

REPORT TITLE: PROPOSED PURCHASE OF KAYAC PREMISES, WINNALL VALLEY ROAD, WINCHESTER

CABINET

19 October 2016

PORTFOLIO HOLDER: PORTFOLIO HOLDER FOR ECONOMY AND ESTATES

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WARD: ST BARTHOLOMEWS

PURPOSE

The report seeks authority to purchase the freehold of a commercial property currently occupied by the KAYAC youth organisation for investment purposes; to approve works to the property and to give the Assistant Director (Estates & Regeneration) delegated authority to let the premises on terms to be agreed.

RECOMMENDATIONS:

1. That the purchase of the freehold of the KAYAC building in Winnall Valley Road, Winchester be approved on the terms set out in the report and in Exempt Appendix B.
2. That approval be given under Financial Procedure Rule 6.4 to the capital expenditure for the project as set out in Exempt Appendix B
3. That the Assistant Director (Estates & Regeneration) be authorised to accept tenders for the works identified in the report in accordance with Contract Procedure Rule 9.2 (obtaining quotations/tenders)
4. That the Assistant Director (Estates & Regeneration) be given delegated authority to agree terms and let the premises for commercial purposes.
5. That the Assistant Director (Estates & Regeneration) be authorised to submit planning and other applications for works requiring statutory consent if these prove to be necessary.

IMPLICATIONS:**1 COMMUNITY STRATEGY OUTCOME**

- 1.1 The acquisition of this property will support the Prosperous Economy and Efficient and Effective Council themes of the Community Strategy

2 FINANCIAL IMPLICATIONS

- 2.1 The property will be let to secure an income stream. The financial implications are set out in Exempt Appendix B

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Section 120 of the Local Government Act 1972 provides powers for the Council to acquire land by agreement for any of their functions or for the benefit, improvement or development of its area. The works are to a value below the threshold at which an EU procurement process would be required.

4 PROPERTY AND ASSET IMPLICATIONS

- 4.1 The Council owns the land to either side of this property and its acquisition will complete the Councils freehold land holding on Winnall Valley Road. Works will be required to the property to put it into a condition capable of being let on full repairing and insuring (FRI) terms. These works will be managed for the Council by the Corporate Property Surveyor. It is anticipated that the property will be let on a FRI lease and this will be negotiated by the Assistant Director (Estates & Regeneration).

5 CONSULTATION AND EQUALITY IMPACT ASSESSMENT :

- 5.1 Consultation over the acquisition has been undertaken with the Leader, Portfolio Holder for Estates and Economy, Assistant Director (Economy and Estates) and the previous Portfolio Holder for Local Economy and Parking.

6 RISK MANAGEMENT

Risk (Detail specific risk under these headings)	Mitigation	Opportunities
Property 1. There is a risk that the price paid is too high. 2. There is a risk that the property requires repair	A valuation to determine Market Value has been undertaken A building survey has been undertaken and the extent of the repair has been determined	

3. There is a risk that the property will not let.	Undertake repairs and seek to secure a tenant as soon as possible	
Timescales 1. There is a risk that the legal work will take too long to complete	Legal have been asked to progress the legal work pending the decision of Cabinet	
Project capacity 1. There is a risk that there will not be sufficient resources allocated to the project	Legal and Estates staff have been allocated to the project	
Reputation 1. Failure to complete the purchase may damage the Councils reputation with Youth Options	Progress the transfer documentation pending the Cabinet decision, allowing for an early completion if the decision is approved	

7 SUPPORTING INFORMATION:

Introduction

- 7.1 The property which is outlined in black on the plan at Appendix A is a system-built commercial building extending to approximately 10,111 sq ft on a site of approximately 0.54 acres. The property was formerly owned by the City Council. The freehold was sold to the Trustees of the King Alfred's Youth Activity Centre (KAYAC) for use as a youth and community centre. The transfer included a covenant which restricted the use of the premises as follows:

That the Managing Trustees and those deriving title under them will not use the property or any buildings erected thereon for any purpose other than for youth or community purposes

Youth or community purposes is further defined as:- for the purpose of providing for young people or community groups organised activities including fund raising activities of a kind which is appropriate to hold in the property on a not for profit basis

- 7.2 For operational reasons management of the property passed from KAYAC to the National Association of Clubs for Young People and Youth Options which has continued to deliver youth services from the building and on an outreach basis. However the organisation has found it difficult to increase the number of people using the premises primarily due to its location on the Winnall

Industrial Estate. Consequently, in 2015 the Trustees agreed to investigate the sale of the property and to use the proceeds to establish operations in a more accessible part of the City.

