

MIDDLESBROUGH COUNCIL

EXECUTIVE SUB-COMMITTEE FOR PROPERTY

**MELROSE HOUSE, 1 MELROSE STREET, MIDDLESBROUGH TS1 2HZ
PROPOSED FREEHOLD SALE – PART A**

Executive Member for Regeneration: Councillor Charles Rooney

Executive Director of Commercial and Corporate Services: Tony Parkinson

Date: 15th June 2016

PURPOSE OF THE REPORT

1. The purpose of the report is to consider the proposal to dispose of the Council's freehold interest in Melrose House, and seek approval to proceed with the sale of the subject property in accordance with the report's recommendations.

SUMMARY OF RECOMMENDATIONS

2. To proceed with the disposal of the subject property to the preferred bidder, as outlined in Part B of this report.
3. That if the preferred bidder chooses not to proceed for any reason, the disposal should be taken forward with the alternate bidder identified within Part B of this report.

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

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

X

DECISION IMPLEMENTATION DEADLINE

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

Non-urgent
Urgent report

X

BACKGROUND

6. Situated on the junction of Melrose Street and Grange Road, the subject property is located within a mixed commercial, retail and residential area of the town. With proximity to both Teesside University and Centre Square, the property also lies within walking distance of the Town Centre.
7. Shown edged red on the plan attached, the subject property measures approximately 1.47 Acres (0.59 Hectares) and comprises a five storey steel framed office building with a single storey annexe positioned to the rear. Access to the single storey annexe is provided by a covered walkway that links both buildings.
8. In addition to the buildings, the property also includes an external gated compound, landscaped areas, hard surface car parking areas and a grassed area adjacent Borough Road – the latter area being capable only of use to provide further car parking spaces for the benefit of the property.
9. Having been deemed by the Council to be surplus to operational requirements, the subject property was marketed in local, regional, national and digital media during the period December 2015 to February 2016.
10. Vacant with the exception of a suite of rooms measuring 889 sq.m (9,569 sq.ft) GIA, together with an adjacent external gated compound, the property was marketed freehold with vacant possession in part – with the intention being to leave the current occupation by the Council's IT Services Team undisturbed.
11. The Council received a total of 3 tender submissions in response to the formal marketing exercise, with one of these submissions being submitted outside of the informal tender process after the close of marketing.
12. Following advice from the Council's Legal Team, 'best and final offers' were then sought from the three interested parties in order to regularise the respective bids within a single recognised tender process.
13. All three parties resubmitted informal tenders in response to the Council's rationalisation of the marketing process. The submissions received set out refurbishment/redevelopment proposals either for use as student accommodation, or for office, training and commercial uses.

IMPACT ASSESSMENT (IA)

14. A Level 1 (Initial Screening) Impact Assessment (IA) accompanies this report in Appendix 1.
15. 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 property, which is predominantly vacant and surplus to Council needs, was brought back into a more beneficial future use.
16. The impact assessment 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

17. **Option 1:** To reuse the property for another purpose - no Council operational requirement has been identified.
18. **Option 2:** To proceed with the sale of the property in accordance with the recommendations made in this report – in order to meet the Council's requirement to generate capital receipts, and bring the building and land into a far more beneficial use in the future.
19. **Option 3:** Do nothing – the property would remain in its present state. Whilst it would be retained for potential future Council use, the liability and responsibility for maintaining and holding the building and land would remain with the Council in the interim.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

20. **Financial** – The Council would receive a capital receipt plus fees, without the need to incur any further marketing costs.
21. The preferred bidder has submitted a compliant unconditional bid with payment of a deposit of 10% offered on exchange of contracts, with the balance sum of 90% to follow upon legal completion
22. Therefore, with regard to the above and the associated socio economic benefits that it brings, the offer submitted by the preferred bidder represents best consideration having been generated by way of an open market informal tender process
23. **Legal** – The property has been marketed freehold with vacant possession in part, with a suite of rooms and an external gated compound situated to the rear of the building currently being occupied by Middlesbrough Council's IT Services Team.

24. The Council proposes to leave this occupation undisturbed through the process of disposal, via a contractual condition that grants an appropriate leasehold agreement in favour of the Council upon legal completion. All bidders confirmed acceptance of this condition within their respective tender submissions.
25. **Ward** – The property is situated in Central Ward and the respective Ward Members have been consulted on the potential to dispose of the property.
26. Members will also be consulted on any subsequent proposal as part of the normal planning process.

RECOMMENDATIONS

27. To proceed with the disposal of the subject property to the preferred bidder, as outlined in Part B of this report.
28. That if the preferred bidder chooses not to proceed for any reason, the disposal should be taken forward with the alternate bidder identified within Part B of this report.

