

EXECUTIVE SUB-COMMITTEE FOR PROPERTY

A meeting of the Executive Sub-Committee for Property was held on 20 April 2018.

PRESENT: Councillors C Rooney (Chair), M Carr, D Rooney, J Rostron, M Thompson, N Walker and L Young.

PRESENT AS OBSERVERS: Councillors T Higgins, B Hubbard, L Lewis, L McGloin, J Mohan, J Rathmell, M Saunders and J Walker.

OFFICIALS: S Bonner, J Bromiley, L Henman, A Hoy, D Johnson, C Lunn, A Pain and S Reynolds.

APOLOGIES FOR ABSENCE: Councillor J Brunton Dobson.

DECLARATIONS OF INTERESTS

There were no Declarations of Interest.

The Chair opened the meeting with a statement regarding appropriate conduct for a business meeting of the Council.

17/22 MINUTES OF THE EXECUTIVE SUB-COMMITTEE FOR PROPERTY MEETING HELD ON 21 MARCH 2018

The minutes of the Executive Sub-Committee for Property meeting held on 21 March 2018 were submitted and approved as a correct record.

17/23 SOUTHLANDS CENTRE - FUTURE OPTIONS

The report of the Executive Member for Finance and Governance and the Strategic Director of Finance, Governance and Support was submitted, which set out the latest offer from the Licensees / Community Operator together with associated risks. An analysis of the current uses at the Centre and their contribution to local community / social regeneration was contained in the report, together with potential future options for the site.

The report set out the future options for the Southlands Centre by:

1. Setting out the current state of the Southlands Centre, and the likely financial subsidy based on the current Licensee / Community Offer;
2. Analysing the Licensee / Community Offer, setting out the associated risks / benefits;
3. Evaluating the current and future community activity at the Southlands Centre together with the wider provision within the vicinity; and
4. Proposing a transition / decanting strategy for the site.

The report outlined that the Executive Sub-Committee for Property on 22 November 2017 had tasked officers with undertaking further due diligence and analysis on the offer to date, before presenting a final report by April 2018.

The report set out the progress to date in terms of the Licensee and Community offers, and discussed the potential decant strategy, proposed new community facility and potential asset disposal.

The Chair invited those Elected Members who were present at the meeting, and who wished to speak, to do so.

Representations were made by Councillors B Hubbard, J Rathmell and M Saunders in relation to concerns raised by both Licensees and local residents, and to the content of the submitted report, including the occupancy rate of the Southlands Centre.

Reference was made to a Community Forum meeting that was held at the Southlands Centre on 19 April 2018, with gratitude being conveyed to Councillors N Walker and M Thompson for

their attendance.

Comments were made in relation to other matters, including: Other recent development projects; Public perception of Council processes; Lack of specific business enterprise zones; Future development funding; and Community activities currently being undertaken at the Southlands Centre. Clarification was provided in respect of the current position regarding future development funding.

OPTIONS

- Status Quo - this was not a realistic option due to the current condition of the Centre, occupancy levels, levels of indebtedness and its declining financial position resulting in a projected loss of £210,000 in 2017/18 (excluding overheads).
- Progress Licensee / Community Offer - the offer provided for the retention of the existing licensee and community groups at the Centre and sought to address / mitigate the Council's current financial deficit. However there were significant risks associated with it. The offer was dependent on achieving 75% occupancy levels within an eight-year period against a backdrop of businesses paying significantly higher rents over a ten-year period. Over time, these increases were likely to bring the rents in line with a number of private sector providers which would be in direct competition to the Centre. In addition, the Council would be committed to investing £1.764 million over an eight-year period. Though this would address the overall condition of the buildings, the facility would still remain a converted 60's school and not a modern / flexible working environment. Even if these levels of occupancy could be achieved, the resulting subsidy would be in the range of £470,000 to £652,000 (dependant on level of discounts / turnover) over a ten-year period.

