

Report of:	Executive Member for Regeneration - Councillor Eric Polano Executive Member for Environment, Finance and Governance - Councillor Barrie Cooper Director of Regeneration and Culture - Richard Horniman Director of Finance - Ian Wright
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Submitted to:	Executive - 5 October 2021.
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Subject:	Middlesbrough Development Company (MDC): Business Plan Update
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Summary

Proposed decision(s)
That Executive notes the contents of the MDC Business Plan Update, attached as Appendix 1 to this report.

Report for:	Key decision:	Confidential:	Is the report urgent?¹
Decision	No	N/A	Non urgent

Contribution to delivery of the 2020-23 Strategic Plan		
People	Place	Business
The development of housing, will contribute towards Middlesbrough’s Housing Growth Programme and increase the quality and quantity of homes available to residents.	Investing in the development of new housing on key sites will contribute towards the regeneration of the town and the priority to make Middlesbrough look and feel amazing.	The MDC Business Plan proposals will support the Mayor’s urban living agenda and help underpin the Medium Term Financial Plan, by generating Council Tax.

Ward(s) affected
MDC could undertake projects in any ward.

¹ Remove for non-Executive reports

What is the purpose of this report?

1. The purpose of the report is to provide the Executive with a review of MDC's activities over the past year, and to set out the priorities and anticipated expenditure for the next 12 months.

Why does this report require a Member decision?

2. MDC is a local authority trading company limited by shares, with the Council as the sole shareholder. It is a requirement of the Shareholder's Agreement that the Company will supply the Shareholder with a report setting out the progress of the Company in relation to the objectives and/or milestones set out in the Business Plan and/or the Subsequent Business Plan.

Report Background

3. In September 2020 the Executive considered the Middlesbrough Development Company: Strategic Plan, CSI site and Boho Village report. The report advised that for MDC to achieve its objectives, it needed a Business Plan that set the strategic direction of the company, but was flexible enough to accommodate new projects and opportunities as they arise.
4. The MDC Board had agreed that this could best be achieved by adopting a Strategic Plan, which set out the company's objectives, detailed how new projects would be approved, and, set out its administration, governance and funding.
5. As individual projects were proposed to become part of the Company's workload, the report advised that the detailed delivery of each project would be set out in a Project Plan, which would be approved by the Board of Directors and, if required, the Council as Shareholder.
6. The Executive approved the MDC Strategic Plan and capital borrowing of up to £24m to fund the construction of an apartment development on the former CSI site in the town centre and the Boho Village development at Middlehaven (subject to further sign off from the Council's Section 151 Officer).
7. As it is now 12 months from the approval of the Strategic Plan, it is considered an appropriate time for the Company to provide the Shareholder with a Business Plan Update, which is attached as Appendix 1 and is summarised below.

Progress since September 2020

8. MDC has commenced construction on two projects in its capacity as a developer:
 - a) Boho Village (Middlehaven) – a £6.5m construction contract has been awarded to Engie for the development of 61 new two and three bedroom dwellings, with completion due in July 2022.
 - b) Newbridge Court – a £4.5m construction contract has been awarded to Brims Construction for the redevelopment of the former Tollesby Shops. Work is on site to provide five ground floor retail units with 24 apartments above, and is due to complete in September 2022.

9. MDC is also under contract with a partner developer for the £17m development of a 14 storey residential tower block of one and two bedroom units on the former Cleveland Scientific Institute (CSI) site. An application for planning approval is scheduled to be submitted later in the summer. The delivery of the project is subject to the approval of grant funding from Homes England's Affordable Housing Programme and the Towns Fund.
10. Executive approval has also recently given for a £1m investment that will enable MDC to enter into an Empty Homes Partnership, which will acquire and refurbish empty and dilapidated properties in the Gresham and North Ormesby areas to help stabilise existing communities.
11. MDC has drawn down £2.13m from the Council over the period September 20 to August 21. This is comprised of the following:

General / Admin	£90,000
Tollesby	£315,000
Boho Village	£1,645,000
CSI	£80,000
<u>Total</u>	<u>£2,130,000</u>

