

North Tyneside Authority Report to Cabinet Date: 9 December 2013

ITEM 6(e)

The Old Low Light, North Shields – Rent Concession/Heritage Centre

Portfolio(s): Elected Mayor
Finance and Resources
Leisure, Culture and Tourism

Cabinet Member(s): Mrs Norma Redfearn
Councillor Ray Glindon
Councillor Eddie Darke

Report from Service Area: Environment and Leisure

Report Author: Phil Scott, Head of Environment and Leisure **Tel:** (0191) 643 7295

Wards affected: Tynemouth

PART 1

1.1 Purpose:

This report seeks approval from Cabinet to:

- a) grant a rent concession on the Old Low Light property on North Shields Fish Quay, to allow the property to be used as a heritage centre by 'The NET'; and
- b) agree to the Authority acting as guarantor for 'The NET' in respect of their repairing obligations to the building at the end of the sub-lease. The Authority's liability under the Guarantor Agreement will only arise if "The NET" do not observe the repairing covenant. The risk associated with this course of action is detailed in para. 2.6 of this report together with measures that will be undertaken to mitigate it.

1.2 Recommendation(s):

It is recommended that Cabinet:

- (1) approves in principle the grant of a rent concession and guarantor agreement as detailed in this report;
- (2) authorises the Client Manager – Property, in consultation with the Head of Law and Governance to complete an appropriate lease variation and Guarantor Agreement; and
- (3) authorises the Client Manager – Property to deal with all ancillary matters arising that are consistent with the recommendations at paragraphs 1.2.1 and 1.2.2.

1.3 Forward Plan:

28 days notice of this report has been given and it first appeared on the Forward Plan that was published on 8 November 2013.

Council Plan and Policy Framework:

This report relates to the 'Our North Tyneside' Council Plan, in particular to theme two 'Our People' will be supported to achieve their full potential, especially our children and young people.

1.4 Information:

The "Our North Tyneside' Council Plan promotes the Coastal Regeneration Initiative as a key priority for the Authority. The improvement of North Shields Fish Quay is a fundamental part of this initiative. The development of the arts, culture and the leisure offer available in this location is paramount to meeting the objectives of the Council Plan.

The NET is a registered charity formed in the last two years with the aim of delivering a cultural and heritage centre (the Centre) within the North Shields Fish Quay area that celebrates the history of this unique environment. This project is fully supported by the Authority and its Tourism Team.

There is now an opportunity to locate the Centre in the Old Low Light building at Clifford's Fort. This is a three storey grade II listed building which is owned by the Authority. It is currently leased to the Tyne and Wear Building Preservation Trust (the Trust) for 99 years from 5 June 1989, rent free until 5th June 2014. This letting was approved by the Authority on 22 October 1987.

This building will provide an excellent location for the Centre due to its prominent position within Clifford's Fort Scheduled Ancient Monument and the Fish Quay conservation area.

The Trust have been successful in accessing a Townscape Heritage Initiative grant and have recently completed the refurbishment of the building to a shell condition. Detailed Planning permission has also been obtained for a change of use to education and exhibition space with ancillary retail and café uses.

The Trust has provisionally agreed heads of terms for a 30 year sub-lease with the NET to locate the Centre within the building. Under the letting arrangement the NET is responsible for fitting out the premises as they have also been successful in accessing a grant from the Coastal Communities Fund (CCF). This grant award will be used to cover the initial set up and running costs of the Centre until it starts to generate a small profit after year five, as forecasted in its business plan. However, the business plan is predicated on the waiving of any rental to the Authority associated with this facility.

The Trust is also offering the property to the NET at a concessionary rent to assist in the viability of the Centre. Therefore the support required from the Local Authority to ensure the success of this project is as follows:-

- a) to waive the rent that is due to become payable by the Trust to the Authority under the head lease with effect from 5th June 2014. This is estimated to be £3,500 per annum; and
- b) to act as guarantor for the NET's repairing obligations at the end of the 30 year sub-lease.

The financial and legal implications to the Authority of this arrangement are detailed in Sections 2.1 and 2.2 of this report.

By supporting the new Centre, the Authority will help secure the delivery of a new cultural and educational facility that will benefit residents of the Borough and its visitors. It will also contribute to the Authority's regeneration and tourism aspirations for North Shields Fish Quay.

1.5 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

Cabinet may approve both the waiver of the rent and the agreement to act as guarantor only in respect of the repairing obligations.

