

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO COUNCIL

27th November 2013

**PROPOSED RETAIL-LED REGENERATION AND REDEVELOPMENT OF
LAND AT RYECROFT COMPRISING SITES OF THE FORMER
SAINSBURY'S SUPERMARKET AND THE CIVIC OFFICES**

Submitted by Executive Director, Regeneration and Development

Portfolio: Planning, Regeneration and Town Centres

Ward(s) affected: All (but primarily Town)

Purpose of the Report

To update Members on actions and next steps required to secure a retail-led regeneration and redevelopment of land in the Ryecroft area of the town centre and to seek approval for key actions required to enable progress to be made on the redevelopment plans.

Recommendations

1. That officers be authorised in liaison with its Joint Venture partner, Staffordshire County Council to commission the demolition of the former Sainsbury's store on the basis set out in the report, including the seeking of necessary consents.
2. Subject to in-principle approval being given to relocate from the Civic offices, officers be authorised to proceed with the formal marketing of the Ryecroft redevelopment opportunity, with the aim of securing a preferred developer/investor.
3. That approval is given, in principle, for officers to work with key partners in the preparation of a full business case for the relocation of the Civic Offices based upon the broad principles set out in the report in order to facilitate the comprehensive retail-led redevelopment of the Ryecroft area and to contribute towards broader regeneration objectives for the town centre.
4. That officers be authorised in liaison with its Joint Venture partner, Staffordshire County Council to commission the demolition of the former Sainsbury's store on the basis set out in the report, including the seeking of necessary consents.
5. That provision of up to £75,000 revenue funding be made available from the Revenue Investment Fund and up to £50,000 of funding be allocated from the Capital Programme to support the actions set out in the report.
6. That officers report back to Members the outcomes of items 1 and 2 at the earliest available opportunity in order that the next key decision can be made.

Reasons

To facilitate the comprehensive and timely retail-led regeneration and redevelopment of the Ryecroft area of the town centre for the benefit of the town centre economy and on the basis that the provision of replacement offices for the Council can be achieved in a more cost-efficient manner than continuing with the current provision.

1. Introduction and background

- 1.1 As Members will know from previous reports in this matter (notably in July 2010 and June 2011), the Borough Council, together with its partner the County Council, is taking steps to bring forward a significant retail-led investment in Newcastle Town Centre in order to stem the decline that has taken place in the town's fortunes over the past two decades and to provide the opportunity to introduce new retailers into the town in the expectation that it will bolster footfall and custom thereby improving the long-term sustainability of the centre.
- 1.2 Following expert planning and commercial advice received from Broadway Malyan and Cushman & Wakefield in 2009, an area in the northern part of the town centre known as Ryecroft (the key components of which were the former Sainsbury's store site and the Civic Offices site) was identified as the only location within the ring road that had the potential to provide a site for major new retail-led, mixed use development, aiding the regeneration of the wider town centre.
- 1.3 In order to assess site capacity, the specialist advisors, produced indicative sketch plans with varying mix and scale of accommodation and these were tested against likely demand and economic viability.
- 1.4 The recommended scheme was for a retail-led development – focussed upon the sites of the former Sainsbury's store and the current Civic Offices – comprising around 15,000 sq m (160,000 sq. ft.) of new retail floorspace (including a medium-size Department Store) together with complementary food / drink uses and a 750 space multi-storey car park. The expert reports made clear that the Civic Offices site was required to improve the commercial viability of the scheme and to enable any such scheme to deliver the required step-change in the retail offer within the town centre, thereby enhancing the attractiveness to shoppers of the wider town centre. It was this work that provided this Council and the County Council with the justification to acquire the former Sainsbury's supermarket site and, subsequently, to re-commission Cushman & Wakefield with a brief to help the Councils to secure a development partner for the scheme. Following resolutions made by the Council at a meeting in June 2011, the acquisition of the former Sainsbury's site was completed on 26 July 2011 with all associated costs being met in the ratio; Borough Council 25% - Staffordshire County Council 75%.
- 1.5 Ryecroft Redevelopment - Key objectives;
 - To create modern and efficient retail units within the town centre that will attract national retail (and complementary) operators to strengthen the current retail offer
 - To reduce the current leakage of local expenditure by creating a more viable and attractive overall shopping experience for local people
 - Increase the capacity of the retail sector to strengthen the wider town centre economy
 - job creation; up to 700 new jobs
 - effective integration of the former Sainsbury's site into the core of the town centre by inclusion of the Civic offices
 - an assembled site providing for the desired quantum of development.
 - to achieve the regeneration of a strategically important town centre site

