

EXECUTIVE

Date: Tuesday, 21 September 2021
Time: 1.00 p.m.
Venue: Council Chamber

AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Minutes - Executive - 7 September 2021 3 - 12

EXECUTIVE MEMBER FOR REGENERATION

4. Future Development of Middlehaven 13 - 34
5. Any other urgent items which in the opinion of the Chair, may be considered.
6. Exclusion of the Press and Public

To consider passing a Resolution Pursuant to Section 100A(4) Part 1 of the Local Government Act 1972 excluding the press and public from the meeting during consideration of the following item on the grounds that if present there would be disclosure to them of exempt information falling within paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

7. **EXEMPT - Middlesbrough College** 35 - 46

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Monday, 13 September 2021

MEMBERSHIP

Mayor A Preston (Chair) and Councillors B Cooper, S Hill, E Polano and M Smiles.

Assistance in accessing information

Should you have any queries on accessing the Agenda and associated information please contact Chris Lunn / Georgina Moore, 01642 729742 / 01642 729711, chris_lunn@middlesbrough.gov.uk / georgina_moore@middlesbrough.gov.uk

EXECUTIVE

A meeting of the Executive was held on Tuesday 7 September 2021.

PRESENT: Mayor A Preston (The Mayor) (Chair) and Councillors S Hill, E Polano and M Smiles.

PRESENT BY INVITATION: Councillors T Mawston and J Thompson.

ALSO IN ATTENDANCE: Councillor J McTigue and E Craigie (Teesside Live).

OFFICERS: C Benjamin, M Brown, S Butcher, G Cooper, D Johnson, A Pain, S Reynolds and I Wright.

APOLOGIES FOR ABSENCE: Councillor B Cooper

21/40 **APOLOGIES FOR ABSENCE**

Apologies had been received from Councillor B Cooper and an Invited Member, Councillor M Saunders (Chair of the Overview and Scrutiny Board).

21/41 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item/Nature of Interest
Mayor A Preston	Pecuniary	Item 9, Middlesbrough Development Company (MDC): Empty Homes Partnership

SUSPENSION OF COUNCIL PROCEDURE RULE NO 5 - ORDER OF BUSINESS

ORDERED that, in accordance with Council Procedure Rule No 5, the committee agreed to vary the order of business.

The Mayor advised that, given the pecuniary interest that he had declared in respect of agenda item 9, that item would be considered after item 11a at which point he would leave the meeting and proceedings would be chaired by Councillor Smiles.

21/42 **MINUTES - EXECUTIVE - 10 AUGUST 2021**

The minutes of the Executive meeting held on 10 August 2021 were submitted and approved as a correct record.

21/43 **CHILDREN'S SERVICES IMPROVEMENT PROGRAMME: OVERVIEW OF PROGRESS FEBRUARY 2021 - JULY 2021**

The Mayor and Lead Member for Children's Social Care, Adult Social Care and Public Health and the Executive Director of Children's Services submitted a report for the Executive's consideration.

The purpose of the report was to provide an overview of the work undertaken from February 2021 to July 2021 in line with the Children's Services Improvement Plan 2020/21 and 2021/22.

The most significant events to report were a focussed visit from Ofsted on 26 and 27 May 2021 and a visit from the Commissioner during the week commencing 12 July.

Following Middlesbrough's focussed visit, a selection of key points were made by Ofsted, which included:

- Leaders appropriately prioritised recruitment and the development of the workforce strategy.
- Workers were persistent and built good relationships with children, so interventions were more effective.
- Staff reported feeling supported, liked working for Middlesbrough and understood the vision for change.
- Caseloads were reducing but remained too high for some social workers.
- The quality of practice was variable and did not meet leader's expectations.
- Some children experienced too many changes of social worker. Children told inspectors that they would have liked a social worker who stayed with them for a long time.
- There was a significant focus on Children Missing Education.
- A minority of Looked after Children were on reduced timetables or had no education for too long.

Following the visit, the inspectors had made two recommendations, in addition to those made at the time of the 2019 inspection, namely:

- To improve management oversight and actions to ensure that vulnerable children and children in care, including those with special needs and/or disabilities (SEND), receive their full educational entitlement
- To improve the understanding of identity and the diverse needs of children and their families to inform assessment, planning and support.

With regard to the visit from the Commissioner, the Commissioner had stated that *"considerable progress has been made and there is evidence of real impact"* and a recommendation would be put forward that *"no further direct engagement of an appointed commissioner is required and continued monitoring and support to improvement is afforded by the Improvement Adviser and the core DfE team"*. It was planned that the recommendation would be presented to the Minister on 8 September, for a decision to be made by 15 September 2021.

Further information on the feedback received from Ofsted, and the Commissioner, was detailed at paragraphs 5 to 13 of the submitted report.

ORDERED

That the overview of the strategic and operational work, undertaken between February 2021 and July 2021 in line with the Children's Services Improvement Action Plan 2020/21 and 2021/22, be noted.

REASON

To ensure Executive Members were fully appraised of the work to improve outcomes for vulnerable children in Middlesbrough and were able to hold officers to account when progress was not made as planned.

21/44

CORPORATE PERFORMANCE UPDATE: QUARTER ONE 2021/22

The Mayor and Lead Member for Children's Social Care, Adult Social Care and Public Health and the Chief Executive submitted a report for the Executive's consideration.

The purpose of the report was to advise of corporate performance at the end of Quarter One 2021/22 and, where appropriate, seek approval of changes.

The Council's performance overall at the end of Quarter One had been positive, with expected performance standards (as set out in the Council's risk appetite) being achieved in the majority of areas. Further work was required in respect of plans to achieve some Strategic Plan outcome targets, and a review of risk registers in line with the Council's new strategic priorities would be completed in Quarter Two.

In terms of progress in delivering Executive actions, at Quarter One 58 of 59 live actions (98%) were on target to be delivered by the agreed timescales (exceeding the 90% standard

of achievement of actions), with one proposed amendment for Executive approval that was set out at Appendix 1 of the submitted report. Further information on the proposed amendment was detailed at paragraph 10 of the report.

In terms of progress in delivering the Strategic Plan 2021-24, at the end of Quarter One 15 of 24 (62.5%) Strategic Plan outcomes were on target against the corporate standard of 75%, as set out in the table below paragraph 12 of the submitted report. Further information on the strategic plan outcomes and workplan was contained at paragraphs 12 to 23 of the submitted report.

Issues raised within the submitted report that impacted on the risk profile of the Council were reflected within the Council's Strategic Risk Register (SRR), which was reviewed in the quarter in line with the Council's policy and was set out at Appendix 2 of the submitted report. Key points to note were detailed at paragraph 24 of the submitted report.

In terms of progress in delivering Directorate Priorities for 2021/22 and risk mitigations, at the end of Quarter One 100% of Directorate priorities were rated either Green or Amber (i.e. some milestone slippage but still expected to be delivered in-year), in line with the expected standard of 90%. Performance in delivering mitigating actions associated with high or medium risks on Directorate risk registers was above the expected performance standard of 90%.

In terms of progress in delivering Programmes and Projects, at the end of Quarter One 20 of 27 programmes were rated Green and the remaining seven Amber, together meeting the expected standard of 90%. While some projects required updated milestones due to the impact of COVID-19, no significant issues were escalated at the end of Quarter One.

In terms of progress in other corporate performance matters, key points to note were detailed at paragraph 30 of the submitted report.

