



Potential sale of Riverside premises, Oban Road, Lochgilphead

The following paper was circulated to the F & GP Committee for approval by email as the potential purchaser required to know we were looking to sell by 5 Feb to allow them to submit a grant application. The recommendations in the paper were approved by the F & GP Committee members.

Background

This building was the original premises from which the college operated in Lochgilphead. For the last ten years it has been rented out to Citizens Advice Bureau, at a rental of £11,500 per annum. It was purchased in 2001 at a cost price of £117,500. A further £227.5k was spent on refurbishment, giving a total cost of £345k, all of which was grant funded as follows:

Building Acquisition Grant

UHI Millennium Commission (through UHI) – up to £69,900
Argyll & Islands Enterprise – up to £52,300
Up to 122,200

Building Development Grant

Argyll & Islands Enterprise – up to £78,400
ERDF (also through UHI) – up to £141,200
Millennium Commission (through UHI) – up to £30,100
Up to 249,700

The terms of the AIE grant is that the 'period of obligation' is 10 years from the first payment of the grant. Since this was in 2001, it is safe to say that the period of obligation would appear to be over. I have been in correspondence with UHI Executive Office (EO) over the ERDF and Millennium Commission grants. I have now received an email from Fiona Larg, the Chief Operating Officer at EO who says 'The grant from the Millennium Commission is now administered by the Big Lottery Fund. There was no expiry date on the original grant but we have now negotiated a 40 year declining obligation period which would leave £60,000 unexpired. I have written to the Big Lottery Fund to request that this amount can be retained and held in an escrow account to be used only with their approval rather than be repaid. I will let you know when I receive a response.' BLF have now sent our request to their lawyers, but given that the building is far from making a profit on sale, I am not anticipating difficulties with this.

June Speirs of EO who deals with European funds has been given formal approval from Scottish Govt and the following is an extract from the email sent to her with regard to the ERDF part of the funding.

'The MA use a 'windfall' calculation in the first instance to test whether there expected to be any excess resulting in the value of the property once the other contributions have been considered. I note the funding from (or directly through UHI from the Millennium Commission) UHI is over the £ 96K value noted below. In this circumstance there is no requirement for any further consideration of repayment of ERDF grant.

Please retain this e-mail on file for future reference and also note the need to inform us of a variation if the actual sale value increases significantly from that noted below.'

The building is in the accounts currently at a written down value of £225k. There is also an amount of £225k in the restricted capital fund reserve relating to this.

The building adjoins the swimming pool in Lochgilphead, and the Board and management of the pool (a voluntary sector organisation) approached us about purchasing the building from us last year. Their bid for the building depends entirely on them being awarded grant funding from the Scottish Land Fund, and in order to make their application, they had to have a valuation of the building carried out. This came in at £90k.

We also had a valuation carried out which, based on a rental value of £11500 per annum, came in at just under £96k. However, in discussion with MacPool management, their grant funder will provide no more than the valuation they have procured. We could arrange for a joint valuation, which would cost us both money in surveyors' fees, and the possibility is that it could feasibly come back at a lower valuation.

Our tenant has just served notice to quit the premises, and their finances appear to be in such a condition that payment of the last year's rental may not be forthcoming unless a serious financial rescue plan is agreed by the Council.

If the College was in negotiation with eg MacLeods or some other commercial organisation for the premises, we would take a more hard line on negotiations, and it would be worth our while getting surveyors and lawyers involved in such negotiations. But the likelihood is that MacPool have no real ability to negotiate on price. They can only offer us what the grant funder is willing to offer them.

In my opinion, there wouldn't appear to be much of a market for this building since it is joined to the swimming pool on one side and a nursery on the other, other perhaps than to either MacPool or possibly the nursery for expansion.

Clearly by accepting £90k as the selling price, we will have a £135k loss on disposal which will be accounted for in the Income and Expenditure Account. There will however also be a transfer of the £225k capital grant reserve from Restricted reserves to Unrestricted reserves.

MacPool requires to know that we are willing to accept this price as soon as possible as their application needs to be in to the Scottish Land Fund by 5 February.

All things considered, and since I feel that this may be our one chance for liquidating this particular asset, my recommendation is that we agree the price of £90k with MacPool. I would suggest that the proceeds of this sale should be ring fenced towards new premises in Dunoon.

Ailsa E Close

23/1/18