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- 1.6 As indicated above previous decisions in respect of this matter were predicated upon the assumption that the Civic Offices site would be required to create an overall site of sufficient size to achieve the desired quantum and scale of retail development (to create a more credible retail offer in the town centre). To that end officers were authorised by a specific resolution of the Council in July 2010 as follows:

That the officers investigate the Council's own future occupational requirements and to establish whether there is a business case to relocate to alternative premises to facilitate the site assembly for the Ryecroft redevelopment.

2. Issues

This regeneration project has reached a stage where decisions need to be made in respect of a number of key issues in order to achieve the objectives stated at paragraph 1.5. These are:

2.1 Land assembly

- 2.1.1 In terms of land assembly the main consideration is the land owned by the two councils with a recognition that there may be scope for a developer to consider incorporating land in third party ownership. The Council's expert advisors remain of the view that the assembly of critical land components is a key consideration for potential investors / developers because it helps to de-risk any scheme and enhance its delivery prospects.

- 2.1.2 Taking the joint council-owned land first, the Council's specialist retail advisors have indicated that before the overall Ryecroft site can be marketed, prospective developers will need assurance that the Borough Council is capable of, and committed to, relocating from the present Civic Offices within an identifiable timescale (and as stated above the previous decisions made by the Council in this matter acknowledges this point of principle – see section 2.4 for further exploration of the outline business case in this regard). It remains the view of the expert advisor that the Civic Offices site is an essential ingredient that will enable achievement of the scale of retail-led regeneration and redevelopment that the town centre requires to arrest its potential long term decline.

- 2.1.3 The advice was based upon a viability options appraisal prepared by the specialist retail advisors in 2009/10 which demonstrated the optimum land requirement for a comprehensive retail-led regeneration scheme; the up-to-date advice of Cushman & Wakefield remains consistent with that previously given in order to deliver the outcomes set out in paragraph 1.5.

- 2.1.4 Moving on to the second land assembly issue, whilst the majority of the land required for a comprehensive scheme is in the ownership of the two Councils, there remains a number of properties in third party ownership which prospective developers may consider need to be acquired to achieve the optimal size and shape of site and in order to integrate most effectively with the existing primary retail corridors of the town centre. It is envisaged that these additional properties would be acquired by agreement. It is however entirely possible that not all properties can be acquired in this way and it may be necessary to acquire these by way of securing and implementing a Compulsory Purchase Order (CPO); a previous resolution has been passed by the Council in this regard (29 June 2011).

2.2 Securing a development partner for the scheme:

- 2.2.1 Specialist retail consultants, Cushman & Wakefield (C&W) have been appointed to work with the Councils with a view to securing a suitable development partner for the Ryecroft development (based upon the core site areas shown on the plan at Appendix). For several months C&W has been engaged in 'soft market testing this development opportunity with the development industry and have been awaiting instructions to begin formally marketing

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the site. C&W have prepared particulars which, in general terms, set out the development objectives for the project.

2.2.2 It is proposed that the developer selection process is in two stages, an expression of interest stage, leading to the short-listing of developers who would then be required to provide more detailed information on their proposed scheme content and design, likely retail anchor tenants and their financial offer. A preferred developer would then be nominated and detailed work undertaken on scheme drawings, the preparation of a development agreement (between the Councils and developer) and the firming up of the key occupiers. The developer would be responsible for funding the acquisition of any additional properties required for the scheme but not yet in public ownership. A planning application for the scheme might be expected by mid to late 2014, by which time the key anchor tenants should have been bound into the scheme by the development partner through contractual obligations.