ORDERED

- **That the proposed amendments to Executive actions, outlined at Appendix 1, be approved.**
- **That the progress in implementing the Strategic Plan 2021-24 at Quarter One 2021/22 be noted and the revised deadlines for the action at paragraph 23 be approved.**
- **That in light of the position outlined in the report, the Council's updated Strategic Risk Register at Appendix 2 be noted.**
- **That the progress in implementing 2021/22 Directorate priorities, set out at Appendix 3, be noted.**

REASON

To enable the effective management of performance and risk in line with the Council's Local Code of Corporate Governance.

21/45 **COMMUNITY ENVIRONMENTAL INITIATIVES**

Item deferred.

21/46 **REVENUE AND CAPITAL BUDGET - PROJECTED OUTTURN POSITION AS AT QUARTER ONE 2021/22**

The Executive Member for Environment and Finance & Governance and the Director of Finance submitted a report for the Executive's consideration.

The purpose of the report was to advise of the Council's financial position at Quarter One 2021/22, including the projected effect of Covid-19 on the Council's finances.

The 2021/22 Revenue budget for the Council was £116,492,035. During Quarter One there had been a number of transfers of services between Directorates due to managerial changes, and the financial position was reported against the new Directorate budgets. The Council's outturn position for 2021/22 for non-Covid-19 elements was projected to be an overspend of £1.717m (1.5%). The split by Directorate was shown in the table below paragraph 7 of the

submitted report. That when added to the estimated Covid-19 pressures of £2.036m, detailed in paragraphs 45 to 73 of the submitted report, resulted in a total projected outturn pressure at year-end 2021/22 of £3.753m.

It was proposed that the total projected overspend in 2021/22 would be covered by Reserves. The level of Reserves remaining after the use of the Reserves was shown at paragraph 108 of the submitted report and in Appendix 3.

The progress against budget savings was detailed at paragraphs 11 to 15 of the submitted report.

The detail of the variances contained in the table at paragraph 7 were set out as below:

- Regeneration and Culture (paragraphs 17 to 19)
- Environment and Community Services (paragraphs 20 and 21)
- Public Health (paragraph 22)
- Children's Care (paragraphs 23 to 32)
- Adult Social Care and Health Integration (paragraphs 33 to 35)
- Legal and Governance Services (paragraph 36)
- Finance (paragraphs 37 to 39)
- Central Budgets (paragraphs 40 to 44)

At Quarter One, 25 areas were projected to be spent +/- £150,000 of the agreed budget. Where appropriate, the on-going effects of variances would be considered as part of future updates of the Council's Medium Term Financial Plan.

As part of the Revenue and Capital Budget - Year End Outturn Position report of 15 June 2021, Executive had approved a revised capital budget for 2021/22 of £93,716,000. Following a further review and the inclusion of new additional schemes, increases to existing schemes, and reductions to existing schemes (as detailed in paragraphs 82 to 84 of the submitted report), it was currently predicted at Quarter One that the Council would spend £82,029,000 in 2021/22 at year-end.

The revised Investment Strategy for 2023/24 was included at Appendix 2, for approval.

In terms of capital budget, the split by Directorate was shown in the table at paragraph 86 of the submitted report, which also showed the "real" projected outturn variance if all of the additional new schemes, increased schemes, reduced schemes, and transfers between directorates were excluded. Explanations for variances of +/- £150,000 across fourteen schemes were set out in paragraphs 87 to 100.

ORDERED

1. **That the 2021/22 revenue budget Quarter One total projected outturn of £3.753m, representing a £1.717m (1.5%) overspend on non-Covid-19 elements and the estimated financial effect of Covid-19 in 2021/22 of £2.036m, and the proposed actions to address that - be noted.**
2. **That the proposed use of the following Reserves to fund the total projected overspend of £3.753m in 2021/22 be noted:**
 - **Social Care Demand Reserve (£0.5m)**
 - **Children's Services Demand Reserve (£0.732m)**
 - **Covid Recovery Reserve (£2.521m)**
3. **That the proposed revenue budget virements over £150,000 (Appendix 1) be approved.**
4. **That the 2021/22 capital budget Quarter One predicted outturn of £82.029m against a budget of £93.716m be noted, and the proposed revised Investment Strategy to 2023/24 at Appendix 2 be approved.**

REASON

To enable the effective management of finances, in line with the Council's Local Code of Corporate Governance, the Scheme of Delegation and agreed corporate financial regulations.

21/47

SUPPLIER INCENTIVE PROGRAMME

The Executive Member for Environment and Finance & Governance and the Director of Finance submitted a report for the Executive's consideration.

The purpose of the report was to seek approval of the procurement and implementation of a SIP for Middlesbrough Council.

As part of a drive to improve commercialisation, an opportunity had been identified which planned to allow the Council to continue to support the local economy and suppliers but also create an income stream that was not currently being achieved.

The SIP offered the Council the ability to continue to support the local economy and suppliers but also make a commercial return of approximately £150k per annum over the next 5 years.

The Council had been considering the implementation of the SIP programme for some time and it was hoped that the solution would further enable electronic receipt, matching and payment of supplier invoices thereby improving processes and cash flow for all suppliers as well as providing the functionality for an optional three way incentive programme to deliver even earlier payments (e.g. even earlier than 20 days).

With enhanced checks and controls in place as part of the SIP programme, it also planned to reduce the risk of duplicate and fraudulent payments, which presented a heightened risk in the current economic climate. The SIP planned to enable thousands of invoices to be processed early, injecting millions of pounds of liquidity into the economy, with the additional revenue generated from the SIP Programme being channelled into frontline services for the benefit of local residents.

The SIP worked on the following principles:

- e-invoicing;
- supplier payment terms were set at standard 30 days; and
- no supplier was compelled to sign-up to, or participate in, the programme.

A description of the key objectives of the project were:

- to procure and implement a SIP to suppliers;
- to on board at least 40% of in-scope suppliers (3rd party Trade spend);
- to improve P2P processes to maximise invoice acceleration; and
- to improve cash flow for suppliers that could assist in recovery from COVID 19 and generate additional funds that could be reinvested into frontline services (on a free of charge basis for small local suppliers - "Freepay")

OPTIONS

Implementing a SIP internally had been considered, however, the cost associated would have been significantly more than the cost of procuring it via the NEPO Framework.

Oxygen Finance were working with over 30 other local authorities and had proven experience in implementation and delivery that the Council could not duplicate without significant additional resources.

Oxygen had over 10 years' experience in running Early Payment Programmes and had developed a tried and tested methodology. That included templates and a fully resourced team to minimise the effort required by the Council.

The Oxygen solution was VAT compliant and had been subject to legal guidance to ensure compliance to various relating legislative requirements including the Construction Act.

ORDERED

1. **That the Council reverting back to the Statutory payment term of 30 days be approved.**

2. That the procurement and implementation of a Supplier Incentive Programme ('SIP') with Oxygen Finance Ltd ('Oxygen'), via the NEPO 521 Early Payment Services Framework, be approved.
3. That utilising the E-Invoicing format to ensure compliance with Public Contract Regulations 2015 (PCR) be approved.

REASONS

In addition to the rebate there were also other non-cashable benefits that could be realised through the implementation of the system:

Benefits to the Supplier / Economy

- Suppliers could secure even quicker payment terms, which would further improve liquidity and cash flow.
- Local small and micro businesses would be able to benefit from 'Freepay' at no cost.
- Deliver social value, contributing to the development and post Covid-19 recovery of the local economy through the earlier payment of invoices.

