

13 October 2014**Agenda Item: 5e****REPORT OF SERVICE DIRECTOR – TRANSPORT, PROPERTY &
ENVIRONMENT****KILTON TERRACE, WORKSOP & MEDEN COURT, MANSFIELD –
REMOVAL FROM CAPITAL RECEIPT PROGRAMME****Purpose of the Report**

1. To seek approval of Members to remove Kilton Terrace, Worksop and Meden Court, Mansfield industrial estates from the capital receipt programme in the interests of maintaining a good income stream for the County Council.

Information and Advice

2. Some information relating to this report is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972. Having regard to the circumstances, on balance the public interest in disclosing the information does not outweigh the reason for exemption because divulging the information would significantly damage the Council's commercial position. The exempt information is set out in the exempt appendix.
3. The Capital Receipt Programme currently includes Kilton Terrace, Worksop and Meden Court, Mansfield. However, it is considered that both estates provide a good rental income to the County Council which outweighs the benefit of receiving the capital sum.
4. Kilton Terrace, Worksop, is a single storey terrace of six workshop units located approximately half a mile from Worksop town centre. Each unit provides a gross internal area of 65 sq m (700 sq ft). The estate is held under a 99 year lease from Bassetlaw District Council with effect from 1 January 1979. This provides that 10% of all rental income received is paid to Bassetlaw District Council.
5. Kilton Terrace is fully let on full repairing and insuring leases and provides an annual net rental income to the County Council as set out in the exempt appendix. Analysis of comparable evidence for industrial units in the locality shows yields ranging from 8.5% to 10% for newer, larger units than that of Kilton Terrace. It is therefore considered that an appropriate yield for Kilton Terrace would be circa 12% taking into account its location, size, condition and age. This is supported by three external surveyors all suggesting a yield of 11-12%.
6. In terms of disposal, because the County Council are leaseholders of this site, consent is required from the Landlord prior to the disposal. Bassetlaw District

Council has indicated that they will grant such consent on the condition that any incoming tenant provides a security bond equating to six months rental income.

7. In comparing whether to dispose or retain, an explicit discounted cash flow has been undertaken which demonstrates the net present value of receiving the full rental value income stream outlined above if the County Council were to retain for a further ten years, assuming rental growth in line with the past ten years on this estate and discounted at 6% cost of capital (which is the figure used by Finance to reflect inflation and risk). This produces a net present value (see exempt appendix).
8. Meden Court, Warsop, Mansfield, is a development of six single storey workshop units which form a "U" shaped block within a self-contained site. The units are set in a landscaped site with 27 car parking spaces in total. The estate is held under a 99 year lease from Mansfield District Council with effect from 8 July 1994. This provides that 22.55% of all rental income received is paid to Mansfield District Council. The size of the units range from 144 sq m (1,549 sq ft) to 360 sq m (3,874 sq ft).
9. Meden Court currently has four out of six units let on full repairing and insuring leases, which is providing an annual net rental income to the County Council as set out in the exempt appendix. Analysis of comparable evidence for industrial units in the locality shows yields ranging from 8.5% to 10% for similar size and age units. Taking into account the peripheral location of this estate, a yield of 10% is applied.
10. In calculating the capital value, it has been taken into consideration that the Rural Development Commission (RDC) contributed towards the capital costs and 38.725% of the rent was paid to RDC for 10 years. Although the 10 years expired in October 2004, the RDC do retain an ongoing interest in any capital receipt and it is assumed that this interest will reflect the original stake.
11. In terms of disposal, because the County Council are leaseholders of this site, consent is required from the Landlord prior to the disposal. In this regard, Mansfield District Council have confirmed a number of conditions, which is more fully explained in the exempt appendix.
12. In comparing whether to dispose or retain, an explicit discounted cash flow has similarly been undertaken which demonstrates the net present value of receiving the full rental value income stream outlined above if the County Council were to retain for a further ten years, assuming rental growth in line with the past ten years on this estate and discounted at 6% cost of capital. This produces a net present value as set out in the exempt appendix.

Other Options Considered

13. This report considers the two options available – retain or dispose.

Reason/s for Recommendation/s

14. The above analysis clearly demonstrates that retaining Kilton Terrace and Meden Court will achieve a relatively high level of return compared with the current interest rates that are available.

Statutory and Policy Implications

15. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That both Kilton Terrace, Worksop and Meden Court, Mansfield, are removed from the capital receipt programme in the interests of maintaining a good income stream for the County Council.

Jas Hundal

Service Director - Transport, Property & Environment

For any enquiries about this report please contact: Brian Hoyle 0115 9772479

Constitutional Comments (CEH 17.09.14)

16. The recommendation falls within the remit of the Finance and Property Committee by virtue of its terms of reference.

Financial Comments (TR 23.09.14)

17. The financial implications are set out in the report and the exempt appendix to the report.

Background Papers

18. None.

Electoral Division(s) and Member(s) Affected

19. Ward(s): Ward(s): Worksop West, Warsop
Member(s): Member(s): Councillor Kevin Greaves, Councillor John Allin

File ref.: /BH/SL/1

SP: 2730

Properties affected: 07515 - Kilton Terrace Workshop Unit 1, 07725 - Unit 1 Netherfield Lane Workshops