

EXECUTIVE SUB-COMMITTEE FOR PROPERTY

A meeting of the Executive Sub-Committee for Property was held on 22 March 2017.

PRESENT: Councillors C M Rooney (Chair), J Brunton, M Carr, T Harvey, M Thompson and N J Walker and L Young

PRESENT AS OBSERVERS: Councillors P Cox, T Higgins, C Hobson, J Hobson, B A Hubbard, D Rooney and M Saunders

OFFICIALS: J. Bromiley, A. Cain, G. Field, A. Hoy, L. Henman, G. Moore and G. Wijesinghe

APOLOGIES FOR ABSENCE: Councillor J Rostron

16/28 **MINUTES - EXECUTIVE SUB-COMMITTEE FOR PROPERTY - 2 MARCH 2017**

The minutes of the meeting of the Executive Sub-Committee for Property, held on 2 March 2017, were submitted and approved as a correct record.

16/29 **FUTURE OF THE SOUTHLANDS CENTRE**

The Executive Member for Finance and Governance and the Strategic Director for Finance, Governance and Support submitted a report that provided an update on the future of the Southlands Centre.

On 16 June 2016, Executive approval had been given to seek detailed business cases from four bidders for the future management of the Southlands Centre.

Bidder A was the only bid received. It was clarified that, in respect of Appendix One and Appendix Two, Bidder A had previously been Bidder B when initial expressions of interests had been received.

The bid centred upon a freehold purchase of the site for £150,000 with a £350,000 investment in the building by Bidder A over the first three years.

The other three bidders had not submitted business cases, despite having been contacted by officers. No details were available of why no case was submitted.

Following a full evaluation of Bidder A's proposal, the Evaluation Team considered that although the bid met the tender criteria:

- The bid was substantially less than the valuation the land and buildings were held at; and
- The bidder was unable to give a long-term assurance over the sustainability of the building as a business and enterprise centre.

Currently the centre was not in a good state of repair and the facilities available to both tenants and community groups were far from ideal. The level of occupancy in the enterprise centre was low and as such the centre was losing money on an annual basis.

Based on current performance, Southlands Centre created an annual pressure of £131,000 for the Council based upon current, interim, staffing arrangements. It was estimated that if the centre was to remain open for the medium term then significant restructuring of staffing levels would be needed to maintain the site, it was estimated that this could increase the annual pressure to approximately £200,000 per annum.

An independent Condition Report, which was appended to the submitted report at Appendix Five, highlighted in 2015 that there was a backlog of £600,000 essential repairs to compete and a further £1,335,000 worth of desirable works needed to sustain the building long-term.

In order for the revenue position of the centre to be improved it was likely that major investment would need to be made in the facilities in order to improve occupancy levels and attract higher rents.

There was not a robust business case for that investment to be made. It was therefore recommended that the Council should cease to utilise the Southlands Centre as a joint enterprise centre / community facility due to the lack of medium term financial viability.

The centre continued to be the home for a number of businesses and was also used by community groups. It was therefore proposed that the enterprise centre management and economic development business support staff should engage in the following activities in the period up to September:

- Work with businesses on an individual basis to identify alternative suitable accommodation and facilitate transition, including reasonable, one-off, support where appropriate.
- Engage with the community groups to understand their requirements and assist them in finding alternative venues.
- Extend appropriate staffing arrangements for the period to September to assist in the transition.
- Cease to take additional bookings for the period post September 2017.

It was recommended that up to £100,000, from the Council's Change Fund, be utilised to facilitate that work. It was also commented that relocation principles had been identified, which included:

- That wherever possible, the Council would endeavour to relocate businesses and community groups into similar facilities, with similar costs.
- That each business would be assigned a dedicated case officer.
- That a Business Support Package would be put into place.
- That a Relocation Package would be developed.

Further work was required to determine the exact detail of the support package that would be offered.

Several Members addressed the committee and commented on the report and its contents. The Executive Member for Finance and Governance and the Strategic Director for Finance, Governance and Support responded to the issues raised.

OPTIONS

Three options were available to the Council:

Option A - Close the facility and demolish the buildings. This would result in:

- Potentially reduced community access to physical activities and health and well-being interventions in a deprived area of Middlesbrough.
- Relocation of 21 Community group activities.
- Relocation 49 businesses elsewhere in the town.
- Demolition costs of approximately £410,000.
- A potential capital receipt for the disposal of the site.
- Potential future uses for the site and the surrounding area to the benefit of the town.

Option B - Continue with Council management of the facilities. This would result in:

- An estimated £200,000 annual budget pressure.
- £1,955,000 worth of maintenance requirements over a five year period, without which further deterioration of the buildings would result.
- Recruitment of staff to manage the community facility incurring further costs.

Option C - Complete sale of buildings and adjacent land to Bidder A. This would result in

(subject to viability):

- Resolving current annual budget pressure of £131,000.
- Reducing pressure on Council budgets to complete building repairs estimated at £1,955,000.
- Allowing for an investment of £350,000 to improve and enhance the building.
- Providing an opportunity to sustain and enhance current community provisions.
- Providing new opportunities in the local area e.g. nursery, pupil referral unit, community cafe.
- Retaining a business centre in the town looking to attract enterprises able to pay enhanced rents for improved facilities.

