

MIDDLESBROUGH COUNCIL

EXECUTIVE SUB-COMMITTEE FOR PROPERTY

TAD CENTRE COMPLEX, ORMESBY ROAD, MIDDLESBROUGH TS3 7SF PROPOSED FREEHOLD SALE

Executive Member for Commercial Assets and Income: Councillor Charles Rooney

Executive Director of Commercial and Corporate Services: Tony Parkinson

Date: 31st of July 2015

PURPOSE OF THE REPORT

1. To set out the current situation with the disposal of this site, establish a clear understanding of its likely value and proposed next steps.

SUMMARY OF RECOMMENDATIONS

2. To proceed with the disposal of the complex for the sum of £400,000, plus fees, to be refurbished as a local business /commercial centre.

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

3. It is over the financial threshold (£150,000)
It has a significant impact on 2 or more wards
Non Key

X

DECISION IMPLEMENTATION DEADLINE

4. For the purposes of the scrutiny call in procedure this report is

Non-urgent
Urgent report

X

BACKGROUND

5. Exec Sub for Property considered a report on the 24th of March 2015 on the proposed sale of the Tad Complex.
6. The decision to progress the disposal was deferred .pending a request for further information on the value of the property as contained within the Council Asset

Register and the market value of the property for disposal purposes and how these relate to the purchase price.

7. Appendix 2 sets out in detail the current asset valuation for the property as held on the Councils asset register. The potential market value and the consideration of the offer are set out in the financial section of this report.
8. Members will be aware of the unauthorised recording of the Exec Sub for Property Meeting held on the 24th of March 2015 and the subsequent posting of this recording on YouTube.
9. The Council has after this event received an unsolicited offer from Nunthorpe Nurseries Ltd in the sum of £500,000 for the freehold of the Tad Centre. However the Council cannot legally consider this offer outside of the current disposal process.

IMPACT ASSESSMENT (IA)

10. A Level 1 (Initial Screening) Impact Assessment (IA) accompanies this report in Appendix 1.
11. The impact assessment identified that the proposal would have a positive impact on the local community as it would make it more likely that the complex, which is only currently occupied by one business and surplus to Council needs, was brought back into a more beneficial future use.
12. Although the remaining business provides services which are directly relevant to the age protected characteristic, as it provides day care to young children, the assessment that has been undertaken found that there were no concerns that the proposal could have an adverse impact. In addition, the Council's development control planning process would also serve to ensure that any future use proposed would be appropriate for the local area.

OPTION APPRAISAL/RISK ASSESSMENT

13. **Option 1:** To reuse the complex for another purpose - no Council operational requirement has been identified.
14. **Option 2:** To proceed with the sale of the complex in accordance with the recommendations made in this report - to meet the Council's requirement to generate capital receipts, and bring the complex back into more beneficial use.
15. **Option 3:** Do nothing - the complex would remain in its present state. Whilst it would be retained for potential future Council use, the liability and responsibility for maintaining, securing, funding and repairing the complex would remain with the Council in the interim.

16. **Option 4:** Remarket the site poses a disadvantage, due to the fact that confidential information about the bid has been posted on the internet and leaked to the press, and therefore the current purchaser is at a disadvantage with other bidders having knowledge of the project and the offer. The site has also previously been through the marketing process both locally and nationally with little response.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

17. **Financial** – The Council would receive a substantial capital receipt and fees without incurring costs, or delays, of sale. Disposal of the complex removes the Council's liability for future holding costs in relation to the responsibility for, and maintenance of the property whilst it remains only partly occupied.
18. The complex is currently held on the Council's Asset Register for disposal on a commercial basis at £523,000 (See Appendix 2) prior to this it was held on a DRC (Depreciated Replacement Cost) value of £1,526,000. Whilst this figure reflects the cost of constructing a replacement building, it does not relate to its market value for disposal.
19. The complex was however valued @ £600,000 for the purposes of investment and disposal by an independent 3rd party valuer in January 2014. However the valuation came with the caveat that an extensive marketing period in the order of 18 months would be required to achieve any meaningful bids.
20. Whilst the proposed disposal is not the result of market testing, the price negotiated represents best consideration - being either equal to, or exceeding pro rata values that have been generated by comparable transactions known to have taken place in the surrounding town environs.
21. A considerable amount of monies need to be further invested in the property to create serviced office / workshop / leisure facilities and it is estimated that the total budget would be in the region of £500,000 to update the broadband services, electrics, plumbing, heating, lighting, joinery and general building fabric.
22. The benefits of this project are the new business start-ups and employment opportunities that it could create in an area of high unemployment. It is envisaged that this facility could create some 20 new business start-ups, and attract a further 30 existing business's which could result in the creation /safeguard of up to 150 jobs.
23. Although these figures are estimated, the bidder does have the experience of running three successful business centres in Tees Valley and is confident that the proposals can provide great job opportunities and new business start-ups.
24. The bidder has also pointed out that the majority of tenants will be either new or small businesses that would want flexible lease terms at competitive rents and that this will impact on the overall value of the investment.