Benefits to the Council

- There were legislative drivers that may be partially addressed through a properly implemented SIP:
 - The Public Contracts Regulations 2015 - liabilities paid within 30 days (increased compliance to target);
 - The Public Procurement (Electronic Invoices etc.) Regulations 2019 - Electronic Invoicing Directive contained provisions relating to the processing of electronic invoices (ability to comply through implementation of eInvoicing);
 - The Late Payments Directive - automatic entitlement to interest for late payment (reduction in late payment liability).
- Improved Council performance in terms of Accounts Payable.
- Improved strategic engagement with suppliers who choose to sign up.
- Encouraged suppliers to help drive best practice (e.g. e-invoicing) and compliance (e.g. no PO/ no pay).
- Contributed toward social value goals by improving cash flow for local businesses and creating added social value in Middlesbrough.
- Over the medium term the programme would generate a net return (after implementation costs and lost interest on balances held) that could be reinvested into the delivery of front line services.

21/48

FINAL REPORT OF THE AD HOC SCRUTINY PANEL - MEMBERS' COMMUNICATIONS - SERVICE RESPONSE

The Ad Hoc Scrutiny Panel had undertaken a review of Members' Communications. A copy of the full report was attached.

The scrutiny panel made 4 recommendations upon which a response was sought from the relevant service area. The Deputy Mayor and Executive Member for Culture and Communities and the Director of Legal and Governance Services submitted a service response to the recommendations of the Ad Hoc Scrutiny Panel. A copy of the Action Plan was attached.

The 2020/21 Chair of the Ad Hoc Scrutiny Panel presented the final report to the Executive. The Deputy Mayor and Executive Member for Culture and Communities presented the service response.

ORDERED

1. That the content of the Ad Hoc Scrutiny Panel's Final Report, on Members' Communications, be noted.
2. That the Action Plan, developed in response to the scrutiny panel's recommendations, be approved.

REASON

It was a requirement that Executive formally considered the Scrutiny Panel's report and confirmed the Service Area's response to the Panel's accompanying plan.

21/49 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED.**

It was advised that given the need to urgently commission a bespoke service called 'Audit to Excellence' and following agreement by the Monitoring Officer and the Chair of the Overview and Scrutiny Board, a special urgent decision would be taken.

21/50 **SPECIAL URGENT ITEM: AUDIT TO EXCELLENCE**

The Mayor and Lead Member for Children's Social Care, Adult Social Care and Public Health and the Executive Director of Children's Services submitted a report for the Executive's consideration.

The purpose of the report was to request agreement to commission 'Audit to Excellence', at a cost of £216k, to ensure that the programme could continue until March 2022 (the end of the current financial year). The submitted report did not request for additional finances, as the programme could be funded from current budgets, namely the Improvement or Change funds.

The 'Audit to Excellence' programme had now been rolled out across the whole service with team plans/performance clinics and non-negotiables in place with strong endorsement of the approach across the service.

Ofsted had commented:

"The 'Audit to Excellence' framework successfully builds in learning from audit, with clear links to individual team planning, wider service improvements and performance clinics. Social workers and early help practitioners provided inspectors with examples of how they had made positive changes to their practice as a result of their learning from audit." (Focussed visit in May and published in July 2021.)

OPTIONS

The submitted report set out the reasons why 'Audit for Excellence' could not be delivered in-house.

Securing different auditors was not an option because it would have taken a significant period for them to become familiar with the 'Audit to Excellence' approach and it was important to maintain the pace of the improvement programme.

ORDERED

That the content of the report be approved and the required commissioning takes place at a cost of £216k.

REASON

The finances allocated for auditing purposes ceased in March 2021 and the agency auditors had formed their own business called 'Audit to Excellence' with the aim of working with other authorities to develop similar bespoke approaches. However, there was still a significant amount of work to be carried out in Middlesbrough to fully embed the 'Audit to Excellence' approach and in particular equipping the workforce with the skills to carry out internal audits to a good standard. Therefore, it would be detrimental to Middlesbrough's improvement programme if the Council could not retain the auditors' skills and experience. Sufficient funds had been identified to commission them for nine months until March 2022 at a cost of £216K, which compared well with the auditors previous daily rate as agency workers. A commissioning arrangement would give Middlesbrough more security as agency workers could leave an authority in two weeks, which would again be detrimental to the improvement programme.

The Overview and Scrutiny Board had not examined the report or a Scrutiny Panel as there was an urgent requirement to secure the necessary resources needed to consistently improve outcomes for Middlesbrough's vulnerable children. However, the fundamental aspects had been discussed and agreed by Mayor Preston in his role as Lead Member for Children's Social Care.

It was important to note that the 'Audit for Excellence' programme was for the whole of Children's Services i.e. for children's social care and education and partnerships not just the former. Education services played a significant role in improving outcomes for vulnerable children, indeed all children in Middlesbrough.

21/51

MIDDLESBROUGH DEVELOPMENT COMPANY (MDC): EMPTY HOMES PARTNERSHIP

Following a declaration of interest in respect of this item, the Mayor left the meeting at this point. For the remainder of business, Councillor Smiles chaired proceedings.

The submitted report recommended approval of the provision of up to £1m to MDC in the form of a commercial loan, (subject to sign off from the Council's Section 151 Officer), which would be taken from the approved Investment Strategy allocation to MDC.

MDC would then enter into a loan agreement with the partner(s) for a maximum term of 20 years. The loan would incur a cost charged by MDC, which was negotiable. The partner(s) would then be required to state how that cost would be covered, such as through the payment of interest on the loan.

The commercial loan from the Council to MDC would be on the same terms as the loan from MDC to the delivery partner(s).

The partner(s) would fund the refurbishment works in the first instance but would reclaim those costs from MDC through draw-downs from the loan. Once a property was fully refurbished and ready to be let, the partner(s) would request a payment, based on the previously agreed refurbishment costs of each property. That draw-down was anticipated to be on a monthly or quarterly basis.

Funds loaned to the partner(s) from MDC would be secured via a first charge on each property acquired, which would be registered by the partner(s) once the refurbishment loan costs were drawn-down. As the Council owned 100% of the shares of MDC, MDC would have a secured legal interest in those properties. A company debenture may also be considered as an alternative form of security to legal charges on each property.

Any charges on the loan from MDC to the partner(s) would be invoiced and recovered on an annual basis. The charges would be incurred for all funds drawn down via the loan from the first letting of the property and then continuing until repayment of the proportion of the loan relating to that particular property.

The loan to the partner(s) for each property would be repaid in full upon disposal or no later than the projected end date of 2041.

Although the financial arrangements of the investment proposal would be a matter for the MDC Board rather than the Council, the Council's Section 151 officer would need to be satisfied that the funding was being used appropriately and in line with the Company's objectives, and that it represented an appropriate use of the Council's resources.

In response to Members' queries, the Director of Finance advised that the commercial loan provided by the Council would be made up of monies secured from Section 106 Agreements and the Affordable Housing Fund. A Member sought further clarification in respect of the sum obtained from Section 106 Agreements, the Director of Finance advised that further information would be provided in due course.

OPTIONS

In respect of the recommendation for the Council to invest £1m to enable MDC to enter into an Empty Homes Partnership, the other options were set out below:

- Do nothing - would not realise any of the benefits.
- MBC partner with another organisation - the Council did not have the staffing capacity to deliver the scheme.

ORDERED

1. That the provision of up to £1,000,000 to MDC to establish a partnership to invest in the refurbishment of empty and poor quality properties, within the key target areas of Middlesbrough, be approved. That funding be provided in the form of a commercial loan (subject to sign off from the Council's Section 151 Officer) and be taken from the approved Investment Strategy allocation to MDC.
2. That delegated authority be given to the Director of Finance and the Director of Regeneration and Culture to agree the terms of the loan to MDC.
3. That MDC be given approval that where appropriate, MDC could acquire properties directly prior to the establishment of a partnership.