ORDERED

1. **That it be noted that, despite the genuine efforts made over a two-year period, there was a lack of a viable business plan for the continuation of the facility; the continued substantial subsidy that it would require; the relatively small proportion of the large former school building benefiting the local community directly, and the opportunity to provide a local community facility which was more fit for purpose in the event of closure.**
2. **That the closure of the Southlands Centre over a six-month period to facilitate and assist the relocation of the existing licensees /community groups be approved, and agreed that the Council would provide a new fit-for-purpose community facility.**
3. **That it be noted that revenue savings of £210,000 (based on 2017/18 figures) would be achieved through the closure of the site.**
4. **That community engagement commences in order to ascertain the requirements for a fit for purpose community facility that would serve the needs of the area.**
5. **That it be noted that a further report would be submitted by September 2018, setting out in more detail the options with regard to the future of the site, and the new community facility.**
6. **That the estimated provision of £100,000 (with the use of delegated Director's powers if more is required) as previously indicated in the report of 22 March 2017 to assist in the decant of licensees be confirmed. Further work had been undertaken by officers since this report which had ascertained that this sum would adequately cover the needs of the licensees.**

REASON

The decision was supported by the following reasons:

- The building was in a poor state of repair and required substantial investment. The offers from the Licensees and proposed Community Operator would still require a substantial subsidy from the Council and there were risks associated with the offers. The recommendations provided for the making of revenue

savings to support the Council's revenue budget and statutory services for the people of Middlesbrough; a period in which businesses and community groups could locate suitable alternative premises; and the ring-fencing of the capital / income streams as necessary in the event of a future decision for disposal and redevelopment to ensure that locality benefits from the re-provision of a community facility which was fit for purpose and met current standards.

- The closure would result in the relocation of 28 long-term licensees and the Community Groups involved. The closure would result in an annual revenue saving in the order of £210,000 (excluding overheads).

17/24

UPDATE ON ESTATES STRATEGY AND ASSET DISPOSALS

The report of the Executive Member for Finance and Governance and the Strategic Director of Finance, Governance and Support was submitted, the purpose of which was to provide an update on the implementation of the Estates Strategy and on assets agreed for disposal in the financial year 2017/18, and to seek amendments to the Asset Disposal Policy which formed part of the Estates Strategy.

It was outlined that a refreshed Estates Strategy, building on the existing Strategy, was agreed by officers, and the Executive Member had been briefed in July 2017.

An officer group entitled the Estates Strategy Board had been meeting since August 2017, where it had been resolved to provide regular update reports to the Executive Sub-Committee for Property.

The submitted report was the first of these updates covering the financial year 2017/18, and it was envisaged that these updates would now take place quarterly from this date.

The aim of the reporting was not to change the decision-making process but to increase transparency of those transactions which had taken place, and on the ongoing improvements to the governance and operational management of estates and assets.

OPTIONS

It would have been feasible to leave the Asset Disposal Policy unchanged following discussions with internal audit on the practical application of the policy 12 months after approval.

Senior officers agreed that a dual sign-off added extra continuity and control into the process for little additional resource and was therefore a sensible and desirable addition to the policy.

Following consideration, it was also felt that a significant number of very low value transactions being included on the Consolidated Asset Disposal Control Sheet distracted time, effort and scrutiny from the higher value transactions and resulted in misplaced resources.

ORDERED

1. That asset disposals in the financial year 2017/18 and progress on the implementation of the Estates Strategy be noted.
2. That the following amendments to the Asset Disposal Policy, as set out in paragraph 8, be approved:
 - That the monthly Consolidated Asset Disposal Control Sheet should be signed off by the Head of Financial Planning and Support as well as the Strategic Director of Finance Governance and Support; and
 - That a de minimus level should be set for transactions included on the Consolidated Asset Disposal Control Sheet in order that attention could be focused on material transactions. It was proposed that this level be set at £10,000.

REASONS

The decisions were supported by the following reasons:

For reasons outlined in the report.

The decision(s) will come into force after five working days following the day the decision(s) was published unless the decision becomes subject to the call in procedures.