25. **Legal** – Whilst there are no unusual legal implications arising from the proposed disposal, please be advised that the Council’s decision making protocol was questioned by one of the four parties who submitted an unsuccessful return within Stage I of the marketing process.
26. Upon being notified that their submission had been unsuccessful at Stage I, Nunthorpe Nurseries Ltd submitted representations to the Director of Commercial and Corporate Services and the Chief Executive, questioning the process the Council had followed in selecting its preferred bidder.
27. Legal Services subsequently investigated the matter on the instruction of the Director of Commercial and Corporate Services and reported that the Council was neither in breach of protocol, nor at risk to any form of challenge going forward.
28. Likewise the Director of Commercial and Corporate Services have received Legal and Audit advice, stating that the Council is under no obligation to consider or accept the unsolicited bid from Nunthorpe Nurseries Ltd.
29. The complex was opened in 1994 with the construction of the property having been part funded by both European Union, and UK City Challenge grant monies.
30. The relevant funding criteria that would have placed either a clawback provision on disposal of the premises, or actually prohibited its actual disposal, have now expired with the passing of 20 years from the date of construction/opening of the complex.
31. The terms and conditions of the proposed disposal will incorporate clauses that:
 - a) seek to prohibit the demolition of the building; and
 - b) seek to secure overage in the case of further development of the site.
32. **Ward** – The property is situated in Pallister Ward and the respective Ward Members have been consulted on the potential to dispose of the premises.
33. Members will also be consulted on any subsequent proposal as part of the normal planning process, should the preferred bidder opt to put the building to any future purpose other than the established B1 office use.

RECOMMENDATIONS

34. It is recommended that Executive Sub-Committee for Property:
 - a) approves disposal of the complex for the sum of £400,000, plus fees.

REASON

35. This will result in the disposal of surplus property in return for a capital receipt to the Council and assist in the regeneration and enhancement of the local area.

