

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**  
**EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE**  
**CABINET**

**PART I**

**15<sup>th</sup> October 2014**

**1. PROPOSED FREEHOLD DISPOSALS – 2-10 HASSELL STREET, 15-21 BRUNSWICK STREET (INCLUDING 17A HANOVER STREET), NEWCASTLE**

**Submitted by:** Property Manager

**Portfolio:** Economic Regeneration, Business and Town Centres

**Ward(s) affected:** Town Ward

**Purpose of the Report**

- 1) To consider the disposal of no's 2 – 10 Hassell Street, which comprises four tenanted, ground floor retail units no's 4-10 Hassell Street and vacant first and second floor former offices no. 2 Hassell Street.**
- 2) To consider the disposal of no's 15 -21 Brunswick Street, comprising 3 tenanted, ground floor retail units no's 15-19 Brunswick Street, small first floor office suite, no. 17a Hanover Street and vacant, first and second floor former offices, situated above, no's 17a and 21 Brunswick Street.**

**Recommendations**

- 1. Dispose of the Council's freehold interest of 2-10 Hassell Street and 15-21 Brunswick Street (Including 17a Hanover Street), Newcastle subject to the offers being at values representing 'best consideration'.**
- 2. If no offers are received in response to the current marketing exercise or the offers are not considered to achieve 'best consideration', that your Officers are authorised to continue marketing the premises.**
- 3. Subject to the outcome of recommendation 2 that officers, in consultation with the Portfolio Holder of Economic Regeneration, Business and Town Centres, be authorised to accept a future offer so long as this represents best consideration.**
- 4. That steps be taken as part of the future budget-setting and MTFS processes to address the loss of annual rental income from the properties.**

**Reasons**

- 1. The Council will realise capital receipts which represent best consideration.**
- 2. The Council will not have to pay for essential repair and ongoing maintenance works to the properties.**
- 3. The upper floors of these two buildings will be brought back into productive use at no cost to the Council, thereby achieving regeneration objectives.**

1. **Background**

**2-10 Hassell Street, Newcastle**

- 1.1 The Council owns the freehold interest of these town centre premises, situated adjacent to the bus station. The property comprises four tenanted retail units on the ground floor, vacant first and second floor former offices and a rear car parking area which serves these properties.
- 1.2 The shop units, no's 4-10 Hassell Street are leased on terms as set out in the confidential report in Part II of your agenda.
- 1.3 Essential works to the roof and windows (estimated cost set out in the confidential report at Part II of your agenda) have been identified in the Stock Condition Survey for completion in 2016/17. These works are required to maintain the fabric of the building regardless of whether the first and second floors are refurbished.
- 1.4 The vacant first and second floor offices extend to approximately 8,520 sq. have been vacant since 2006 and require complete refurbishment if they were to be brought back into use. The estimated cost of refurbishment for office use is set out in the confidential report at Part II of your agenda.

**15-21 Brunswick Street (including 17 a Hanover Street), Newcastle**

- 1.5 The Council owns the freehold interest of the above edge of town centre premises, situated opposite Jubilee 2. The property comprises three tenanted retail units on the ground floor, one of which has a small first floor office suite, no. 17a Hanover Street. The other first and second floor rooms, formerly used for office purposes, are in need of repair if they are to be put back into beneficial occupation.
- 1.6 15-19 Brunswick Street and 17a Hanover Street are leased on terms as set out in the confidential report at Part II of your agenda.
- 1.7 Essential works to the roof and the security of the building have been identified in the Stock Condition Survey for completion in 2016/17 at an estimated cost which is set out in the confidential report at Part II of your agenda. These works are required to maintain the fabric of the building regardless of whether the first and second floors are refurbished.
- 1.8 The first and second floor former offices extend to approximately 2,238 sq. ft. No. 15a Brunswick Street has been vacant since 2005 and 21 Brunswick Street has not been occupied since 1995. The upper floors require significant refurbishment if they were to be relet for office or any other use. The estimated cost for these works is set out in the confidential report at Part II of your agenda .
- 1.9 Both properties occupy prominent locations within and adjacent to Newcastle Town Centre wherein the Council (and the Town Centre Partnership) is keen to promote regeneration and investment.

2. **Issues**

- 2.1 The first consideration in these cases is whether the Council would, in the disposal of the properties achieve “best consideration” (as defined in S.123 of the Local Government Act 1972 (as amended)). In both instances the Council has received an opportunistic offer so in order to establish whether they represent best consideration your officers have undertaken a marketing exercise (in liaison with the Portfolio Holder). The closing date for receipt of offers is 10 October 2014 and the outcome of that process, along with the initial offer will be reported at your meeting. In the event that officers are satisfied that best consideration can be achieved then disposals will be recommended, taking account of the information in the confidential report at Part II of your agenda. The assets would be sold subject to the leasehold interests described in the latter report.
- 2.2 The capital receipts derived from these disposals would contribute towards the Council's future capital programme requirements.
- 2.3 However there will be a loss of rental income to the Council which will need to be mitigated as part of the MTFS and annual budget setting processes.
- 2.4 Whilst it is not a matter that can be taken into account in the Council's judgement of 'best consideration' Members should be aware of the potentially beneficial impact upon the town centre economy of securing investment into, and beneficial occupation of, these buildings.

