

MIDDLESBROUGH COUNCIL

EXECUTIVE REPORT

PART A

Review of Non-Strategic Assets – Update on first phase disposals

Executive Member for Resources

Executive Director of Regeneration

9 July 2012

PURPOSE OF THE REPORT

1. To update Executive Land and Property Sub-Committee on progress in relation to agreed first phase disposals from the Non-Strategic Assets Transformation Project, and to seek approval of changes in relation to eleven sites.

SUMMARY OF RECOMMENDATIONS

2. That Executive Land and Property Sub-Committee notes progress to date in relation to first phase disposals.
3. That Executive Land and Property Sub-Committee:
 - retracts the decision to dispose of the Haxby Close / Slingsby Close site at this stage;
 - agrees the disposal of five small residential sites to RSLs at nil consideration to promote affordable housing;
 - agrees that if residential sites for private sale do not achieve the agreed reserve price that they be reallocated to RSLs for affordable housing;
 - agrees revised reserve prices for the Thistle and Premier Inn Hotels (as set out at Part B of this report);
 - agrees that the Council pursues a revised lease for the Abattoir at Cargo Fleet Road prior to considering alternative options; and
 - agrees that Sites K and L on Riverside Park be reserved at this stage as potential decant sites for businesses from Cannon Park.

IF THIS IS A KEY DECISION WHICH KEY DECISION TEST APPLIES?

It is over the financial threshold (£150,000)

It has a significant impact on 2 or more wards

Non Key

DECISION IMPLEMENTATION DEADLINE

For the purposes of the scrutiny call in procedure this report is:

Non-urgent

Urgent report

BACKGROUND AND EXTERNAL CONSULTATION

Background

4. The Council has agreed a review of non-strategic assets as part of its joint transformation programme with Mouchel. For the purposes of the review, 'non-strategic assets' are defined as land and property that the Council does not use for service delivery purposes.
5. Ten categories of non-strategic assets have been agreed. Under the terms of the Partnership contract, the Council has requested that Mouchel prepare a series of Detailed Business Cases outlining potentially economically advantageous options for disposals of land and property under each category.
6. On 4 April 2012, Executive Land and Property Sub-Committee approved a small first phase of 25 advantageous disposals from the first four asset categories, comprising:
 - Nunthorpe Hall Farm buildings and land;
 - nine small residential sites;
 - the freehold of nine current Ground Leases; and
 - six industrial sites.
7. A reserve price for each site was agreed, based on average capital value less fees, with appropriate adjustments for potential development value and lost income, where relevant.
8. The agreed aggregated reserve price for the 25 sites was £5.541m, net of fees. It was agreed that the sum achieved would be used to reduce the Council's capital borrowing. With adjustments for lost rental income, this would equate to an estimated £492,000 p.a. net minimum improvement in the Council's revenue position. Offers at or above reserve price would be progressed through delegated powers.
9. This report updates the Committee on progress in disposing of these assets, and seeks approval for changes to:
 - the reserve price for two assets (listed in the confidential Part B of this report);
 - the decision to dispose of four assets immediately (deferrals); and,
 - the disposal method for five residential sites.

Progress update

Agricultural properties

10. The Agricultural Property Detailed Business Case considered three working farms in the Council's ownership: Newham Hall Farm, Nunthorpe Grange Farm and Nunthorpe Hall Farm.
11. The sale of Nunthorpe Hall Farm and buildings was agreed, with the farm to be sold as an agricultural concern and the buildings as a potential high-value residential site / conversion.
12. Discussions with the sitting tenant in relation to this proposal are underway and the Council hopes to bring these to a positive conclusion in the near future.

Residential Development Sites

13. The Residential Development Detailed Business Case identified 48 sites owned by the Council, 23 of which were already approved for disposal and proceeding to sale. Of the remaining 25 sites, it was recommended that:
 - subject to the receipt of planning permission, nine smaller sites are sold;
 - nine other sites are considered for sale following further analysis; and,

- seven sites not are sold, as they are unsuitable for residential development.

14. In April, the Committee agreed the disposal of nine sites, with the caveat that opportunities for joint affordable housing schemes with RSLs be explored before the sites were marketed, in line with the approach approved by the Executive Member for Regeneration and Economic Development on 19 January 2011.
15. It was also agreed that, as part of the disposals process, there would be appropriate consultation with ward members and the general public, in line with the nature of agreed disposals.
16. The Council has now completed public consultation relating to the decision to dispose of these sites for residential development. The key findings from this process are outlined below. A summary document of the comments received and officer responses is available on request.