Option 2

Cabinet may approve the waiver of the rent but not agree to the Authority acting as guarantor for the repairing obligations.

Option 3

Cabinet may approve the Authority acting as guarantor for the repairing obligations but not waive the rent.

Option 4

Cabinet may not approve the waiver of the rent nor the Authority acting as guarantor for the repairing obligations.

Option 1 is the recommended option.

1.6 Reasons for recommended option:

If Cabinet approves Option 1, it will allow the Tyne & Wear Building Preservation Trust to complete the sub-lease under the proposed terms and enable the NET to commence work to deliver the heritage centre. This will contribute to the Authority's Council Plan by developing a new site for delivering education and recreational facilities which will benefit residents and visitors of all ages which will also contribute to the Authority's regeneration and tourism goals. The risk associated with this course of action is detailed in para. 2.6 of this report together with measures that will be undertaken to mitigate it.

If Cabinet does not approve both the rental concession and the guarantee then the Trust may not be able to commit to the sub-lease at the existing rent which may prohibit the development of the heritage centre.

1.7 Appendices:

Appendix: Plan showing the Old Low Light hatched black.

1.8 Contact officers:

Brett Devenish, Senior Property Surveyor, Strategic Property, tel. (0191) 643 6525
Julie Bews, Regeneration Project Manager, Business & Economic Development, tel. (0191) 643 6428
Alison Campbell, Finance Business Manager, Finance, tel. (0191) 643 7038

Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- (1) Lease dated 20 February 1990, between the Authority of the Borough of North Tyneside (landlord) and the Tyne and Wear Building Preservation Trust (tenant)
- (2) The NET Financial Forecast prepared by Tait Walker, 17 September 2013

(3) Cabinet Minutes (CAB/188/04/12) dated 16 April 2012.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The Authority will forego an annual rent from June 2014, which is forecast to be between £3,000 to £3,500 per annum. As no rent is currently being received there will be no loss of current or forecast income.

An allowance will have to be made to cover the potential repairing obligation, which could come about in 30 years time at the end of the lease or during the term of the lease if the NET go out of business and the lease is terminated. The lease has a standard commercial lease repairing covenant with an expectation that the building shall be returned in a good condition. The fixtures and fittings will belong to the NET. If there were to be any liability to repair the shell that could not be met by the NET then this would be covered by the Fish Quay ring-fence income in the first instance.

A robust Financial Forecast supported by evidence submitted by the NET has been approved by the Authority's Finance Team.

The Authority is the accountable body for an award of £787,149 from the Coastal Communities Fund, for the purpose of carrying out internal fit-out, professional fees, and day to day running and staff costs. The Authority is leading on undertaking the capital works to fit out the building as The NET is a new community led organisation and it is considered that the Authority can provide the skills and access to a suitable contractor through its existing joint venture with Kier North Tyneside. In addition the Authority will enter into an agreement with The NET to provide revenue funding over a three year period. This funding is all within the total award from the Coastal Communities Fund.

2.2 Legal

A variation to the existing lease and a guarantor agreement will be entered into in accordance with all relevant legal procedures. The Authority will seek to recover its legal and surveyors costs even if the scheme does not proceed.

The Authority's liability under the guarantor agreement will only arise if "The NET" do not observe the repairing covenant.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

Internal consultation has taken place with relevant officers in the Regeneration and Planning Teams.

2.3.2 External Consultation/Engagement

The NET have carried out multiple public engagement sessions which have been received positively. The proposal has received planning consent for a change of use to a heritage and education centre (Planning ref: 12/00726/FUL), which allowed the public to make comments.

2.4 Human rights

There are no human rights implications directly arising from this report.

2.5 Equalities and diversity

There are no equalities and diversity implications directly arising from this report.

2.6 Risk management

The risk involved in acting as guarantor for the dilapidations have been considered. By acting as guarantor for the dilapidations the Authority will take on the responsibility for returning the property to a good condition at the end of the lease if the NET fail to do so. In order to mitigate the Authority's liability a schedule of condition will be carried out before handover and regular maintenance inspections will be scheduled thereafter by the Authority to ensure that any repairs are dealt with promptly by the NET. As the unit will be handed over to the NET in a shell condition the risk will be less than if the unit had been fully fitted-out.

2.7 Crime and disorder

There are no crime and disorder implications directly arising from this report.

2.8 Environment and sustainability

There are no environment and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

- Chief Executive
- Head(s) of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Strategic Manager Policy, Partnerships, Performance and Communications