REASON

Investing in the project enabled MDC, and therefore the Council, to deliver tangible Environmental, Social and Governance benefits to the targeted areas within Middlesbrough.

1. Environmental benefit was delivered by bringing between 100 and 125 properties up to decent homes and legally required environmental standards, based on an average expenditure of between £8k and £10k per property.
2. Social benefit was delivered as every property was let to a person or family in housing need, including those facing homelessness, with tenant support provided where required.
3. The partner organisation would be a well governed socially responsible company, which, combined with MDC's resources and expertise, would make the project sustainable and meaningful.

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. The report entitled 'Audit to Excellence' was considered as an urgent item and is therefore exempt from call-in procedures.

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Report of:	Richard Horniman, Director of Regeneration and Culture. Councillor Eric Polano, Executive Member for Regeneration.
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Submitted to:	Executive - 21 September 2021
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Subject:	Future Development of Middlehaven
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Summary

Proposed decision(s)
That Executive approves: a) the planned approach to the development of Middlehaven; b) the granting of an option agreement to BCEGI to facilitate the development of St Hilda's; and, c) any variation to the final terms of the agreement (from those set out in this report) to be delegated to the Director of Regeneration and Culture and the Council's Section 151 Officer.

Report for:	Key decision:	Confidential:	Is the report urgent?¹
Decision.	Yes.	No	No

Contribution to delivery of the 2020-23 Strategic Plan		
People	Place	Business
The development of new homes and commercial space in the area will contribute towards the urban living objectives in Middlesbrough's Housing Growth Programme and increase the quality and quantity of employment opportunities available to residents.	Investing in Middlehaven will support the wider regeneration of the town, and the town centre and help create an attractive place to live, work and visit.	The proposed development of new homes and commercial space at Middlehaven will generate significant additional Council Tax and Business Rates income to support the Council's Medium Term Financial Plan.
Ward(s) affected		
Central Ward		

What is the purpose of this report?

1. The purpose of the report is to set out the approach to be taken to the development of Middlehaven, and the agreement proposed to enable BCEGI to facilitate the development of over 500 new homes at St Hilda's.

Why does this report require a Member decision?

2. The approach to be taken at Middlehaven will guide the Council's activities and investments at Middlehaven, such as the granting of an option agreement for BCEGI to facilitate significant development activity.

Report Background

3. Middlehaven is the key regeneration area in Middlesbrough, with the potential to transform the economic prospects of the town, and provide new communities for people to live in. Its proximity to, and influence on, the town centre makes it vitally important that the development of Middlehaven is taken forward successfully.
4. The development of Middlehaven has been underway for some time, and is most notably home to the growing digital cluster within the Boho Zone. A number of attempts have been made in recent years to accelerate the speed and scale of the activity happening there, with varying degrees of success. These have generally been held back by a lack of available funding to undertake vital infrastructure works, and by the gap that exists in Middlesbrough (and most of the North East) between the cost of building new space, and the values achievable from it.
5. Given that there is now a critical mass of development activity underway at Middlehaven, and interest from private sector developers is growing, this suggests that the opportunity to accelerate the development of Middlehaven is greater than ever. The current availability of significant external funding to deliver this acceleration, and address some of the commercial challenges requires the Council to take a number of significant steps to ensure the opportunity can be capitalised upon.
6. The different investments and developments emerging at Middlehaven have the opportunity to make a significant difference to the area, and to the economy, but need to be planned in a coherent way. There is a danger of different schemes competing with each other, infrastructure requirements falling between the boundaries of different schemes, and the phasing of activity working against what the wider market can accommodate. There is therefore a need to have a clear, up to date plan for developing Middlehaven, and for capitalising on the financial opportunities currently available.

Strategic Partner

7. The Council has therefore partnered with BCEGI to bring forward a coherent approach to developing the area, understand the necessary infrastructure, and to plan the steps required to get different strands of activity underway.
8. BCEGI is an international property developer and construction company, specialising in bring projects to fruition through strategic partnerships and investment. Operating in 27 countries, BCEGI is currently leading on billion pound projects such as Airport City

and Middlewood Locks in Manchester, and have been working with the Council on the development of Boho X, which started on site recently.

Planned Approach

9. BCEGI have partnered with commercial specialists CBRE to develop an approach to Middlehaven that will demonstrate the longer term vision to deliver around 1,000 new homes, and 600,000 of new commercial floorspace by becoming:
 - a) a business cluster driven by innovation and creativity;
 - b) a new urban residential neighbourhood;
 - c) an education quarter inspiring future generations; and,
 - d) a vibrant waterfront destination.
10. BCEGI and CBRE have also considered the steps required to build on market opportunities and funding availability, and this is reflected in the proposed approach set out in Appendix I, detailing:
 - a) how each zone would be developed
 - b) key development trends
 - c) demographic opportunities
11. In summary, the approach will focus on developing four distinct, but overlapping zones that will have their own characteristics and their own target markets, but blend to form a single cohesive community. The four zones are identified as:

Digital & Creative Hub

12. The Digital and Creative Hub would hosts an array of uses to attract target tenants, including traditional offices, flexible start-up spaces and incubator units as well as small workshop/maker spaces. Ground floors would accommodate a mix of independent cafes and cultural establishments to enhance the vibrant atmosphere of the quarter. This would be complemented by a range of living options to appeal to young urban professionals including conventional apartments but also loft living and live-work units.

St Hilda's Neighbourhood

13. A range of residential accommodation would be provided from family housing to maisonettes and apartments. The Old Town Hall would be refurbished, opening up the market square to events such as markets, and other public gatherings. The new neighbourhood would also accommodate ancillary facilities to benefit and incubate a new community, including local shops such as an artisan bakery or deli, corner shop and a local sports/fitness studio. Residents will benefit from gardens, play areas, a high quality landscaped public realm, and other community spaces including the Urban Farm. The southern side of St Hilda's will be more diverse with flexible live/work spaces, small workshops, studios, galleries and culture/art/exhibition spaces, providing a smooth transition into the Digital and Creative Hub.

Education Quarter

14. The Education Quarter would bring together educational institutions including a nursery, secondary school and Middlesbrough College to create an educational journey from starting out in life to transitioning into the work place. Additional education, science, health and community facilities add to the mix as well as provision

of sports facilities, green spaces, and play areas that complement the 'campus' type feel of the quarter.

Middlehaven Docks

15. The docks could be transformed into a destination in its own right, providing a key leisure attraction for local, national and international visitors. This could be in the form of a major attraction hosting concerts, events and exhibitions or a multi-sport centre, offering indoor and outdoor activities and events for a range of traditional, minority and emerging sports for example. A 'Dock Loop' would be created for runners, connecting the entire Middlehaven development. This location would be attractive for footloose firms, government departments or other business seeking to build a base in the area, and for a new waterside residential community.
16. The approach advocated by BCEGI and CBRE is to concentrate development within these zones at a pace that the market can take. There will however be opportunities that present themselves to accelerate development, and the approach is flexible enough to accommodate the necessary replanning within zones that might be required.
17. The planned approach set out in the document will be used by both the Council and by BCEGI to stimulate activity and guide existing and future investment towards delivering the overall Middlehaven vision.

Funding

18. The Council has already committed significant funding towards the delivery of the vision at Middlehaven, and as previously detailed, significant elements of the Future High Streets Fund, Towns Fund and Brownfield Housing Fund are already committed to projects captured within the planned approach.
19. At this stage, no further Council investment is required to adopt the proposed approach, and any additional funding required to take forward individual developments in future would be brought to Executive for consideration.