BACKGROUND PAPERS

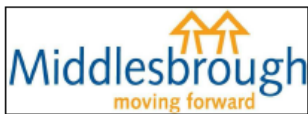
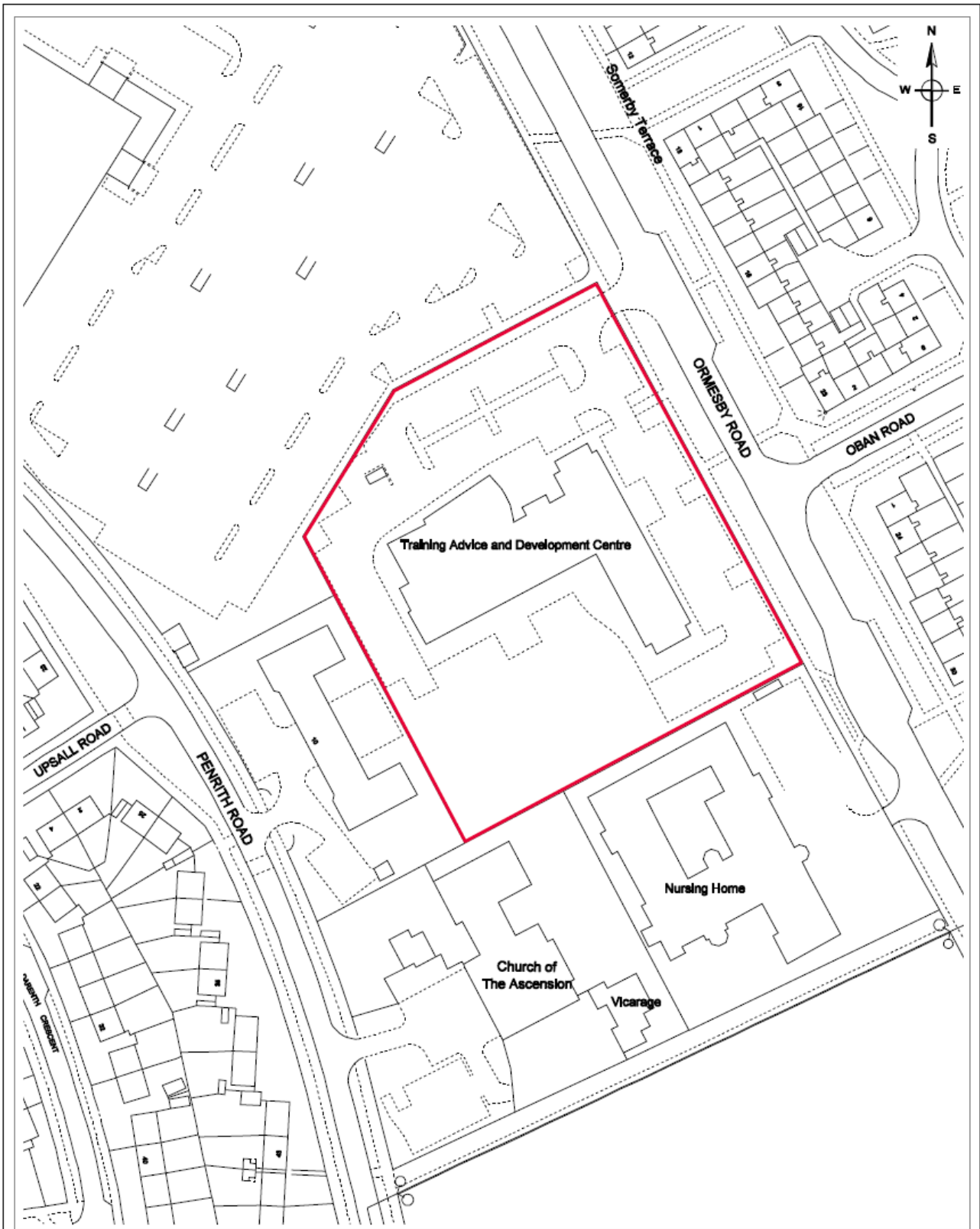
CONFIDENTIAL - Executive Sub Committee for Property Report, 24th of March 2015, "Tad Centre Complex, Ormesby Road, Middlesbrough, TS3 7SF, Proposed Freehold Sale" (Exempt pursuant to paragraph 1 and 3 of schedule 12A of the Local Government Act 1972.)

Author: Martin Shepherd

Tel No: 729192

Email Address: martinshepherdr@middlesbrough.gov.uk

Website: <http://www.middlesbrough.gov.uk>



TIM WAKE VALUATION & ESTATES

**TRAINING ADVICE &
DEVELOPMENT CENTRE
ORMESBY ROAD**

Scale:	1:1250
Date:	4th JUNE 14
Drawn:	JMS
Dwg No:	VAL 5492

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Appendix 1 - Impact Assessment Level 1: Initial screening assessment

Subject of assessment:	Disposal of the Council's freehold interest in the TAD Centre Complex			
Coverage:	Service specific			
This is a decision relating to:	<input type="checkbox"/> Strategy	<input type="checkbox"/> Policy	<input type="checkbox"/> Service	<input type="checkbox"/> Function
	<input type="checkbox"/> Process/procedure	<input type="checkbox"/> Programme	<input type="checkbox"/> Project	<input type="checkbox"/> Review
	<input type="checkbox"/> Organisational change	<input checked="" type="checkbox"/> Other (please state) Asset management		
It is a:	New approach:	<input checked="" type="checkbox"/>	Revision of an existing approach:	<input type="checkbox"/>
It is driven by:	Legislation:	<input type="checkbox"/>	Local or corporate requirements:	<input checked="" type="checkbox"/>
Description:	<p>Key aims, objectives and activities To assess the impact of the proposal to dispose of Council property deemed to be surplus to operational requirements.</p> <p>Statutory drivers (set out exact reference) The Local Government Act 1972 Section 123, as amended by the Local Government Planning and Land Act 1980 Section 118 Schedule 23 Part V.</p> <p>Differences from any previous approach Formerly used by the Council as a business development, training and conference centre, the complex is currently only part occupied; by two non-council related businesses. Future use would be for commercial office, business, and training and development purposes.</p> <p>Key stakeholders and intended beneficiaries (internal and external as appropriate) The Council, preferred bidder and the local community.</p> <p>Intended outcomes The proposed disposal of the complex would:</p> <ul style="list-style-type: none"> • generate a significant capital receipt for the Council; • create new jobs within the borough; • remove the Council's liability for future holding costs, responsibility for, and maintenance of the property; • help stimulate further development in the local area, and • bring the complex back into more of a positive future use. 			
Live date:	Thursday 05 th March 2015.			
Lifespan:	Not applicable.			
Date of next review:	Not applicable.			