Site	Responses
Haxby Close / Slingsby Close	43 objections
Margrove Walk	18 objections
Cornforth Walk	1 petition received (56 signatures)
Overdale Road	2 objections
Royston Avenue	2 objections
Park End sites	3 objections
Former Thorntree Library / Youth Centre	1 objection
General objection to sites proposed for appropriation	1 objection

17. The Haxby Close / Slingsby Close site generated a large proportion of objections, with local residents keen that the site be retained as open space as it is used for recreational activities and provides a safe area for children to play. In addition, concerns were raised as to the impact on the character of the area and regarding vehicle access to the site, parking and additional traffic.
18. In response to the local resident opposition, and following consultation with internal and external stakeholders, it is now proposed that this site is retracted from the original list of nine sites for development and so not be sold for development at this time.
19. Two sites in Park End also raised a substantial number of objections (Margrove Walk and Cornforth Walk). Respondents stated that these sites provide a safe area for children to play and they are well used for this purpose. Additional issues mentioned included the potential for increased traffic, road safety issues and problems with parking.
20. Concerns have been raised with regards to the concentration of sites in the Park End ward potentially leading to a cumulative loss of open space. The Council's Landscape and Design team was consulted on this matter and an assessment of provision in Park End conducted.
21. This confirmed that these sites are not designated as open space within the Council's Green Spaces Strategy, with the main focus for provision and investment in recreational space in the ward being the nearby neighbourhood park on Sandringham Road.
22. Following consideration of feedback it is now proposed that the Council does not dispose of the Haxby Close / Slingsby Close site at this stage (as set out above), and that the decision to dispose of the remaining sites stand. In relation to the method of disposal, the following is proposed:

Site agreed for disposal	Ward	Disposal route
Margrove Walk	Park End	Open market

Site agreed for disposal	Ward	Disposal route
Cornforth Walk	Park End	Partner RSLs at nil value, with overage on any private sales.
Overdale Road		
Royston Avenue		
Evesham Road (subject to resolution of Ground Lease)		
Penrith Road		
Grassington / Rylestone / Beechwood	Beechwood	Open market
Former Thorntree Library / Youth Centre site	Thorntree	Open market

23. It is estimated that RSL sites would be developed within the next 12-24 months subject to grant allocation. There will be a six months limit to agree terms.

24. In summary, these changes would mean that:

- The decision to dispose of the Haxby / Slingsby site at this stage would be retracted.
- Potentially five sites would go to RSLs at nil consideration. As a result, the Council would receive capital receipts £662,700 (minimum) less than anticipated.
- More affordable housing would be built. The Tees Valley Strategic Housing Market Assessment recommends the delivery of 189 affordable units per year in Middlesbrough. These sites would assist in meeting up to 30% of this need.

25. It is proposed that if sites for private sale do not achieve the agreed reserve price that they be reallocated to RSLs for affordable housing.

Ground Leases

26. The Ground Leases Detailed Business Case identified 139 leases operated by the Council, of which 67 generate a total rental income of approximately £442,000 p.a., the remainder being let at nil or peppercorn rent.

27. In April, the Committee agreed that the freehold of nine sites currently leased be sold, in order to test the market for such disposals.

Site agreed for disposal	Ward
Thistle Hotel	Middlehaven
Fountains Court	
The Jack and Jill Pub	Pallister
The Newcastle House Pub, Ingram Road	Pallister
The Eagle Public House, Rothbury Road	
Premier Inn Hotel, Marton Way, Marton Road	Beechwood
Land at Cargo Fleet Lane	North Ormesby and Brambles Farm
Land at Southerby Road / Westerby Road	
Land at Sotherby Road	

28. One sale (Land at Cargo Fleet Lane) is in the process of completion, and contact has been made with the tenants of all other sites.

29. Two sites have been revalued by Mouchel following more detailed consideration of the Ground Lease terms and other factors – the Thistle and Premier Inn Hotels.

30. These revised values are set out in Part B of this report, and the Committee are asked to approve these – which meet the tests applied to replace lost rental income – so that sales can proceed.

Industrial Sites

- 31. The Industrial Sites Detailed Business Case identified nine sites across Middlesbrough (many of which are in Middlehaven), the majority of which are unused, untidy and provide no benefit to the town or significant income to the Council. Two of these sites (Southwest Ironmasters and Hemlington Grange) were already earmarked for, or in the process of, disposal.
- 32. It was agreed that the remaining six sites (listed below) would be marketed for sale (subject to a clear development plan within a suitable timescale) to achieve a significant capital sum, promote job creation and develop prominent unused sites on the eastern approach to the town.

