**Portfolio Holder: Cllr J Smith**

1. **PURPOSE OF REPORT**
   1. The main purpose of this report is to provide an update on two council owned properties in Kettering Town Centre – namely, 6 Station Road and Sheerness House.
   2. The report will also briefly provide an update on other commercial investment decisions.

1. **INFORMATION**
   1. The budget report elsewhere on this agenda, highlights the fact that in the medium term the Council will need to consider schemes that can contribute to it being more financially independent. Such considerations include looking at how the Council can maximise the income generation opportunities of its assets – both existing and potential.
   2. The Council has become more actively involved in the commercial investment sector in recent times – this follows the change in the Council’s Financial Strategy where it was recognised that the Council would need to generate more income from innovative investment opportunities if it is to remain financially healthy in the medium term.
   3. This report primarily provides an update on where we are in relation to two potential development sites – namely 6 Station Road, and Sheerness House. Before looking at these, it is worth reminding ourselves of the successful strategy that the Council followed a little while ago in relation to the re-development of the Market Place and the construction of the Market Place Buildings.
2. **MARKET PLACE BUILDINGS**

3.1 The Market Places Buildings comprises of two restaurant units on the ground floor and part first floor mezzanine (Unit 1) with 10 apartments over two floors above the restaurants this was completed in 2011.

3.2 The apartments have proved to be popular and are let on an assured shorthold tenancies through a local estate agent who lease all 10 apartments from the Council.

3.3 Prezzo has a long lease for Unit 2 which commenced on 3rd August 2012 on a commercial lease agreement.

3.4 Chimichanga (also a Prezzo plc group company) has a long lease for Unit 1 this commenced on the 18th June 2013 again at a commercial level of rent. In effect both of these have an overage arrangement if trading exceeds a certain level whereby the Council receives additional income.

3.5 The net annual rent is around £200,000 per annum.

1. **6 STATION ROAD**

4.1 The Executive Committee considered a report in October 2014 in relation to the future use of this building. This three storey brick built property comprises of some 4,420 sq ft of internal space on 0.21 acres of land owned freehold by the Borough Council this is located at the northern end of Station Road between Clarendon House and Northampton House. It is currently vacant and has been for some time.

* 1. The previous report considered by the committee provided summary information on potential use options – it was agreed that a report be brought back to Committee in due course looking at the feasibility of the options relating to demolition and rebuild in greater detail.
  2. Since that time, work has been on-going looking at the potential options and the associated costs. The re-development options that are currently being worked on / costed include:

1. Mixed use (office ground floor and residential above)
2. Office Use (4 floors of offices)
3. Serviced Office Use (39 small offices over 4 floors)
   1. All three of the redevelopment options would involve building a new 5 storey brick built structure including a lower ground under-croft parking area that also includes storage and services. The design will need to be in keeping with the area.
   2. The Council has obtained indicative costings for each of the above. To ensure that the costings are robust, the Council has recently commissioned a second round of costings so that a fuller picture can be obtained. It should be remembered that should the Council go out to tender on any of the above options, a full and formal process will be undertaken which will determine the final cost of the scheme.
   3. Once the full costing exercise is completed it will be reported back to committee to determine a preferred option. Alternatively, the Committee may take the view that the soon to be convened Asset Management Board should look at the options in due course and recommend a way forward.
   4. Based upon the analysis that has been undertaken to date, it is likely that any decision on the re-development of the site is likely to be a finely balanced one – and one that we will need to closely look at whether an acceptable level of commercial return is realistically achievable.
   5. Earlier in the process it had been hoped that there may be a larger development potential for the site in conjunction with a neighbouring property that was also for sale. That opportunity no longer exists.

**5. SHEERNESS HOUSE**

* 1. Sheerness House is a flat roofed, concrete framed 5 storey building built in 1969 as an office block to house the HQ for solicitors Wilson Browne. In 2015 Wilson Browne vacated the building and it was subsequently put on the market for sale through commercial agents BNE at an asking price of £575,000.
  2. An independent valuation of the property was undertaken by chartered surveyors, Budworth Hardcastle. The open market value of the property (with vacant possession) was reported to be £495,000.
  3. In February 2015 the Executive resolved that delegated authority be given to the Head of Democratic & Legal Services to complete the purchase of the property at the negotiated price of £460,000. The proposed acquisition being in line with the prioritisation golden rules approved by the Executive in July 2014. It was also resolved that the potential options for usage be assessed further to establish which is the most appropriate.
  4. A report went to Executive in March 2016 outlining the possible options for the future use of the property in line with the Council’s guiding principles. It was resolved that the preferred option for the redevelopment of Sheerness House is for residential use and a planning application be prepared and submitted, if necessary, and a procurement exercise take place to identify a preferred tenderer to progress the scheme (subject to a report back to the Executive Committee).
  5. Discussions have taken place between architect, Philip Evans (who produced basic scheme plans for the residential conversion) and the Council’s Development Services team to ensure that the proposed scheme complies with building regulations. The main areas of concern being the fire escape routes and distances and the level of thermal insulation required for the conversion. The layout / design will hopefully overcome any issues over fire safety. The insulation will be addressed when installing a new roof covering and potentially new external cladding and double glazed windows.
  6. Planning permission is not required for the change of use for the internal conversion. A ‘Notification for Prior Approval for a Proposed Change of Use of a building from Office Use to a Dwellinghouse’ is required by Development Services and this is being completed by the Council’s Property Services Manager. However if the external appearance is changed i.e. new cladding then planning permission would be required during the building works.
  7. The next stage is for the architect to produce a design brief and a schedule of requirements for a building contract with contractors final design. The resultant information pack will allow the Council to go out to tender to obtain a fixed price to undertake the work.
  8. On receiving the tenders a report will be produced for the Executive Committee providing the results of the tender process and requesting permission to proceed with the development subject to acceptable costs and returns on the investment.
  9. The tender process should commence in July 2016. Following the submission of tenders a further report will be brought to the Executive in autumn 2016.

**6. CONSULTATION & CUSTOMER IMPACT**

6.1 None as a direct result of this report.

**7. POLICY IMPLICATIONS**

7.1 Members have made their priorities for infrastructure and jobs led growth clear, these are the prerequisites of growth. Members have indicated they wish to use the growth agenda to leverage three key interrelated ambitions for the Borough; namely:

* A better offer for our town centres.
* A better education and training offer.
* A better employment offer – high grade, higher density jobs.

1. **FINANCIAL IMPLICATIONS**
   1. None as a direct result of this report.

8.2 However, it is worth reminding members that the Council’s Capital Programme for 2016/17 has a budgetary provision of £2m for Commercial Investments. The capital costs of these schemes will ultimately be financed from that budget.

1. **RECOMMENDATIONS**

That the Executive Committee;

* 1. Note the continued success of the Market Place Buildings project;
  2. Note the progress updates in relation to 6 Station Road, Kettering and Sheerness House, Kettering.

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| Background Papers: |  |
| Title Asset Management Reports |  |
| 15/10/2014  18/02/2015  16/03/2016 |  |
| Contact Officer Head of Democratic and Legal |  |

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| Previous Minutes/Reports: |  |
| Ref: |  |
| Date: |  |