

Report

Cabinet Member for Assets

Part 1

Date: 24 August 2020

Subject **Bassaleg Mortuary**

Purpose To seek approval from the Cabinet Member for Assets for the disposal of Bassaleg Mortuary to the Ambulance Trust.

Author Housing and Asset Manager

Ward Graig

Summary Agree to surrender the current lease in order to sell the freehold interest rather than seek another tenant for the leasehold interest.

Proposal To seek the approval to declare Bassaleg Mortuary surplus and sell the freehold in order to gain a capital receipt.

Action by Head of Regeneration, Investment and Housing

Timetable Immediate

This report was prepared after consultation with:

- Strategic Director - Place
- Head of Finance – Chief Finance Officer
- Head of Law and Regulation – Monitoring Officer
- Head of People and Business Change
- Head of Regeneration, Investment and Housing
- Housing & Assets Manager
- Associate Director of Property Services, Newport Norse
- Associate Valuation and Estates Management, Newport Norse

Signed

Background

The property is subject to a lease between the Council and its tenants for the purposes of operating a mortuary. The most recent lease was agreed in 2017 for a term of 3 years, which is due to expire on the 17 August 2020.

The property has not been in operation for the last 12 months as it has become surplus to their requirements. For this reason, the tenants have requested that we allow them to surrender the lease earlier than its existing expiry date.

The passing rent is £2,500 per annum, therefore given the approximate 2 months unexpired the Council would forgo £416 in income if it were to agree to the surrender.

It was agreed by the Council's Capital Strategy and Asset Management Group (CSAMG) to market the property to seek expressions of interest for the sale of the freehold, or to let the premises on a leasehold interest.

A range of expressions of interest have been received, including local residents, members of the local community and a number of parties from outside of Newport, which demonstrates an involvement of all interested parties to seek an alternative use.

Inviting these expressions of interest (offers) is intended to prevent the property becoming vacant for a lengthy period which would be detrimental to the area and local community, as well as alleviating short-term maintenance costs and liabilities for Newport City Council.

The majority of the offers received were for the purchase of the freehold, with the highest bid of £93,000 for the freehold purchase of the site.

The leasehold offer was £4,800 per annum for a term of 10 years with a break option after 5 years and came from the same party as the highest freehold offer.

Whilst negotiations and Heads of Terms were being discussed with the subject party the Welsh Ambulance Service NHS Trust came forward expressing interest in purchasing the freehold with an unsolicited offer of £90,000.

The offer was rejected in the first instance as it would not provide best value for the Council given the previous highest bid of £93,000. However, after their initial offer was rejected, the Welsh Ambulance Service NHS Trust revised their offer to £95,000.

When comparing the two offers, the income received from the leasehold offer would take 19 years to reach the same amount as the £95,000 offer for the freehold. However, this does not include rent free or vacant periods, and assumes regular rental income.

Working with the Welsh Ambulance Service NHS Trust demonstrates collaboration with another public body and will be a long-term measure for the property as the land will be incorporated into their current service from the adjacent site.

Disposing of Bassaleg Mortuary to the Welsh Ambulance Service NHS Trust will enable them to expand their current service and integrate services onto one site. This in turn could potentially increase the number of employment opportunities in the area. The expansion of the site will also aid regeneration and economic growth as a vacant property will be re-developed. This will compliment the current regeneration within the wider Bassaleg area.

Given the increase in demand upon the Welsh Ambulance Service NHS Trust, expansion of the site in Bassaleg will help alleviate some of the pressure. The extra services that could be provided will help the local community by providing an increased service, which in turn, will help the area become healthier and more resilient.

The proposal meets the well-being goals as part of the Wellbeing of Future Generations Act, including a healthier and more resilient Wales due to an increase in the trusts services, cohesive working between two public sector bodies to transfer assets and a prosperous Wales by disposing of a Council asset, thereby producing a capital receipt for alternative investment in the Council.

The sale is also on the condition of there being an overage provision in favour of Newport City Council so that in the event of the Welsh Ambulance Services National Health Service Trust selling the premises for residential use and therefore increasing its value, any profit would be shared with the Council.

Financial Summary

	Current Income	Potential / Projected Income	Capital Receipt	On-going Costs
	£2,500	£4,800	£95,000	N/A
Notes	Current rent will end in August 2020.	Projected income based on offer received through expressions of interest.	Capital receipt is based on offer received from Welsh Ambulance Service NHS Trust.	As the tenant is currently responsible for all aspects of maintenance, bills and rates there are no ongoing costs for the Council, this will be case with the disposal to the freehold interest.