2.2.3 With this broad programme in mind, authority is now sought for officers to proceed with the next stage of marketing the redevelopment opportunity with the aim of securing a preferred developer / investor as detailed above.

2.3 Holding costs of the former Sainsbury's store:

2.3.1 As members will recall from previous decisions, the rationale for acquiring the former Sainsbury's store site was to assemble a credible and much-needed overall retail-led redevelopment opportunity, as explained earlier. It was envisaged that at some point in time the former store would be demolished in order to facilitate such a scheme. There was never any intention to re-use the former store in the long term although there was a hope of securing some form of interim use whilst a development partner was found to prepare and execute long-term redevelopment plans.

2.3.2 Further to the above there was also a real concern that the redevelopment of the former Sainsbury's store site in isolation would add little to the wider town centre economy because of its relatively peripheral location, poor connectivity into the town centre and self-sufficiency regarding on-site car parking provision. Inclusion of the current Civic Offices site enables not only the greater critical mass for redevelopment but it facilitates better integration with the core of the town centre.

2.3.3 At the time of the acquisition the purchase price reflected market value taking account of the condition of the buildings (both the former store and the multi-storey car park). In view of the earlier comments, members understood that it would have been unjustifiable to expend significant capital funds on maintaining or improving the fabric of the building so over the past two years only essential works have been undertaken to ensure compliance with Health and Safety requirements. Consequently the fabric of the building and the interior of the store will continue to deteriorate thereby exposing the Councils to risk and rendering the building less capable of beneficial use. At present the former supermarket premises is costing the two Councils around £280,000 p.a. in empty property rates, insurance, maintenance costs and security (a quarter of which is having to be met by the Borough Council).

2.3.4 The vacant premises have been marketed, by both a retained national commercial agency and locally by the Borough Council, for almost two years on a short term to-let basis. Throughout this period the agents have advised there to have been only minimal interest expressed and none resulting into an offer to lease the building. Realistically, therefore, demolition is the only effective way of minimising the holding cost. It is noteworthy that in broad terms the estimated cost would be recouped from resultant holding cost savings within 12 months of demolition (see below).

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- 2.3.5 Any decision to proceed with the demolition would need to be agreed with the County Council as joint owner of the property, but it is understood that they too have a desire to mitigate costs as soon as possible and therefore are supportive to this course of action.
- 2.3.6 There are a number of factors to be considered;
- the cost of demolishing the buildings and securing the site set against the on-going adverse impact of holding costs on the respective council's revenue budgets;
 - the potentially negative public perception of the town by having a large empty building on the edge of the ring road, as opposed to a cleared site awaiting redevelopment.
 - the store has a notional value to the Council (and any investor/developer) because, theoretically, the building is capable of being refurbished and brought back into use (possibly in a sub-divided form). Accordingly a purpose may be served in retaining the building for valuation negotiation reasons until the anticipated outcome of the developer selection process is known.
 - the demolition of the building now would reduce the future liabilities and costs of both the Councils (and any prospective developers) particularly from the viewpoint of having to keep under review the deteriorating condition of the buildings.

Demolition costs of former Sainsbury's store and multi-storey car park buildings

- 2.3.7 Officers have approached a local demolition company who have provided a budget cost estimate as follows:-
- To demolish the supermarket alone - £95,000
 - To demolish the multi storey car park (MSCP) to ground floor slab - £68,000
 - To demolish supermarket and MSCP together - £158,000 (preferred option)
 - To remove 2 ground floor slabs from the MSCP storey - £19,000
- 2.3.8 The supermarket demolition proposal assumes that the structure would be taken down to a height of 1.2 metres (with the void filled with the demolition material); this will enable the containment of the material for future use as hardcore in any redevelopment scheme (rather than be taken to a landfill site). Hence officers have not obtained the cost of removing the slab from the supermarket. Whilst an estimate has been obtained for removal of the floor slabs to the MSCP this may not be practical because of ground level differences between the retained surface car parking areas.
- 2.3.9 The demolition works contract period would be about 16 weeks for which a road and pavement closure would be required. A formal application for Demolition Consent would need to be submitted to the local planning authority and planning permission may be required for interim use and/or any operational development. Also it will be necessary to arrange for various items of street furniture to be moved, together with the full disconnection of electricity and gas services. Therefore the likely total project time would be about 20 weeks.