Option Agreement

20. To enable the coherent delivery of the next phase of development at Middlehaven, it is necessary for the land at St Hilda's to be formally made available to BCEGI as our strategic partner. As a result, a five-year option agreement has been prepared that allows BCEGI the certainty to commit significant funds to further design, planning and preparatory work that will be essential to taking forward the construction of new housing and commercial space within that zone.
21. The basis of the option agreement would be as follows:
 - a) BCEGI will prepare a business case for each individual development within St Hilda's;
 - b) A board comprising of BCEGI and Middlesbrough Council would consider the business cases;
 - c) if proposed developments fit with the planned approach, and stack up financially, then BCEGI have the ability to purchase individual plots to commence development; and,

d) land would be purchased at the established 'market rate', which may vary from plot to plot.

22. The plan included as Appendix II outlines the area covered by the agreement.
23. Successful delivery against the option agreement would see around 500 homes underway by 2026.
24. Within the Heads of Terms, there are a number of performance targets to ensure that development keeps pace with expectations. If these targets are not met, the Council would have the ability to cancel the agreement and look at alternative ways to take development forward.
25. Any variation to these terms would be delegated to the Director of Regeneration and Culture, and the Council's Section 151 Officer.

Exclusivity Agreements

26. In addition to the formal option agreement proposed for St Hilda's, further agreements will be put in place for Middlehaven Docks to allow BCEGI to complete feasibility work on the potential for destination leisure attractions, dockside living, and for the use of the dock itself. These agreements are not formal options, and do not allow BCEGI the ability to draw the land down, but provide them with a period of exclusivity within which to complete their work, and present firm proposals to the Council. Should these be acceptable, then further option agreements would be put in place to enable the proposals to be taken forward. It is anticipated that these 'exclusivity' agreements cover a period of less than one year.
27. These agreements are necessary to enable BCEGI to invest the significant sums of money required to complete the feasibility and preparatory work that is essential to taking forward any significant scheme on/around the docks.

Next Steps

28. The proposed option agreement between the Council and BCEGI would be formalised over the next month, with the joint arrangements for approving individual business cases established in the same period. The short term exclusivity arrangements for the dock area would be developed at the same time.
29. It is anticipated that the first business cases would come through immediately, with land being drawn down for the first developments by Christmas 2021.
30. The option agreement would cover a period of five years, but the first target within that would be to have housing units on site during 2022.

What decision(s) are being asked for?

31. That Executive approves:
 - a) the planned approach to the development of Middlehaven; and,
 - b) the granting of an option agreement to BCEGI to facilitate the development of St Hilda's; and,

- c) agreement of the final terms of the agreement (and any variation to those set out in this report) to be delegated to the Director of Regeneration and Culture and the Council's Section 151 Officer.

Why is this being recommended?

- 32. The redevelopment of Middlehaven is key to the future economic growth of the town. The funding identified to deliver the Council's aspirations at Middlehaven is now available, but needs to be applied to a coherent strategy and phasing plan, and delivered in partnership with an organisation that is capable of taking it forward.

Impact(s) of recommended decision(s)

Legal

- 33. The option agreement for St Hilda's would be prepared in conjunction with Legal Services, and would be the guiding document for the Council's relationship with BCEGI.
- 34. The exclusivity agreement for Middlehaven Docks would also be prepared in conjunction with Legal Services.

Financial

- 35. The financial resources to be utilised at Middlehaven are a mixture of Future High Streets, Towns Fund, Brownfield Housing Fund and Indigenous Growth Fund (all external sources) and existing approvals within the Council's Capital Programme. No additional resources are being requested as a result of this report.
- 36. The drawing down of land through the option agreement with BCEGI will be done at 'market rate' that will be agreed between BCEGI and the Council's Section 151 Officer.

Policy Framework

- 37. The decision would not affect the Council's policy framework. The decision is aligned with the Strategic Plan aims around developing central Middlehaven and creating new commercial and residential development.
- 38. The decision is also aligned to the Medium Term Financial Plan as the proposed housing development would generate significant income from Council Tax, and Business Rates.

Ward

- 39. The property is situated in Central Ward and the respective ward members would be also be further consulted on any subsequent proposal made as part of the normal planning process.

Equality and Diversity

- 40. An Impact Assessment has been undertaken, concluding that the decision would not have any disproportionately negative impacts.

Risk

41. The following high level risks, which are identified in the Strategic and Directorate Risk Registers, would be reduced if Middlehaven is developed appropriately:

- a. O1-005 - If poor economic growth occurs, then this will reduce public and private sector investment in the town, including town centre retail, housing development and business.
- b. O1-045 - If delivery of the new housing programme does not meet the projected targets then this can have a negative impact on the assumptions within the MTFP.

42. The individual risks associated with each subsequent development would be addressed in the approval arrangements for each one, and their sign off. These would be managed through the Council's existing risk management processes.

Actions to be taken to implement the decision(s)

43. Subject to Executive approval, the Council would progress the arrangements with BCEGI, and commence preparation of the option agreement.

