

Report of:	Councillor Barrie Cooper - Executive Member for Environment and Finance & Governance Ian Wright - Director of Finance
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Submitted to:	Executive - 11 January 2022
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Subject:	Whorlton Road - Disposal [Part A]
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Summary

Proposed decision(s)
The following is asked of the Executive: a) that the information contained in Part A of the report be noted; and b) that the decision be taken once all the financial or exempt information contained in Part B of the report has been considered.

Report for:	Key decision:	Confidential:	Is the report urgent? ¹
Decision	Yes - exceeds the £150,000 threshold.	No	No.

Contribution to delivery of the 2020-23 Strategic Plan		
People	Place	Business
The proposal to dispose of the property will help safeguard the future of the estate as a location for business activity and aid the creation of further employment opportunities within the Borough.	Disposing of this subject property will generate future investment and bring an underused Council asset in poor condition into a far more positive future use.	The proposal to dispose of the subject property will generate a capital receipt along with substantial savings for the Council.

Ward(s) affected
Central

What is the purpose of this report?

1. The purpose of the report is to consider the proposal to dispose of the Council's freehold interest in Whorlton Road Industrial Estate.

Why does this report require a Member decision?

2. The proposal relates to the disposal of an asset deemed to be surplus at a value in excess of the £150,000 threshold.

Report Background

3. Shown edged on the plan attached as Appendix A of this report, the subject property is situated on Whorlton Road and occupies a rectangular shaped site measuring @ 2.18 Acres [0.88 Ha] in a prominent position on Riverside Park.
4. Whorlton Road Industrial Estate is relatively modern in its appearance, comprising several terraced industrial units of steel frame construction with blockwork to the lower sections, sheet metal cladding to the upper walls and a half pitched roof.
5. Whilst the Council [MBC] is the freehold owner of Whorlton Road Industrial Estate, the property is subject to multiple leases and the Council currently also leases back the entire estate from Borough Properties.
6. In 1982 MBC entered into a 125 year headlease with Woodhead Construction Ltd, where MBC let vacant land to Woodhead Construction Ltd for the purposes of developing Whorlton Road Industrial Estate. Simultaneously, MBC also entered into an underlease with Woodhead Construction Ltd, agreeing to leaseback the completed development for a term of 35 years.
7. Borough Properties subsequently acquired these leases, and are now held on the headlease as a tenant, which has a term of 86 years remaining, and also on the underlease as the Landlord, due to expire in 2026. The underlease, which holds MBC as the tenant to Borough Properties was due to expire in 2017, but in 2008 the respective leases were varied, extending MBC's term as tenant up until January 1st 2026.
8. As well as the term being extending, other variations were made to the lease, which with the passage of time has considerably increased MBC's liability and will continue to do so up until the end of the lease term, in January 2026.
9. An Asset Disposal Business Case confirming the status of the subject property as surplus to operational Council requirements is attached as Appendix C to Part B of this report.

What decision(s) are being asked for?

10. The following is asked of the Executive:
 - a) that the information contained in Part A of the report be noted; and
 - b) that the decision be taken once all the financial or exempt information contained in Part B of the report has been considered.

Why is this being recommended?

11. In order to meet the Council's requirements to generate capital receipts, increase annually recurring revenue streams, reduce future expenditure and liability, and to see the subject property regenerated in the future.
12. The disposal of the subject parcel of land as proposed supports delivery of the Council's Medium Term Financial Plan.

Other potential decisions and why these have not been recommended

Re-use for operational purposes

13. No Council operational service requirement has been identified.

Other uses

14. Given the property's location and make up, no use other than light industrial would be suitable.

Do nothing

15. MBC would remain as a tenant under the existing terms, subject to the full obligations and associated costs of the Underlease until Jan 2026.
16. Following January 2026, MBC would not have the benefit of the asset until the Headlease comes to an end in January 2107.

Impact(s) of recommended decision(s)

Legal

17. No specific legal issues have been created as a result of the proposal.
18. The property would be disposed of freehold, with MBC remaining as a tenant under more preferential lease terms until January 2026.

Financial

19. The Council would receive a capital receipt, plus substantial savings over the remaining term.

The Mayor's Vision For Middlesbrough

20. The decision aligns to the Mayor's priorities around people, place & business by working in conjunction with third party organisations and individuals, such as the Buyer, to stimulate further economic development within the borough.

Policy Framework

21. The proposals do not require any change to the Council's existing policy framework.

Ward

22. The property is situated in the Central Ward and the respective Ward Members have been consulted.
23. Members will be further consulted on any subsequent proposal made as part of the normal planning process.

Equality and Diversity

24. A Level 1 (Initial Screening) Impact Assessment (IA) accompanies this report attached at Appendix B.
25. The impact assessment identified that the proposal would have a positive impact on the local community and would not represent a concern to equal rights, disability discrimination or the impingement of human rights.
26. The Council's development control planning process would also serve to ensure that any future use proposed would be appropriate for the local area.

Risk

27. If no action is taken MBC will be subject to increasing costs and liability until the lease terminates.

Actions to be taken to implement the decision(s)

28. Subject to Executive Committee approval, the Council moves to proceed with the disposal of the subject property as detailed in Part B of this report.

Appendices

Appendix A – Site Plan

Appendix B – Impact Assessment Level 1 – Initial Screening Assessment

Background papers

No further reports were used in the preparation of this report:

Body	Report title	Date
N/A	N/A	N/A

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