Interim use options

- 2.3.10 Officers have reviewed a range of options for site treatment and interim use following the demolition of the two main building structures and concluded that the most appropriate option, balancing financial considerations with visual amenity, would be to secure the site boundaries with 2.4m high hoardings adorned with artwork or similar; it is estimated that this would cost about £25,000.
- 2.3.11 The option of some form of interim soft end use such as public open space would be costly to construct and result in ongoing maintenance/management liabilities which would be difficult to justify on a short-term basis.
- 2.3.12 The other main option was to consider establishing additional car parking. However, due to ground levels it would be extremely difficult and costly to make the site into a level surface

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car park (likely to be in excess of £100,000). Furthermore there exists a significant amount of surplus capacity in other town centre car parks so there is no justification to provide more in the foreseeable future.

Conclusion

2.3.13 On balance it is considered appropriate to proceed with demolition as soon as practically possible and to secure the site with 2.4m hoardings in order to minimise capital costs and future holding cost liabilities. It would be prudent to provide a budget sum of £50K to meet the Council's 25% contribution in this regard.

2.4 Civic offices re-provision

2.4.1 Further to the previous resolution of Council in July 2010 and associated resolutions in relation to this project, your officers have been working with those of the County Council on a number of potential accommodation options at an outline business case level. Additional context for this piece of work was provided in early 2011 / 2012 when a range of public sector partners across Staffordshire came together to commission a piece of work which reviewed the Public Sector estate across the County with a view to establishing the potential for (i) driving efficiencies out of the overall estate and (ii) facilitating service improvements through co-location and re-aligned service delivery. In the case of Newcastle Borough the Ryecroft / Civic Offices scheme was identified as a strategic priority. Consequently both Councils have considered their current and future service accommodation needs and requirements and have looked into a number of potential options, including relocation and remaining in the current Civic Offices in order to satisfy their and potential partner(s) needs. Set out below is a summary of this work.

2.4.2 Underpinning main considerations for future accommodation requirements;

- Partners should be located within the Town Centre ring road in order to optimise financial benefit to the town centre economy and to enhance accessibility of public services.
- In order to ensure that a realistic financial assessment is made each outline business case has been prepared on the basis of a 60 year whole-life costing approach (this is consistent with the HM Treasury "Green Book" methodology).
- Premises must be compliant with all aspects of Health & Safety and the Disability Discrimination Act
- Premises to provide sufficient accommodation for the service needs of the partners.
- Premises to provide more efficient accommodation and avoid wasteful or under-utilisable areas (such as general circulation space or single-purpose rooms) thereby saving running costs in the long term.
- The provision of 7 desk spaces for every 10 Full-Time Equivalent employees (FTEs).
- Each FTE to have 1 linear metre of storage space (on the assumption of off-site long term storage and greater use of electronic storage).

2.4.3 An assessment (condition, age, obsolescence, size, suitability, etc) of each of the partners existing premises has been undertaken, which for the Borough Council (NBC) included;

- Civic Centre, Merrial Street (Freehold)
- 3-10 St. Georges Chambers, Merrial Street (first floor) (Freehold)
- Newcastle Registrars (NBC Freehold, SCC Leasehold)

NB. Members are advised that the Guildhall has been excluded from this exercise on the assumption that it will remain in public use.

And for the County Council (SCC) the premises in scope included;

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- The Seabridge Centre (Freehold)
- Newcastle Library (Freehold)
- The Orme Centre (Freehold)
- The Brackenberry Centre (Freehold)

2.4.4 Accommodation options explored included:

1. Remaining in Civic offices – undertaking all necessary maintenance and repairs with only modest essential refurbishments/improvements including legislative compliance.
2. Remaining in Civic offices – remodelling the building to medium quality office standards.
3. Vacating Civic offices, relocating partner(s) into new build accommodation.
4. Vacating Civic offices, relocating NBC only into new build accommodation.
5. Vacating Civic offices, relocating NBC only into other freehold owned offices.
6. Vacate Civic offices, relocating NBC only into third party owned leasehold offices.