Background papers

Body	Report title	Date

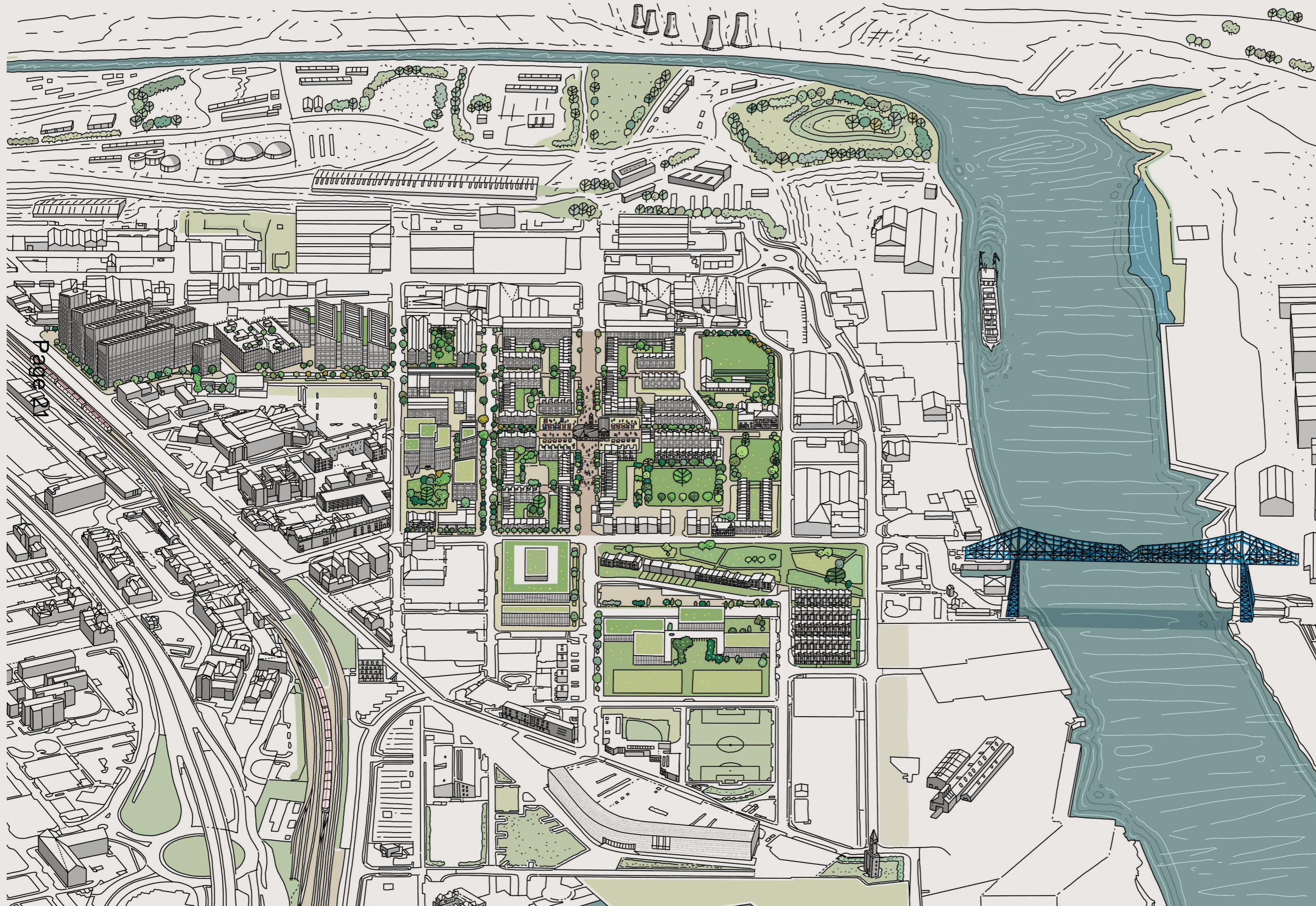
Appendices

Appendix I – Planned Approach to Developing Middlehaven

Appendix II – Red Line Boundary for Option Agreement

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St. Hilda's + Middlesbrough Docks



Middlesbrough
moving forward

 **BCEGI**
北京建工国际

The Opportunity & Vision

Middlehaven: The Opportunity

Middlehaven benefits from many opportunities: a strategic and central location, strong catalysts and landmarks, a growing talent pool in digital and creative industries, and public land ownership. Despite these, development has been slow in coming forward due to a challenging delivery, including an underperforming economy and weak property markets. The regeneration of Middlehaven requires a coordinated approach to promote a new vision for Middlehaven that changes the image and perception of the area and builds confidence.

Strengths to leverage

Growing digital capabilities and start-up community

Middlesbrough is a growing digital and creative hub, specialising in gaming, app development and AR with most activity concentrated in the Boho zone. Teesside University are also a key player in the space, forging key partnerships with local businesses, with 650 companies to date. Supporting the growth of this cluster is a clear investment priority for the Council and the Combined Authority in the near-term and future.

Strong talent pool with STEM, Digital & Creative skills

Businesses locating in Middlehaven can benefit from the skills, research capability and support networks already established locally as well as access the talent pool generated by Teesside University and Middlesbrough College with over 30,000 students each year across STEM, digital and creative sectors.

Strategic and central location

Middlehaven is centrally located, directly adjacent to the train station which will have direct train links to London, and in walking distance to the wider town centre.

Heritage assets and landmarks

A wealth of local heritage buildings and impressive landmarks create a strong character; these include the Town Hall, Transporter Bridge, the Clock Tower and Middlesbrough Docks.

Opportunities to deliver value at scale



Scale and location of the development

A large and centrally-located site provides the opportunity to create a new urban neighbourhood with a mix of uses that can attract residents, occupiers, visitors and investors.



Catalysts for change

The Boho Zone, Middlesbrough College, the Town Hall and Middlesbrough Docks can create major new destinations in the area for residents, workers and visitors.



Strengthened commercial property offer

Provision of Grade A office space will be a key differentiator to attract and be competitive in meeting demands for modern businesses. This will encourage further growth of the digital and creative industry within the Boho cluster, but also start to attract occupiers from a range of sectors.



Creation of neighbourhoods

Delivering high quality housing alongside the creation of neighbourhoods with a sense of place and a local identity will help attract and retain economically-active households and in turn support economic growth.



Investment

Prioritisation of investment in critical areas - for example to support the growth of Boho - will enable Middlehaven to remain competitive in the future.

Middlehaven regeneration will deliver

With the active support of the local and combined authorities, Middlehaven has the scale, connectivity and assets to create its own unique identity and build a new quarter in Middlesbrough for business, residents and visitors.

Middlehaven will be a significant addition to the region's economy, helping drive sustainable and resilient socio-economic growth and prosperity across the region and beyond.

The Vision

Middlehaven is one of the most significant development opportunity sites in Middlesbrough, adjacent to the main transport hub. This site can become a new hybrid quarter, setting a new benchmark for progressive regeneration at scale.

Middlehaven will be a multi-faceted place combining high quality commercial and residential space with education, health and leisure facilities that invites a new urban community to live, work, play and thrive. It is a destination that showcases the essence of Middlesbrough and all it has to offer: life, heritage, culture, green space, waterside, industry and entrepreneurialism.

But Middlehaven is about much more than a mixed-use redevelopment. It is a symbol of reinvention – breathing new life into a historically important industrial site.

A business cluster driven by innovation and creativity

A community of successful, growing businesses, new start-ups and early stage firms in a unique campus environment, bringing the latest innovative thinking across gaming, digital tech, media, clean technology, advanced engineering, and creative sectors. Capitalising upon Boho as a seed-bed, and the University and College as valued partners and cultivators of future STEM talent, Middlehaven will establish its position as a leading digital and creative cluster both nationally and internationally.

An education quarter inspiring future generations

The Education Quarter is home to over 15,000 students, and houses science, digital, education and health spaces, including the £100m Middlesbrough College campus, the new Outwood Academy Riverside School, and The Bridge neurological centre. Leveraging the College as a major education provider of STEM, Health, Digital & Creative courses, and the James Cook University Hospital, this area presents an opportunity to transform and expand the area into a campus environment, attracting organisations within science, technology, education and health sectors.

A new urban residential neighbourhood

St Hilda's will be a forward-looking urban village built around people and community, offering diverse living options to attract families, first time buyers, professionals, couples and the older generation. It combines the modern, communal environment of town living with peace and tranquillity. The historic Town Hall and market square returns as a focal point of the neighbourhood, hosting food markets and public events & gatherings. Residents benefit from rich green, open spaces, whilst having easy access to a respected school and college, high quality leisure and social facilities.

A vibrant waterfront destination

With the large expanse of water and its aspired character, Middlesbrough Docks will provide an iconic leisure and entertainment attraction, enhancing Middlesbrough's status as a destination of regional and national importance. Opportunities include a multi-functional space to host events and exhibitions and a multi-sport centre, offering indoor and outdoor activities and events for a range of traditional, minority and emerging sports. The dockside also creates an opportunity for a new waterside residential community.

The Vision



~1000
new homes

Contemporary, urban, and diverse living options around the historic market square and by the waterside



600,000+ SQ FT
of next generation workspace

Modern, high-quality and sustainable industrial space and flexible creative workspace units fit for a new generation of businesses



TOWN HALL

A restored Old Town Hall hosting food markets, arts & crafts stalls, public events and gatherings



AMENITY OFFER

Retail, restaurant, convenience space and neighbourhood facilities



COMMUNITY SPACE

Featuring local community parks, play areas and an Urban Farm



EDUCATION

Middlesbrough College Campus and the new Outwood Academy Riverside School



LEISURE & RECREATION

Iconic leisure & entertainment destination by the dockside attracting local, regional and national visitors



SUSTAINABLE MOBILITY

Local transport links via direct trains to and from Middlesbrough Railway Station, and improved pedestrian and cycling routes, connecting Middlehaven to the town centre, regional cities and major UK cities

The Vision:

Middlehaven's Neighbourhoods & User Groups

Middlehaven will be formed by a number of neighbourhoods, each with a different function, purpose and identity, reflecting the character of these areas.