Priorities for the next 12 months

12. As stated previously, construction of the Boho Village and Newbridge Court developments are both scheduled to complete by the end of September 2022 and work will commence on the Empty Homes Partnership and CSI scheme.
13. In addition to the above, the Business Plan Update provides details of a number of pipeline projects that MDC are developing in its capacity as a developer or development enabler, that are being considered for delivery over the next year, subject to Board and MBC Executive approval:
 - a) Eyesore sites – development of vacant and unsightly plots of land / buildings around the town.
 - b) Middlehaven – developer or development enabler for several vacant plots in or around this area.
 - c) Former Captain Cook Pub – development enabler to bring forward various options. The Council intend to market the building and will on completion of the remedial work in December 2021 seek interest from developers on a wide variety of proposals.
 - d) Centre North East – development enabler to facilitate a 200 unit apartment scheme.
14. It is anticipated that MDC will draw down between £10m and £15m in funding from the Council over the next 12 months to progress the Boho Village, Newbridge Court, Empty Homes Partnership and CSI projects.

What decision(s) are being asked for?

15. That Executive notes the contents of the MDC Business Plan Update, attached as Appendix 1 to this report.

Why is this being recommended?

16. The Shareholder Agreement requires MDC to provide the Council with a report setting out the progress of the Company in relation to the objectives and/or milestones set out in the Business Plan.

Other potential decisions and why these have not been recommended

17. No other potential decisions have been considered.

Impact(s) of recommended decision(s)

Legal

18. The Council can rely upon the general power of competence within the Localism Act 2011 for its own purpose, for a commercial purpose and/or for the benefit of others i.e. this includes the role of Middlesbrough Development Company Limited. The proposed Council led interventions involve carrying out a commercial activity and must therefore be done through a Company
19. MDC is a local authority trading company limited by shares and operates in accordance with its Memorandum and Articles of Association, Shareholder Agreement, Strategic and Project Plans, and, Loan Agreement.

Financial

20. On the 18th December 2018 Executive approved: the creation of a Housing Delivery Vehicle in the form of a Wholly Owned Company (by Middlesbrough Council) limited by shares; the associated business plan and a funding package of up to £10m.
21. Subsequent Executive approvals have re-allocated funding from the £10m funding package to the Newbridge Court (Tollesby Shops) project and Empty Homes Partnership, and allocated increased capital borrowing to fund the construction of the Boho Village and CSI projects.
22. The Council has secured a £936k grant from Homes England's Affordable Housing Programme for Newbridge Court and is to submit a further bid for up to £5m to deliver affordable units on the former CSI site.
23. The Council funding required to deliver the Newbridge Court, Boho Village, CSI and Empty Homes Projects is already allocated within the Investment Strategy. Any additional Council funding required to fund the pipeline projects listed in Paragraph 13 would be subject to further due diligence and approval by Executive.

Policy Framework

24. The decision will not amend the Council's policy framework.
25. The decision is aligned with the Strategic Plan 2020 to 2023 priority to Investing in the development of new housing on key sites to contribute towards the regeneration of the town and the priority to make Middlesbrough look and feel amazing.

Equality and Diversity

26. The Impact Assessment undertaken in September 20, concluded that the decision to approve the MDC Strategic Plan would not have any disproportionately negative impacts. This report is an update on the actions set out in the Strategic Plan.

Risk

27. The delivery of the approved schemes included in the Business Plan Update would mitigate the following high level risks identified in the Strategic and Directorate Risk Registers.

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.

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.

Actions to be taken to implement the decision(s)

28. The Council will continue to transfer funds to MDC as required in accordance with existing Executive approvals.

29. Where appropriate, further Executive approvals will be sought in respect of pipeline projects, which are approved by the MDC Board.

Appendices

Appendix 1: MDC Business Plan Update.

Background papers

Body	Report title	Date
Executive	Middlesbrough Development Company: Strategic Plan, CSI site and Boho Village.	1 September 2020