Note:

- i) Re options 1-3; This information has been summarised from an extensive and detailed piece of modelling based on a 60-year whole life costing approach as outlined in paragraph 2.1.4.
- ii) Re options 4-6; the evaluation exercise for these options has been undertaken at a desk top level only including, where possible, assumptions used in the exercise for options 1-3.
- iii) The estimated timescale for delivery of options 2, 3 or 4 via an OJEU-complaint procedure would be about 3 years.

2.4.5 Specialist property advisors have undertaken a comprehensive site evaluation / selection study and identified the former St. Giles & St. Georges school site, Barracks Road as the most suitable for a new build. This property is owned on a freehold basis by the Borough Council. Attempts to secure a purchaser/lessee in recent years suggest that it is not commercially viable to reuse the existing building.

2.4.6 A financial summary of the Civic offices options analysis is included later in this report which indicates that the evaluated outcome of these being that the most financially advantageous, based on property costs alone, is for NBC to relocate with its partner(s) into new build accommodation on the site of the former St Giles & St Georges school, Barracks Road. The analysis indicates that a new-build option for the Council on its own is also an affordable option and Members may wish to assess this option further.

2.4.7 The benefits of this accommodation option proposal would provide;

- A town centre location with good public transport connections.
- Flexible accommodation which is designed to enable multi agency working and alternative uses.
- A new building having good standards of spatial efficiency and low energy requirements.
- Modern, fit-for-purpose, premises that are better suited to future public service delivery
- Simplified access to services.
- “One front door” for service users requiring face to face contact, enabling a highly responsive customer service focused on prevention which will minimise the need for acute services and improve customer satisfaction.
- Extensive collaborative working opportunities.
- The integrated services should deliver long term efficiency savings thereby protecting public services.
- Concentration of staff and visitors into the town centre will help increase commercial activity.

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- Increased Town centre footfall.
- Release of surplus property for development, e.g. retail, housing, etc.

2.4.8 Whilst it might be acknowledged that an in-principle decision to re-locate from the Civic Offices has been taken previously – in order to facilitate the retail-led regeneration and redevelopment of the Ryecroft site – it will be necessary for members to receive a full and detailed business case in order for a final decision to be made on proceeding with such action.

2.4.9 Having undertaken the outline business case and identified a preferred option, authority is now sought for officers to work with the County Council and other key partners in the preparation of a detailed business case for the relocation of the Civic Offices to the identified site. This piece of work would be commissioned alongside the active marketing of the Ryecroft site with a view to members receiving the outcome of both processes so that the inter-dependency between the decisions can be properly and fully informed. In summary, the trigger for proceeding with the relocation of Civic Offices provision would be a clear indication from the preferred development partner that the current Civic Offices site is required to facilitate the optimum redevelopment scheme.

2.4.10 That business case will include a consideration of the benefits of the Ryecroft development scheme to the town as well as the capital and revenue costs that would be incurred. There would of course be a contribution toward this cost derived from the sale of the Ryecroft site and it is expected that ongoing revenue savings would be made through the typical range of premises-related efficiencies; (see Section 8).

3. Options for the regeneration scheme

1) Do nothing

- a) This is not a realistic option. Despite the efforts of the Town Centre Partnership the town centre economy is likely to decline further if no action is taken to introduce a significant amount of modern retail floorspace (to meet the needs of both potential customers and retailers).
- b) Additionally the vacant former supermarket premises will continue to deteriorate if no viable use can be found for it thereby exposing the Councils to risks and ongoing liabilities.
- c) Whilst with regard to the Civic Offices premises – given the advice of the Council's specialist retail advisor (see Section 2.1) and the previous substantive decisions of both this Council and the County Council, taken together with the age and condition of the building (and with a significant maintenance backlog) – the Council must take steps to consider the long term options for office provision.