Each neighbourhood will have a different mix of uses and activations targeted specifically to the needs and aspirations of Middlehaven's key user groups. Our research has identified there would be a strong appeal to the following:

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Middlehaven's Neighbourhoods

- Digital & Creative Hub
- Residential Neighbourhood
- Education Quarter
- Middlesbrough Docks

- Young Professionals
- Families With Children
- Students
- Visitors

Digital & Creative Hub

The Digital & Creative Hub hosts an array of uses to attract target tenants. Traditional office provisions are disrupted with flexible start-up spaces and incubator units as well as small workshop/maker spaces. Ground floors will accommodate a mix of independent cafes, bars, restaurants, and cultural establishments to enhance the vibrant atmosphere of the quarter. This is complemented by a range of living provisions to appeal to young urban professionals including conventional apartments but also loft living and live-work units.

Target Consumers



Young Professionals



Visitors

Use Types



Offices



Flex & Co-working Spaces



Incubator Spaces



Workshops and Maker Spaces



Apartments



Apartment-Hotel

Amenities



Amazon / Inpost Lockers



Bars & Restaurant



Coffee Shop



Grab & Go F&B



Gym Facilities



Green Areas



Convenience Store



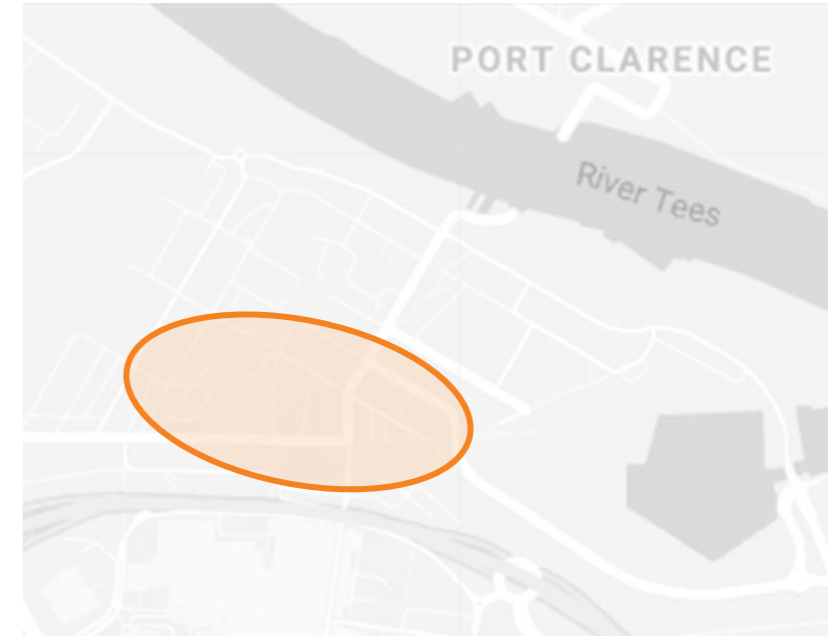
Mobility Hub



Bicycle Hire



Bicycle Shop & Service



Digital & Creative Hub

St. Hilda's

A range of housing will be offered to the new resident community – from family housing to maisonettes and apartments. The Old Town Hall will be refurbished, opening up the market square to new modes of community functions and events such as markets, and other public gatherings. The neighbourhood will also accommodate ancillary facilities to benefit and incubate a new community, including local shops such as an artisan bakery or deli, eating & drinking establishments (The Captain Cook Pub), corner shop and a local sports/fitness studio. Residents will benefit from gardens, play areas, a high quality landscaped public realm, and other community spaces including the Urban Farm. The southern side of St. Hilda's will be more diverse with flexible live/work spaces, small workshops, studios, galleries and culture/art/exhibition spaces, providing a smooth transition into the Digital & Creative Hub.

Target Consumers



Young Professionals



Families With Children

Use Types



Townhouses



Apartments



Independent Business Spaces

Amenities



Community Garden



Town Hall



Market Square



Urban Farm



Deli



Corner Shop



Café



Independent Bar & Restaurant



Independent Hair Salon



Independent Retail



Post Office



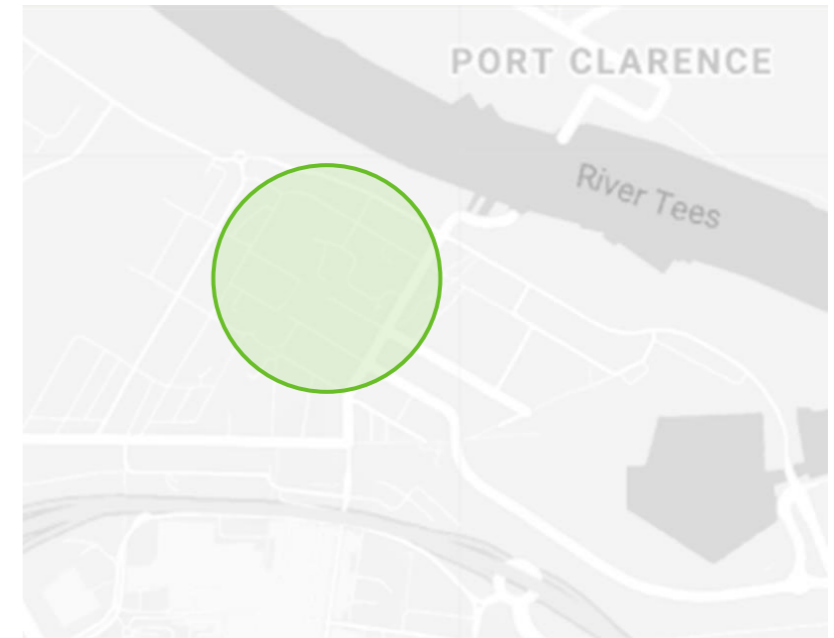
Pharmacy



Cycle Storage



Private Car Parking



Residential Neighbourhood

Education Quarter

The Education Quarter brings together an array of educational institutions including a nursery, secondary school and Middlesbrough College to create a holistic and enriched educational journey from starting out in life to transitioning into the workplace. Additional education, science, health and community facilities add to the mix as well as provision of sports facilities, green spaces, and play areas that complement the 'campus' type feel of the quarter.

Target Consumers



Students



Young Professionals



Families With Children

Use Types



Education Establishments



Healthcare Establishments



Science / Health Research Centre



Townhouses

Amenities



Nursery / Primary School



Secondary School



College



Health Facility / GP



Coffee Shop



Green Areas



Children's Play Area



Communal Sports Facilities



Car Parking



Cycle Storage



Education Quarter

Middlesbrough Docks

The docks could be transformed into a destination in its own right, providing a key leisure attraction for the local community and local, national and international visitors. This could be in the form of an arena, hosting concerts, events and exhibitions or a multi-sport centre, offering indoor and outdoor activities and events for a range of traditional, minority and emerging sports. A 'Dock Loop' will be created for runners, connecting the entire Middlehaven development. At ground and first floor levels, the ancillary retail, commercial and amenity uses, will help encourage activity in and around the Docks. This location will be attractive for footloose engineering firms, government departments or other business seeking to build a base in the area, and for a new waterside residential community.