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Failure to dispose of the asset will result in no capital receipt for the Council	L	L	Other parties are interested in the premises, either freehold or leasehold so interest remains in the property.	NCC and Newport Norse
Current lease ends	L	H	By opening the property to the market already has reduced the impact of the current lease ending.	NCC and Newport Norse
Interested party does not take on new lease	L	M	We would refer back to the market or interested parties to see if they would take on a lease. This would only happen if the sale to the Welsh Ambulance Service NHS Trust did not complete.	NCC and Newport Norse

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

The Council's corporate plan 2017-2022 provides a number of well-being objectives. The proposed disposal meets these objectives by increasing employment opportunities by bringing a property back into use.

The disposal will also provide regeneration by improving a currently sub-standard, underutilised premises into a more functional use.

The proposed purchaser is the Welsh Ambulance Service NHS Trust, which by its very nature will enable people to be healthy, independent and resilient by being able to expand its service.

Options Available and considered

The Council could:

1. Dispose of the freehold title to earn a capital receipt.
2. Agree to the surrender of the current tenant and sign new lease with new tenant
3. Do not accept early surrender and let remainder of the current lease run to expiry

Preferred Option and Why

Our recommendation would be to declare the property surplus and seek Cabinet Member approval to accept the freehold offer from the Welsh Ambulance Service NHS Trust to benefit from a capital receipt of £95,000.

Comments of Chief Financial Officer

Disposal of this freehold will benefit the Council by the realisation of a small capital receipt which will be reinvested in the capital programme. The Head of RIH would need to be satisfied that the revenue income loss, minimal as it is, will have no impact on the achievement of the overall income target for the Council's Commercial estate and the MTFP.

If the revenue loss cannot be absorbed, it will be possible to use the capital receipt to fund an existing capital project funded from borrowing, thus providing a small saving on the Council's capital financing budget which can be vired across to the income budget affected and mitigate it. Officers will discuss and agree an approach.

Comments of Monitoring Officer

The proposed action is in accordance with the Council's legal powers under section 123 of the Local Government Act 1972, to dispose of property assets that are surplus to requirements. The property has not been required for operational use and has been appropriated for rental purposes for a number of years. The current lease is due to expire shortly and, as the property remains surplus to the Council's operational requirements, then there is the option of granting a new lease or disposing outright of the freehold reversion.

If the Council disposes of the freehold or grants a long lease of the property, then there is a statutory duty to secure the best price reasonably obtainable. In this case, a number of expressions of interest have been received and this marketing exercise has established the market value that a willing purchaser is prepared to pay. The most advantageous offer is the bid of £95k from the Welsh Ambulance Service NHS Trust property, which is the highest price for the freehold sale and represents a significant capitalised yield when considering the highest rental offer. In addition, a sale to the Ambulance Service Trust would have wider social and economic benefits, as it would enable them to expand their existing service and extend the development of their adjacent site. The sale would generate a capital receipt which could be used to support the Council's capital programme, although there would be a small loss of revenue income from the early surrender of the existing lease and the loss of on-going rent.

Comments of Head of People and Business Change

From an HR perspective, there are no staffing implications to this proposal.

This proposal supports the ethos of the Well-being of Future Generations (Wales) Act 2015 and the report writer has detailed how it meets the well-being goals, well-being objectives and sustainable development principle in the body of this report.

Comments of Cabinet Member

Cabinet Member has been briefed on the report.

Comments of Executive Member

Councillor Paul Cockeram:

Should we also put a clause in the contract that if they ever sell the property in the future for development there should be an overage agreement.

Local issues – Comments of Ward Members

Councillor David Williams:

I support this proposal

Scrutiny Committees

N/A

Equalities Impact Assessment and the Equalities Act 2010

The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

Children and Families (Wales) Measure

Although no targeted consultation takes place specifically aimed at children and young people, consultation on planning applications and appeals is open to all of our citizens regardless of their age. Depending on the scale of the proposed development, applications are publicised via letters to neighbouring occupiers, site notices, press notices and/or social media. People replying to consultations are not required to provide their age or any other personal data, and therefore this data is not held or recorded in any way, and responses are not separated out by age.

Wellbeing of Future Generations (Wales) Act 2015

The author has given consideration to the Act throughout the background of the report. Consideration has also been given for the well being objectives as allowing the Ambulance Trust to purchase the land will help maintain their services within the area. This will help improve the health of the individuals and local communities who benefit and rely on the Trusts services. It will also aid employment opportunities in the area, which will form the base for a stronger more resilient community.

Crime and Disorder Act 1998

Section 17(1) of the Crime and Disorder Act 1998 imposes a duty on the Local Authority to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.

Consultation

Comments received from wider consultation, including comments from elected members, are detailed in each application report in the attached schedule.

Background Papers

None

Dated: 24 August 2020