2) Dispose of the former Sainsbury's store in isolation

Whilst this would not accord with the Council's vision for the wider Ryecroft redevelopment it should be acknowledged that with regard to the former Sainsbury's store there may be some interest from investors in an option to refurbish, break-up and let the current building in view of the site's location and provision of on-site car parking. Equally a redevelopment of the site for new retail is likely to be of interest to investors and end users.

However, either of the above scenarios would be unlikely to deliver significant added value to the wider town centre economy in view of the relatively isolated nature of the site and the modest scale of development that could be achieved. In particular the quantum of development would not enable the required step-change in retail floor space to be

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achieved and there would be no scope to integrate the site into the fabric of the existing town centre.

3) Comprehensive retail-led redevelopment of overall Ryecroft site

It remains the view of the Council's specialist retail advisor that the inclusion of the current Civic Offices site with the former Sainsbury's site would create a more commercially viable and attractive investment opportunity. Additionally the larger site area would enable:-

- a greater quantum of retail floorspace that would enhance the attractiveness of the overall town centre as a retail centre of choice for the local catchment population;
- greater opportunities to integrate the overall development site into the core of the town centre thereby improving the long term sustainability of the centre.

Of course the consequence of this option is that the Civic Offices premises would have to be sacrificed; hence the reason why the outline business case has been prepared to demonstrate that this could be achieved on an affordable basis that represents value for money in the long term for the use of increasingly scarce public resources.

4. Preferred option

4.1 Option 3 is the preferred option because of the likely long term economic regeneration benefits that would accrue to the town centre.

4.2 By pursuing this option and the recommendations set out above it will allow the two Councils to really test the level of appetite and interest from investors/developers in undertaking the comprehensive redevelopment scheme. That process would be twin-tracked with the commissioning of a full business case for future provision of premises for the Councils and their tenants away from the current Ryecroft site.

4.3 It is envisaged that both of these processes would take about 6 months to complete and the outcomes would be reported back to Members prior to making any firm commitment to proceed with a particular option.

5. Outcomes Linked to Corporate Priorities

5.1 The project aligns with the Borough Council priorities for

- Borough of opportunity – bringing significant new private sector investment into the town centre; in support of existing town centre shops and businesses
- A Cleaner, greener and safer borough
 - environment - replacing a derelict site (the former Sainsbury's store) with new development, and
 - sustainability – supporting investment in a location which is both brownfield and accessible to all (in contrast with our of centre retail development)
- Co-operative Council – The delivery of high quality services through co-location with partners and achieving a more effective and efficient customer experience

6. Legal and Statutory Implications

6.1 The Council has a duty under S.123 of the Local Government Act 1972 (as amended) to achieve best consideration in the disposal of assets. Additionally the Local Government Act 2000 (as amended) introduced powers for Councils to undertake activities to improve the economic, environmental and/or social well-being of their communities.

7. Equality Impact Assessment

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7.1 The project is intended to counter the differential impact caused by the market-led out of centre retail pattern of retail investment to which the less mobile sections of the community are less able to access and benefit from.

8. Financial and Resource Implications

8.1 The construction costs associated with the retail development itself will be met by the private sector developer, as will the acquisition of any additional land over and above the two landholdings (Civic Offices and the former Sainsbury store) which are already in local authority ownership.

8.2 The cost of demolishing the former Sainsbury's, MSCP and post site treatment (including fees for any consents) would be met by the two Councils, proportionate to their ownership share ratios (i.e. a contribution of about £50K from this Council).

8.3 The cost of marketing the Ryecroft redevelopment opportunity, as described above is already met within the overall budget for Cushman & Wakefield's commission.

8.4 The table below provides a summary-level interpretation of the options analysis undertaken in respect of future Civic Offices provision.