3. **Options Considered** (see information in the report at Part II of this agenda)

**Option 1 – retain both the assets within the Council's portfolio.**

- 3.1 If the Council retains Hassell Street:
  - It will continue to receive a rental income;
  - It will continue to hold a freehold land asset within the centre of Newcastle town;
  - It will be required to incur expenditure , in accordance with the stock condition survey, in 2016/17 on the fabric of the building;
  - Should it wish to bring the upper floors back into use then it will be required to incur capital expenditure to bring the premises into a satisfactory state of repair.
- 3.2 If the Council retains Brunswick Street:
  - It will continue to receive a rental income ;
  - It will continue to hold a freehold land asset on the edge of Newcastle town centre;
  - It will be required to incur expenditure, in accordance with the stock condition survey, in 2016/17 on roof repairs and the security of the building;
  - Should it wish to bring the upper floors back into use then it will be required to incur capital expenditure to bring the premises into a satisfactory state of repair.
- 3.3 The upper floors of both buildings will remain empty until considerable capital sums are spent to refurbish them.

**Option 2 – Dispose of both assets**

- 3.4 Subject to achieving 'best consideration' the Council would be able to realise significant capital receipts – offers to be circulated on confidential papers prior to the meeting.
- 3.5 It will result in a loss of rental income.
- 3.6 The Council will not have to pay for essential works to the properties. Neither will the Council have to consider further maintenance or refurbishment of the building in order to bring the upper floors into viable use.
- 3.7 The upper floors of these buildings will be brought back into use at no cost to the Council.

**Option 3 Dispose of Hassell Street and retain Brunswick Street**

- 3.8 There will be a capital receipt in respect of Hassell Street but will result in loss of rental income.
- 3.9 The Council will not have to pay for essential works to Hassell Street.
- 3.10 The upper floors of Hassell Street will be brought back into use at no cost to the Council.
- 3.11 If the Council retains Brunswick Street:
  - It will continue to receive a rental income;
  - It will continue to hold a freehold land asset on the edge of Newcastle town centre;
  - It will be required to incur expenditure, in accordance with the stock condition survey, in 2016/17 on roof repairs and the security of the building;
  - Should it wish to bring the upper floors back into use then it will be required to incur capital expenditure to bring the premises into a satisfactory state of repair.

**Option 4 – Retain Hassell Street and Dispose of Brunswick Street**

- 3.12 If the Council retains Hassell Street:
  - It will continue to receive a rental income
  - It will continue to hold a freehold land asset within the centre of Newcastle town;
  - It will be required to incur expenditure, in accordance with the stock condition survey, in 2016/17 on the fabric of the building;
  - Should it wish to bring the upper floors back into use then it will be required to incur capital expenditure to bring the premises into a satisfactory state of repair.
- 3.13 There will be a capital receipt in respect of Brunswick Street but will result in loss of rental income.
- 3.14 The Council will not have to pay for essential works to Brunswick Street.
- 3.15 The upper floors of Brunswick Street will be brought back into use at no cost to the Council.

4. **Proposal and Reasons for Preferred Option**

- 4.1 On the assumption that the offers from the market represent best consideration, Option 2 is recommended.
- 4.2 The Council will not have to pay for essential works to the properties. Neither will the Council have to consider further maintenance or refurbishment of the buildings in order to bring the upper floors into viable use.
- 4.3 The upper floors of these buildings will be brought back into beneficial use at no cost to the Council.

5. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- 5.1 The disposal of these assets will enable the achievement of priority outcomes in all four of the Council's corporate priorities.

6. **Legal and Statutory Implications**

- 6.1 The Council has a duty, both fiduciary and operationally to utilise its Assets for the benefit of the community.
- 6.2 Local Government Act 1972 – Section 123 - the Council has a duty to achieve best consideration for disposal of its assets.
- 6.3 Local Government Act 2000 - powers to promote the economic, social and environmental wellbeing of the Borough.

7. **Equality Impact Assessment**

- 7.1 There are no such issues arising from this report.

8. **Financial and Resource Implications**

- 8.1 Should the disposals proceed the Council will:
  - Benefit from significant capital receipts;
  - Not have to pay for essential works to the properties within the next two to three years;
  - Lose rental income and;
  - Avoid having to fund long term maintenance and/or refurbishment of upper floors.
- 8.2 Clearly the receipt of capital funds will assist the Council in meeting its Capital Programme requirements.
- 8.3 The loss of rental income will negatively affect the General Fund and will need to be addressed in the MTFS and annual budget-setting processes.

9. **Major Risks**

- 9.1 Loss of revenue income to the council which will need to be mitigated as part of the MTFS and budget-setting processes.

10. **Sustainability and Climate Change Implications**

- 10.1 None.

11. **Key Decision Information**

- 11.1 The report is referred to in the Forward Plan.

12. **Earlier Cabinet/Committee Resolutions**

- 12.1 None.

13. **Appendices**

- 13.1 Location plans