REASON

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

BACKGROUND PAPERS

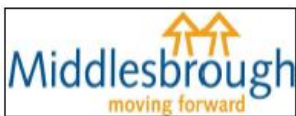
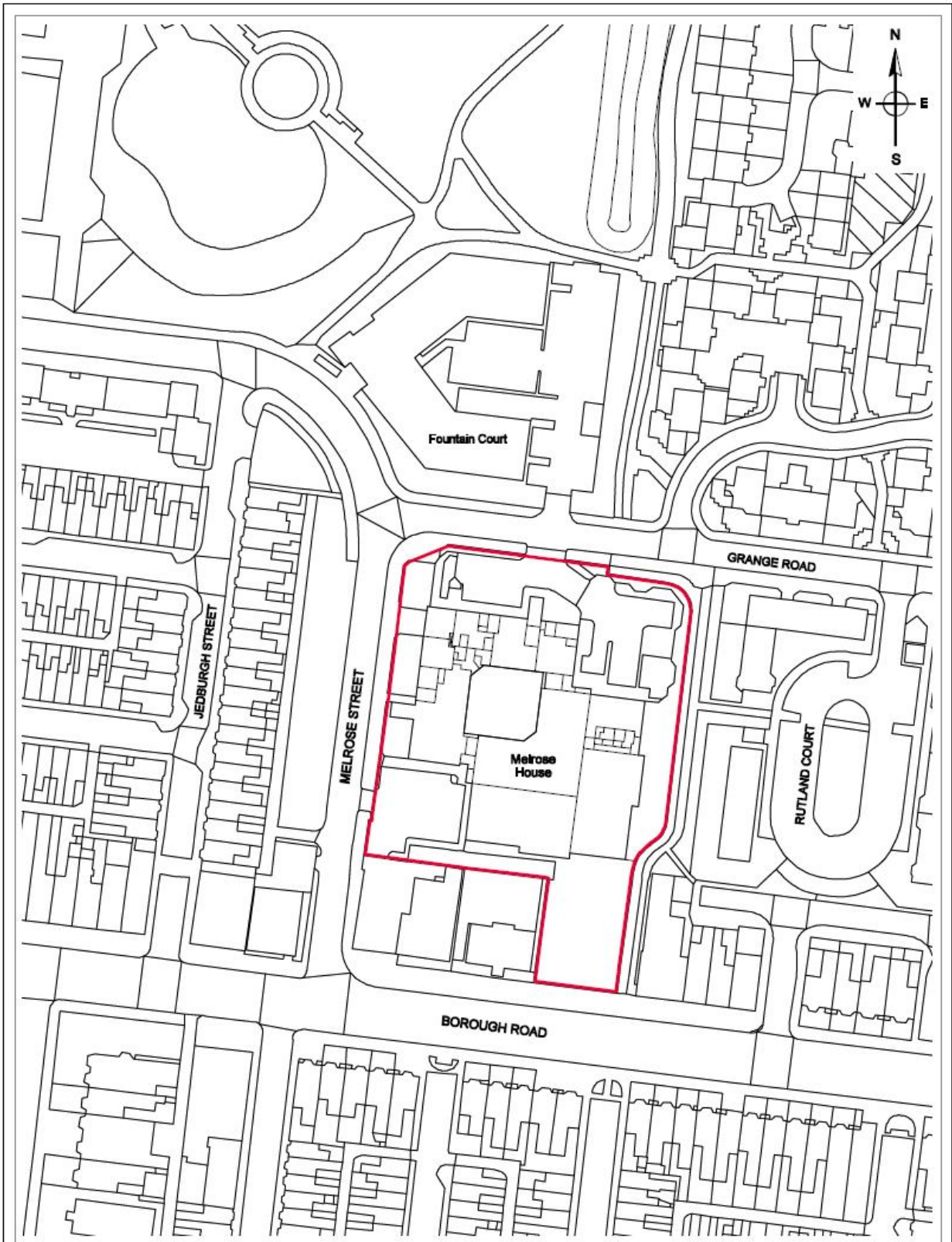
No background papers were used in the preparation of this report

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TIM WAKE VALUATION & ESTATES

MELROSE HOUSE
MELROSE STREET
MIDDLESBROUGH

Scale:	1:1250
Date:	10th APRIL 15
Drawn:	JMS
Drng No:	VAL 5487 B

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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 land and buildings at Melrose House, 1 Melrose Street, Middlesbrough			
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 an office, the subject property is vacant except for a suite of rooms and external compound currently occupied by the Council's IT Services Team. Future use would be for commercial 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 subject site 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, and • help stimulate further development in the local area, and bring the subject property back into a more positive future use. 			
Live date:	Thursday 12 th May 2016.			
Lifespan:	Not applicable.			
Date of next review:	Not applicable.			

Screening questions	Response			Evidence
	No	Yes	Uncertain	
<p>Human Rights Could the decision impact negatively on individual Human Rights as enshrined in UK legislation?*</p>	☒	☐	☐	<p>It is considered that the disposal of the subject property 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 and parcel of land. This assessment has been made taking into account:</p> <ul style="list-style-type: none"> the fact that the property is predominantly unoccupied, with only part being required for a specific purpose by the Council; the new jobs that future re-use of the property will create, and the potential for this proposal to stimulate further economic development within the borough.
<p>Equality 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>	☒	☐	☐	<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 property is predominantly vacant and fulfils no specific function, purpose or service. The suite of rooms currently occupied by the Council's IT Services Team is to be left undisturbed. In accordance with this position, access to and delivery of Council services will not be affected by the proposed disposal.</p> <p>Due to the subject property being located within close proximity to the areas of recreational open space provided by Central Square, it is considered that the proposal will not have a disproportionate adverse impact on a group, or individuals, because they hold a protected characteristic.</p> <p>Evidence used to inform this assessment includes engagement to date with relevant Council departmental teams 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 property 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 Melrose House 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 property 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 property and the 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:	12/05/2016	Date:	12/05/2016