<u>Option</u>	<u>Average annual cost over 60 year (whole) life*</u> <u>£,000s</u>
1. Remain in the Civic offices – undertaking all necessary maintenance and repairs with only modest essential refurbishments/improvements including legislative compliance.	867
2. Remain in Civic offices – remodelling the building to medium quality office standards.	629
3. Vacate the Civic offices, relocating partner(s) into new build energy-efficient accommodation, on the preferred site, former St Giles & St Georges, off Barracks Road.	484
<i>Re options 1-3 above; This information has been summarised from an extensive and detailed piece of modelling work.</i>	
4. Vacate the Civic offices, relocating NBC only into new build accommodation.	555
5. Vacate the Civic offices, relocating NBC only into other freehold owned offices.	745
6. Vacate the Civic offices, relocating NBC only into third party owned leasehold offices.	660
<i>Re options 4-6; The evaluation exercise for these options has been undertaken at a purely <u>desk top level</u> including, where possible, assumptions used in the exercise for options 1-3.</i>	
Current budget	538

* These figures relate to the Borough Council cost expenditure only.

8.5 From the above it can be seen that the most cost effective option, taken over a 60 year life, is for the partners to relocate into a new build partnership Hub (i.e. option 3) whilst option 4 (NBC only new build) would also appear to represent relatively good value for money in the event that the Borough Council chose to pursue an independent option.

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- 8.6 At this point in time a decision is only required in principle to moving forward with the development of a detailed business case. It will only be after this has been undertaken that a decision will be required to either proceed with the new build partnership Hub or embark upon an alternative accommodation strategy.
- 8.7 It will be necessary to commission specialist advisors to undertake a detailed (fully evaluated & appraised) business case study for the Civic accommodation re-location (for which authorisation is sought) and the council will be expected to contribute towards related fees along with the County Council and any other partners. This next stage piece of work would clarify the affordability and actual cost of any finally preferred option. On the assumption that two options should be modelled it would be prudent to budget £75,000 at this stage.
- 8.8 The costs associated with the construction, relocation and fitting out of a replacement Civic Hub building would be met by the partners, the precise monetary split depending upon occupational floor area and the fit out requirements of service users. It is anticipated that the primary cost would be met from receipts derived from the disposal of the vacated (and therefore surplus) buildings / premises. Any shortfall between costs and receipts and that of any interim financing could be secured by receipts derived from other land/property disposals or from borrowing. The financial model demonstrates that the funding of such should however ultimately be realised from saving efficiencies made / arising from the occupation of a new modern, energy efficient building.
- 8.9 The estimated total revenue costs for the council arising from the matters described above is in the region of £75,000 whilst the council's capital contribution could be about £50,000. It is recommended that the £75,000 revenue costs are funded from the Revenue Investment Fund and that a sum of £50,000 is included in the Capital Programme.

9. Major Risks

- 9.1 The major risks attached to the decisions to be made in this report are;
- being unable to offer a land area of sufficient size resulting in an inability to secure a development partner for the scheme
 - continuing to pay the ongoing holding costs of retaining the former Sainsbury's store
 - loss of the notional value of the Sainsbury's property once it is demolished (or loss of potential rental value in the event that the Council or developer was prepared to refurbish and re-let the property)
 - delays caused by a protracted CPO process.
 - a cost for replacement Civic Offices which members were not prepared or able to support
- 9.2 These issues are assessed in a comprehensive risk log for the scheme and mitigation measures are put in place to meet these (risk log available upon request).

10. Key Decision Information

- 10.1 Significant expenditure is involved in the decisions to be taken.
- 10.2 This report has been included in the Forward Plan.

11. Appendices

1. Ryecroft site plan indicating extent of land to be marketed.

12. Background Papers

1. Up-to-date commercial advice from Cushman and Wakefield.
2. Staffordshire Public Sector Estate Review

13. Earlier Cabinet Resolutions

- Report to Council 28.07.2010, 'Freehold acquisition of land & property, no's 10 – 16 Liverpool Road, Newcastle (Sainsbury's)'
- Report to Council 23.03.2011 – Strategic site acquisition and Town Centre Regeneration Partnership
- Report to Council 29.06.2011 – 'The freehold acquisition of the former Sainsbury's site at 10-16 Liverpool Road, Newcastle.'
- Report to Cabinet 14.03.2012 - Progress report regarding the Ryecroft scheme and appointment of Retail Specialist Consultants