

MIDDLESBROUGH COUNCIL	
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Report of:	Director of Regeneration and Culture
Relevant Executive Member:	Executive Member for Development
Submitted to:	Executive
Date:	11 June 2025
Title:	Middlesbrough College Investment
Report for:	Decision
Status:	Public
Council Plan priority:	A successful and ambitious town
Key decision:	Yes
Why:	Decision(s) will incur expenditure or savings above £250,000
Subject to call in?	Yes
Why:	Non-Urgent Decision

Proposed decision(s)	
<p>It is recommended that Executive approves:</p> <ul style="list-style-type: none"> a) investment in Middlesbrough College of up to £1,600,000 of capital funding from within the approved Capital Programme to enable facility expansion to grow the educational capacity of the college; b) an amendment to the existing lease of land at Middlesbrough College to introduce a rental value of £131,234 per annum, for a period of 20 years; c) that the arrangement set out is subject to acceptance by Middlesbrough College Board of Governors; and, d) the delegation of any administration and determination of the terms of the lease amendment to the Chief Finance Officer (S151). 	

Executive summary

Middlesbrough College is seeking Council investment of up to £1,600,000 to facilitate an expansion in educational facilities in the site.

The recently-opened £12,000,000 TTE facility has been welcomed as a world-leading engineering skills facility. The facility was designed prior to 2022 and was adequate for the projected student numbers, at the time. The success of the relocation of TTE services has seen a doubling of student numbers, with further demand anticipated in the near future.

Investment in an expansion of a mezzanine level, to be attached to the new facility, will provide sufficient capacity to accommodate growth in student numbers.

Council investment will result in an annual rent of £131,234 over 20 years.

The urgency of the capacity requirement is due to the College being unable to access the funding through its own prudential borrowing or grant opportunities.

The investment would generate a revenue return on investment and would recover the equivalent borrowing costs and interest, for Middlesbrough Council.

Purpose of this report and its contribution to the achievement of the Council Plan ambitions

- 1.1 This report seeks Executive approval to invest in expanded facilities, and capacity, at Middlesbrough College.
- 1.2 The investment will allow for provision to meet the demand for expanded student capacity in engineering and technical qualifications and provides an enhanced skills pipeline for the major industrial developments planned across the Tees Valley.

Our ambitions	Summary of how this report will support delivery of these ambitions and the underpinning aims
A successful and ambitious town	Enhanced facilities will improve educational attainment and employability for Middlesbrough residents. This provides a critical skills pipeline for Middlesbrough Business and enhances the long-term strength of Middlesbrough's economy.
A healthy Place	Investment in educational opportunities has the strongest links to the propensity to secure well-paid and meaningful employment and this is one of the most significant determinants in reducing poverty, having a decent home, improved personal health and addressing deprivation within Middlesbrough. Vocational College education is a very accessible form of education and is an inclusive route into skills and employment.

Safe and resilient communities	Middlesbrough College is a major community resource. Increasing opportunities for residents to gain valuable skills and qualifications will, in turn, improve access to gainful employment and a lifelong career. These attributes increase life chances for residents and improve outcomes in incomes, health crime, education and community cohesion.
Delivering best value	The investment costs of the proposal are recoverable via the rent recoverable through the arrangement.

2. Recommendations

It is recommended that the Executive approves:

- a) investment in Middlesbrough College of up to £1,600,000 of capital funding from within the approved Capital Programme to enable facility expansion to grow the educational capacity of the college;
- b) an amendment to the existing lease of land at Middlesbrough College to introduce a rental value of £131,234 per annum, for a period of 20 years;
- c) that the arrangement set out is subject to acceptance by Middlesbrough College Board of Governors; and,
- d) the delegation of any administration and determination of the terms of the lease amendment to the Chief Finance Officer (S151).

3. Rationale for the recommended decision(s)

3.1 The proposed investment is cost neutral to the Council as the investment is recoverable through a rental agreement.

3.2 Investment in College capacity increases the propensity for major economic growth developments to directly benefit the skills and employment prospects of Middlesbrough's resident population. These measures tackle a wide range of deprivation measures and support personal and financial independence.

4. Background and relevant information

4.1 Middlesbrough College is seeking Council investment of up to £1,600,000 to facilitate an expansion in educational facilities in the site.

4.2 The recently-opened £12,000,000 TTE facility has been welcomed as a world-leading engineering skills facility. The success of the relocation of TTE services (following near liquidation in 2019 and Middlesbrough College stepping in) has seen a doubling of student numbers, with further demand anticipated in the near future.

4.3 As such, the new facility remains under capacity, in relation to the new and projected student numbers.

4.4 An expansion of a mezzanine level, to be attached to the new facility, will provide sufficient capacity to accommodate growth in student numbers.

4.5 Middlesbrough Council has freehold ownership on all of the land on which Middlesbrough College is situated. These leases are subject to a 250 year coterminous lease, whereby a lease premium was paid at the beginning of the lease, leaving a peppercorn due for the remainder of the lease duration.