Site agreed for disposal	Ward
Middlesbrough Warehousing Site (South of A66)	North Ormesby and Brambles Farm
Abattoir off Cargo Fleet Lane	
Site G, Riverside Park	Middlehaven
Site K, Riverside Park	
Site L, Riverside Park	
Tesaurus Park, Riverside Park	

- 33. It is now proposed that only three of these sites be sold immediately (the Warehousing Site and the adjoining Site G and Tesaurus Park, Riverside Park. Mouchel are currently engaged in marketing these sites.
- 34. In relation to the Abattoir site, it is proposed to pursue a revised lease as per a previous agreement with the Abattoir owners. If a new lease cannot be agreed within three months, the position will be reviewed and new recommendations made to the Sub-Committee, including the disposal of the freehold.
- 35. In addition to this it is proposed to reserve Sites K and L on Riverside Park as potential decant sites for businesses from Cannon Park, if the need should arise. If, following negotiations with Cannon Park businesses, the land is not required for this purpose, then the sites would be sold as agreed by the Sub-Committee in April.

IMPACT ASSESSMENT

- 36. Not applicable. All disposals will be in line with the Local Development Framework for Middlesbrough, which has been impact assessed with no disproportionate adverse impacts identified.

OPTION APPRAISAL/RISK ASSESSMENT

- 37. There is a range of options in relation to the recommendations outlined in this report.

Option 1: Agree all changes – recommended

- 38. The proposed changes in relation to residential sites demonstrates that the Council has taken account of local opinion, and that it supports the delivery of affordable housing in the town.
- 39. The proposed changes in reserve prices to the Thistle and Premier Inn hotels will allow the Council to achieve best value from sales.
- 40. The proposal to first pursue a revised lease for the Abattoir site and defer the sale of Sites K and L on Riverside Park will allow the Council to reach the best long-term option for the former, and ensure that there is sufficient space to decant businesses from Cannon Park, should this be required.

Options 2/3: Reject some/all changes – not recommended

41. Progressing the sale of Haxby / Slingsby would result in public opposition. Opposing the transfer of land at nil consideration to RSLs would increase capital receipt to the Council but not support the achievement of the town's affordable housing targets.
42. Rejecting changes to reserve prices would result in the Council not achieving best value from sales or (if the price is too high) not being able to progress the sale.
43. Pursuing the immediate sale of the Abattoir and Sites K and L on Riverside Park may mean, in the case of the former, that the wrong long-term option for the site is progressed, and, in the case of the latter, that there is insufficient space to decant businesses from Cannon Park.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

Financial implications

44. The aggregated reserve price for the 25 sites agreed by the Sub-Committee in April was £5.541m, net of fees. Used to reduce capital borrowing and adjusted for lost rental income, this would equate to an estimated £492,000 p.a. net minimum improvement in the Council's revenue position.
45. The following changes proposed in this report have immediate financial impacts:
 - Provide five sites to RSLs for affordable housing schemes and defer the sale of the Haxby Slingsby site (minimum value of sites £794,300).
 - Net reduction in aggregate reserve as a result of the revaluations of the Thistle and Premier Inn Hotels (£223,652).
46. If approved, the Council will now progress the sale of a maximum of 19 sites, with an aggregated reserve price of £4,524,015, net of fees. This represents a 18% reduction in anticipated capital receipts. Used to reduce capital borrowing and adjusted for lost rental income, this would equate to an estimated £390,500 p.a. net minimum improvement in the Council's revenue position – a 21% reduction.
47. **Legal implications** – There will be various routine legal matters to be addressed in progressing these disposals, which are accounted for in the fee regime previously agreed.
48. **Ward Implications** – The disposals originally agreed cover assets in eight of the town's wards: Acklam, Beechwood, Middlehaven, North Ormesby and Brambles Farm, Nunthorpe, Pallister, Park End and Thorntree.

RECOMMENDATIONS

49. That Executive Land and Property Sub-Committee notes progress to date in relation to first phase disposals.
50. That Executive Land and Property Sub-Committee:
 - retracts the decision to dispose of the Haxby Close / Slingsby Close site at this stage;
 - agrees the disposal of five small residential sites to RSLs at nil consideration to promote affordable housing;
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- agrees that Sites K and L on Riverside Park be reserved at this stage as potential decant sites for businesses from Cannon Park.

REASONS

51. To ensure that the Council drives the maximum value from its asset portfolio and that agreed sums for disposals are achieved as quickly as possible.

BACKGROUND PAPERS

- Agricultural Property Detailed Business Case (Confidential)
- Residential Development Sites Detailed Business Case (Confidential)
- Ground Leases Detailed Business Case (Confidential)
- Economic Development (Industrial Sites) Detailed Business Case (Confidential)
- Community Services Review
- Budget 2012/13

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