and due consideration will need to be given to their interests in determining options for the future use of the building.

### BACKGROUND DOCUMENTS:

Winchester Area Community Action [Report & Accounts](#)

### APPENDICES:

None