7.3 The Council owns the freehold of the majority of the estate, with this parcel sold out of it. The majority of the buildings are let on ground leases providing a very secure form of investment and at some point the opportunity for a modern redevelopment will arise. In the meantime the property can be let to produce an income stream. It is therefore sensible for the Council to consider purchasing the building to strengthen its land holdings in the area.

7.4 A detailed building survey was commissioned and this identified that the following defects existed at 25 April 2016

Item	Defect	Remedial Works
1	Roof covering is bubbling and has failed in places	Replace roof covering, Allowing for improvements to thermal values but not for repairs to sub structure pending further investigations
2	Movement joints between concrete panels require replacement	Replace
3	Timber roof structure damage following roof leaks will be identified when the roof felt is removed	Remove defective timber and replace
4	blown sealed double glazed units	Replace
5	Soffit damaged to front elevation	Repair
6	Slipped and missing hanging tiles	Re-fix and replace
7	Spalling and damage to concrete panels	Repair
8	Cracked and brittle movement joints	Rake out and replace
9	Cracked lintel over front entrance door	Repair
10	Rainwater goods misaligned between gutter downpipe and underground drains	Realign
11	Damaged SVP to female WC on ground floor	Replace
12	Boundary Wall to front elevation cracked	Install expansion joints
13	Car park potholed	Isolated Repairs
14	Fencing to side elevations damaged	Repair
15	Damaged ceiling tiles throughout	Replace

Item	Defect	Remedial Works
16	Damaged tiles above sink and to accessible WC	Repair
17	Plasterwork hacked off wall in accessible WC	Repair and redecorate
18	No handrail provided to internal stairs	Install handrail
19	Provisional sum allowance for upgrades to fire precautions	
20	Electrical fixed asset tests	Instruct tests
21	Legionella risk	Mitigating works
22	Asbestos plan	Update asbestos management plan

7.5 A number of these defects will have to be made good before the premises are let and the details and estimated cost of the necessary works are set out in Exempt Appendix B. Approval is sought to appoint contractors to undertake the repair works as soon as possible after the completion of the purchase.

7.6 Terms have been provisionally agreed with the Trustees for the purchase of the freehold of the building for the price detailed in Appendix B. The purchase will be subject to the following terms:

1. The purchase to be subject to the provision of :-
 - an Asbestos Register and confirmation from this that there are no asbestos products in the building which would require removal
 - An electrical installation certificate
 - Gas safety certification
 - A copy of the planning consent
2. Each Party to pay their own legal costs and surveyors fees.
3. The conveyance to be subject to such other reasonable terms as are considered to be appropriate by the Head of Legal & Democratic Services to safeguard the City Councils interests and to give legal effect to the documentation

7.7 The Trustees would like the purchase to be completed as soon as possible. The Head of Legal & Democratic Services has progressed some of the necessary documentation in advance of a decision by Cabinet, allowing for an early completion in the event that Members do decide to proceed with the purchase.

- 7.8 Members are recommended to purchase the freehold of the property for the sum referred to in Exempt Appendix B. If Members do decide to proceed with the purchase, approval is sought to seek quotes for the repair work referred to above and for the lowest compliant offer to be accepted by the Assistant Director (Estates & Regeneration). The objective would be to commence the work as soon as possible after the purchase was completed. Approval is therefore sought under Financial Procedure Rule 6.4 to authorise the necessary expenditure. Approval is further sought to the principle of letting the property for an appropriate use. Depending upon the type of use which comes forward, it may be necessary to submit a planning application.
- 7.9 The proposed purchase of the property will deliver an asset which will enable an income stream to be secured and to provide a local employment opportunity. The works proposed will ensure that the property is offered for letting in a good condition in order to maximise the value.

8 OTHER OPTIONS CONSIDERED AND REJECTED

- 8.1 The option of varying the covenant to allow the Trustees to dispose of the property in the open market was considered by as an option, and this would produce a payment to the Council in recognition of increased potential value. Without being able to vary the covenant, the potential for disposing of the property is limited. However, the purchase of the building by the Council is considered a preferable course of action since the Council will not be bound by its own covenant and can therefore properly pay the Trustees a value reflecting this whilst benefitting fully from the acquisition.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

None

Other Background Documents:-

Building Survey Report: (Exempt)

APPENDICES:

APPENDIX A : Site Plan

APPENDIX B (Exempt) Financial information



Site Address:- KAYAC, 12 WINNALL VALLEY ROAD, WINCHESTER

Winchester City Council
Estates Division

Scale:- 1:500
Date:- September 2016

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Ordnance Survey 100019531.

Map Ref:- SU 4729/30