4.6 This legal structure allows the Council to amend the existing lease to invest in the College site and realise a rental income stream (to be incorporated in the current lease structure) as a consequence of the investment, and to allow the investment to be recovered.

4.7 Council investment will result in an annual rent of £131,234 over 20 years.

4.8 The urgency of the capacity requirement is due to the College being unable to access the funding through its own prudential borrowing or grant opportunities. Like any public body, Middlesbrough College is subject to borrowing ratios, as a proportion of its turnover.

5. Ward Member Engagement if relevant and appropriate

5.1 No ward member engagement has been conducted for this proposal, to date.

6. Other potential alternative(s) and why these have not been recommended

6.1 Alternative funding sources have been explored however, the urgency of the capacity requirement means that grant funding programmes are largely at capacity.

6.2 In 2022 Colleges in the UK were brought back to being classed as public sector bodies. Prior to this they were classed as private institutions and able to establish their own debt ratios. Whilst Middlesbrough College has been prudent in its investments, the return into the public sector in 2022 means that it does not have capacity to borrow this money, given the extant debt ratios. As such, Council investment is critical.

6.3 The College did forward this project to Tees Valley Combined Authority (TVCA) as part of the recent 2025/26 round of UK Shared Prosperity Fund (UKSPF) capital funding, but this proposal was not prioritised for investment.

6.4 Towns Fund and Levelling Up Partnership Funds administered by Middlesbrough Council are fully committed / exhausted.

7. Impact(s) of the recommended decision(s)

Topic	Impact
Financial (including procurement and Social Value)	The investment structure is not a loan – as this would be a landlord investment to fund tenant improvement works up to £1,600,000.

	<p>The landlord would recover this by amending the existing 250 year coterminous lease, whereby a lease premium was paid at the beginning of the lease, leaving a peppercorn due for the remainder of the lease duration. This would be adapted to amend the peppercorn lease up to an annual rent, for a agreed term.</p> <p>The Council would finance this £1,600,000 investment via borrowing. This cost to the Council would be fully repaid by Middlesbrough College through an amendment to the existing lease agreement.</p> <p>The 2024/25 Revenue and Capital Outturn report that is presented to Executive for approval on 11 June 2025 includes a reduction in the capital programme of £2.931m relating to the Children's Services Financial Improvement Plan scheme. The funding required to enable the facility expansion of Middlesbrough College can therefore be provided from the reduction in the capital programme without exceeding the value of the capital programme 2025/26 to 2028/29 that was approved by Council on 19th February 2025.</p> <p>The Public Works Lending Board interest rate of 5.26% per annum over the course of 20 years has been applied to the £1,600,000 investment to calculate the annual lease amount of £131,234 payable by Middlesbrough College.</p>
Legal	<p>In terms of documenting the above, a deed of variation would be used to vary the lease to increase the existing rent. It may be appropriate for a separate funding agreement to be entered into, to cover the advance of any funds to the college, its intended use.</p> <p>Rent is established for a defined period to recover the investment, before reverting back to peppercorn.</p>
Risk	<p>The lease agreement is legally binding and this ensures that the investment is recoverable via rental payments.</p> <p>The College is a public sector body with a strong covenant so the risk of lease default is minimal.</p> <p>The additional capacity creates additional revenue through new learners to the rental amounts are considered affordable.</p>

	The risk of not proceeding is limited capacity in the engineering and technical education sectors, which would directly impact the skills pipeline for major economic growth initiatives such as TeesWorks and Next Zero Teesside.
Human Rights, Public Sector Equality Duty and Community Cohesion	The proposal is not judged to have any negative impacts on Human Rights, Public Sector Equality Duty and Community Cohesion
Reducing Poverty	Investment in educational opportunities has the strongest links to the propensity to secure well-paid and meaningful employment and this is one of the most significant determinants in reducing poverty, having a decent home, improved personal health and addressing deprivation within Middlesbrough. Vocational College education is a very accessible form of education and is an inclusive route into skills and employment.
Climate Change / Environmental	The skills delivered by this investment in educational capacity will directly feed into the skills required for Teesside's emerging specialism in Net Zero and Green technologies of the future.
Children and Young People Cared for by the Authority and Care Leavers	Increasing opportunities for Cared for Children or care leavers to gain valuable skills and qualifications will, in turn, improve access to gainful employment and a lifelong career. These attributes increase life chances for residents and improve outcomes in incomes, health crime, education and community cohesion.
Data Protection	There are no Data Protection issues of consequence for this proposal.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
Amend agreement for lease with Middlesbrough College	Sam Gilmore – Head of Growth and Assets	30 September 2025
College to commission construction and design package	Middlesbrough College	31 January 2026
College to secure planning permission for extension	Middlesbrough College	31 January 2026
Construction Phase	Middlesbrough College	30 September 2026

Appendices

1	N/A
2	N/A
3	N/A

Background papers

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

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