Screening questions	Response			Evidence
	No	Yes	Uncertain	
<p>Human Rights</p> <p>Could the decision impact negatively on individual Human Rights as enshrined in UK legislation?*</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>It is considered that the disposal of the subject premises will not impact negatively on individual human rights as the proposal represents a significant and positive enhancement for the local and wider area, which outweighs the loss of the building. This assessment has been made taking into account:</p> <ul style="list-style-type: none"> the complex is currently only part occupied and not used for any specific purpose by the Council; the new jobs that future re-use of the complex will create, and the potential for this proposal to stimulate further economic development within the borough.
<p>Equality</p> <p>Could the decision result in adverse differential impacts on groups or individuals with characteristics protected in UK equality law? Could the decision impact differently on other commonly disadvantaged groups?*</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>The Council has a duty to consider the impact of the proposed decision on relevant protected characteristics, to ensure it has due regard to the public sector equality duty. Therefore, in the process of taking decisions, the duty requires the Council to have due regard to the need to:</p> <ol style="list-style-type: none"> eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and foster good relations between persons who share a relevant protected characteristic and persons who do not share it. <p>Consideration of this duty has shaped the proposals.</p> <p>The complex is currently only part occupied with all Council related functions having been relocated following a strategic decision to restructure the provision of Children’s & Families services across the Borough. In accordance with this reorganisation, access to, and delivery of such service provision is not affected. One of the businesses currently based at the centre provides services which are directly relevant to the age protected characteristic as it provides day care for young children. The terms of the sale will ensure that the current lease terms of the business concerned will remain unaffected.</p> <p>It is therefore considered that the proposal will not have a disproportionate adverse impact on a group, or individuals, because they hold a protected characteristic. The interests of both of the businesses currently occupying the complex will be protected during the disposal to the preferred bidder, with the result being that both businesses will be left undisturbed by the proposed transaction.</p> <p>Evidence used to inform this assessment includes engagement to date with the businesses affected and the proposed purchaser, together with analysis of the terms and conditions that will be incorporated within the proposed sale.</p>

* Consult the Impact Assessment further guidance appendix for details on the issues covered by each of these broad questions prior to completion.

Screening questions	Response			Evidence
Community cohesion Could the decision impact negatively on relationships between different groups, communities of interest or neighbourhoods within the town?*	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	There are no concerns that the proposal could have an adverse impact on community cohesion. Evidence used to inform this impact assessment includes the potential for bringing this complex back into a far more beneficial future use than that is being provided under the current ownership and management arrangement.
Middlesbrough 2020 – Our Vision Could the decision impact negatively on the achievement of the vision for Middlesbrough?*	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The disposal of the TAD Centre Complex is intended to facilitate regeneration, and as such, it is considered that it will contribute <i>positively</i> towards the Middlesbrough 2020 Vision, specifically in respect of Aim 2 ('a learning town, in which families and communities thrive), where one of the priorities is for more people to be working. This assessment has been made taking into account the new jobs that will be created in the Borough by bringing this building back into a far more beneficial future use.
Organisational management / Change Programme Could the decision impact negatively on organisational management or the transformation of the Council's services as set out in its Change Programme?*	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No tangible relationship between the disposal of the premises and organisational management of the Council, or the transformation of its services (as set out in its Change programme), have been identified.

Next steps:

- ➡ If the answer to all of the above screening questions is No then the process is completed.
- ➡ If the answer of any of the questions is Yes or Uncertain, then a Level 2 Full Impact Assessment must be completed.

Assessment completed by:	David Velemir	Head of Service:	Tom Punton
Date:	05/03/2015	Date:	05/03/2015