Target Consumers



Students



Young Professionals



Families With Children



Visitors

Use Types



Terraced houses



Apartments



Offices

Amenities



Dock View Point



Outdoor Gym



Leisure Attraction



Water Sports



Running Loop



Coffee Shops



Restaurants & Bars (Outdoor Seating)



Conference / Event Space



Middlesbrough Docks

Principal Use Designations

Digital and Creative Industry

Up to 600,000sqft of creative workplace

Residential

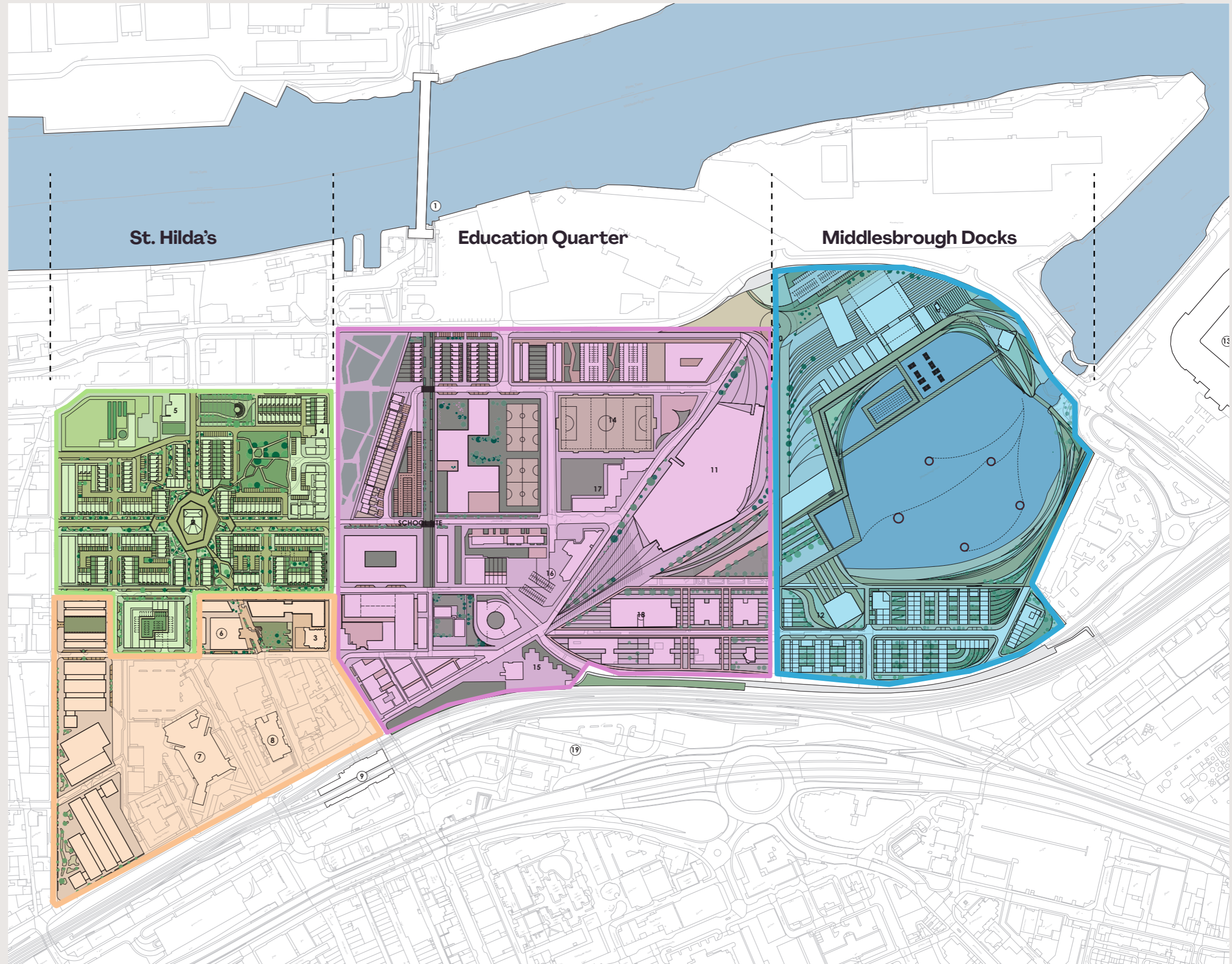
Contemporary living in a historic setting

Education Quarter

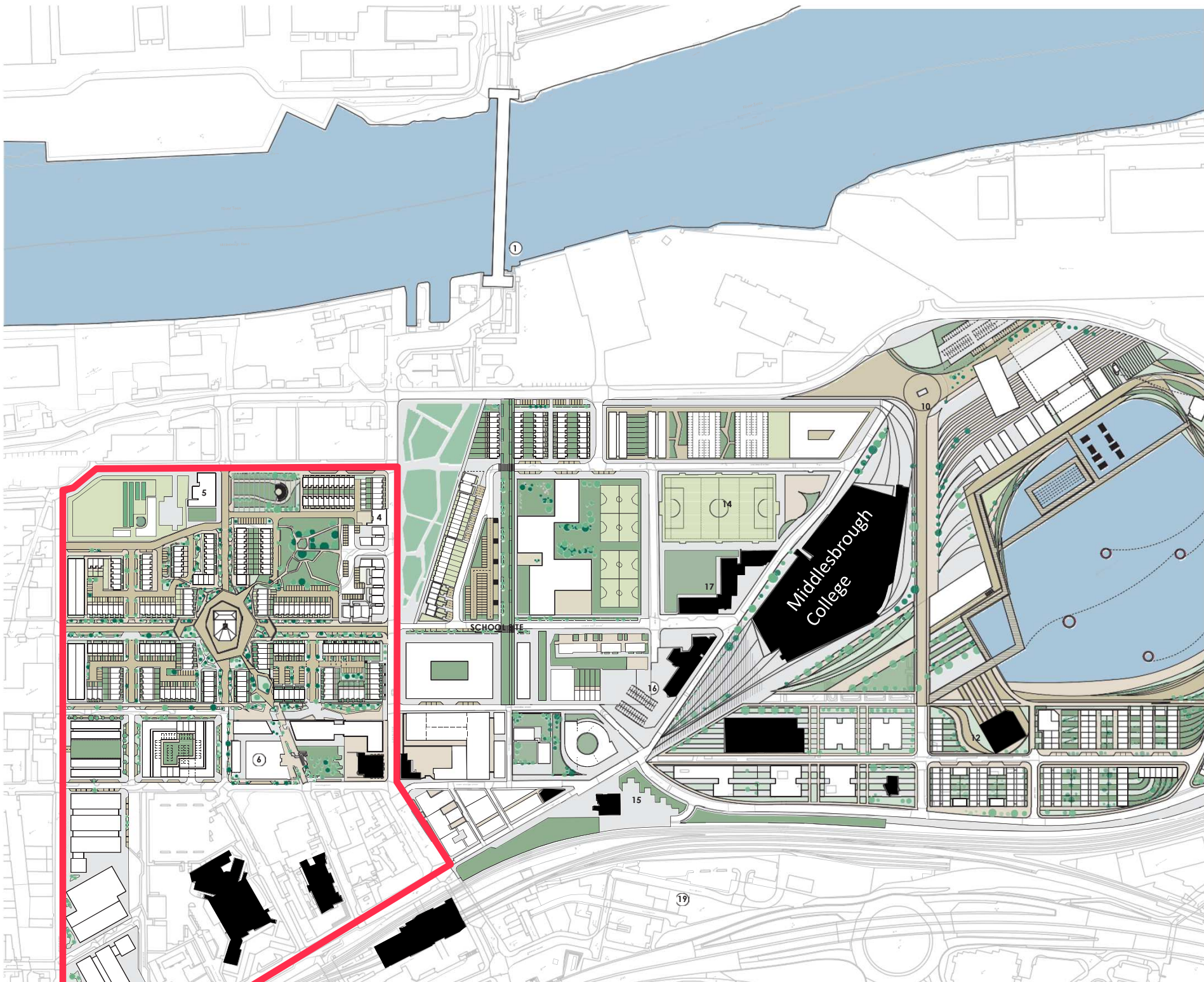
New school, nursery and sports facilities

Middlesbrough Docks

Lifestyle, waterside living and recreation







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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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