ORDERED

1. **That the decision to cease discussions with Bidder A, on the sale of the building and adjacent land for use as a business centre, be approved.**
2. **That officers be instructed to explore viable uses for the Southlands Centre site, which were consistent with the Council's strategic priorities, and produce detailed options for the future of the site and surrounding area to be brought to Executive for consideration by September 2017.**
3. **That officers of the Economic Development and Communities directorate work individually with tenants and community groups to assist them with their transition from the Southlands Centre.**
4. **That the Strategic Director for Finance, Governance and Support, in consultation with the Executive Member for Regeneration, be delegated responsibility for the detailed aspects of the package.**

REASONS

The current liabilities both in terms of reactive maintenance costs, employee costs and backlog of improvements needed, made Southlands an unsustainable service provision without further major investment and substantial rent increases. It was likely that such investment would still fail to make the facility sustainable in the medium term.

The proposal to dispose of the site to Bidder A did not guarantee that the centre would continue to exist in its current capacity in the medium term.

The proposal did not represent a value for money capital receipt in relation to the asset.

The recommendations sought to assist the 49 local businesses and 21 community activities to continue to provide economic and social resilience in a deprived area of Middlesbrough.

The recommendation to explore future uses for the site gave the maximum chance of the Council to be able to utilise the site for the most beneficial use for Middlesbrough.

16/30

COLLEGE ROAD - PROPOSED FREEHOLD SALE [PART A]

The Executive Member for Finance and Governance and the Strategic Director for Finance, Governance and Support submitted a report that considered the proposal to dispose of the Council's freehold interest in land at College Road, and sought approval to proceed with the sale of the premises in accordance with the report's recommendations.

Situated on the junction of College Road and Cargo Fleet Lane, the subject site was located within a mixed education, leisure and residential area of the town.

In May 2016, Bidder A queried the availability of the subject site, confirming an interest to acquire it for the purpose of residential development.

Future use of the subject site for the purposes of residential development accorded with both

the Local Plan Framework - within which the site was allocated for residential development @ 100 units, and also the Council's strategy to bring forward for development sites capable of being used to build new homes in Middlesbrough.

Following a period of investigation and further negotiation, Bidder A subsequently made a formal offer to the Council for the site - that was set out in Part B of the report, which the Council had deemed to be acceptable.

OPTIONS

Option 1: To reuse the property for another purpose - no Council operational requirement had been identified.

Option 2: To proceed with the sale of the property in accordance with the recommendations made in the report - in order to meet the Council's requirement to generate capital receipts, increase annually recurring revenue streams and to bring the building and land into a far more beneficial use in the future.

Option 3: Do nothing - the property would remain in its present state. Whilst the subject site would be retained for potential future Council use, the liability and responsibility for maintaining and holding the property would remain with the Council in the interim.

ORDERED

That the Council proceeded with the disposal of the subject property to Bidder A as detailed in Part B of the Report.

REASON

That would 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.

16/31

VANCOUVER HOUSE - PROPOSED FREEHOLD SALE [PART A]

The Executive Member for Finance and Governance and the Strategic Director for Finance, Governance and Support submitted a report that considered the proposal to dispose of the Council's freehold interest in Vancouver House.

Situated on the junction of Corporation Road and Gurney Street, the subject property was located within a mixed commercial, retail and residential area of the town. With proximity to both the town centre and the A66, the property was also within walking distance of Teesside University.

Knight Frank advised that a total of 5 tenders had been submitted by 3 different bidders in response to the formal marketing exercise that was carried out on the Council's behalf.

OPTIONS

Option 1: To reuse the property for another purpose - no Council operational requirement had been identified.

Option 2: To proceed with the sale of the property in accordance with the recommendations made in the 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.

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 property would remain with the Council in the interim.

ORDERED

That the tender proposals forwarded to the Council for consideration in Part B of the Report be considered and a preferred bidder be identified.

REASON

That would 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.

16/32

EXCLUSION OF PRESS AND PUBLIC

ORDERED that the press and public be excluded from the meeting for the following items on the grounds that, if present, there would be disclosure to them of exempt information as defined in Paragraphs 1 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

16/33

CONFIDENTIAL - COLLEGE ROAD - PROPOSED FREEHOLD SALE [PART B]

The Executive Member for Finance and Governance and the Strategic Director for Finance, Governance and Support submitted a report that detailed the proposal to dispose of the Council's freehold interest in land at College Road.

ORDERED

That the recommendations of the report be approved.

REASON

The decisions were supported by the following reason:

For reasons outlined in the report.

16/34

CONFIDENTIAL - VANCOUVER HOUSE - PROPOSED FREEHOLD SALE [PART B]

The Executive Member for Finance and Governance and the Strategic Director for Finance, Governance and Support submitted a report that detailed the proposal to dispose of the Council's freehold interest in Vancouver House.

ORDERED

That the recommendations of the report be approved.

REASON

The decisions were supported by the following reason:

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.