

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

13 MARCH 2008

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION/KEY DECISION

**Regeneration and Transport - Lead Cabinet Member – Councillor Cook
Environment – Lead Cabinet Member – Councillor Mrs Beaumont**

Thornaby Town Hall: Marketing & Regeneration of the Building

1. Summary

This report outlines indicative proposals submitted to the Council for the future use of Thornaby Town Hall and seeks approval for one of these schemes to be worked up in greater detail.

2. Recommendations

Members are recommended to:-

- 1 agree in principle to the freehold sale of Thornaby Town Hall and endorse Submission B as the preferred developer based on indicative proposals submitted to the Council,
- 2 authorise officers to invite the preferred developer to work up and agree detailed proposals and business plan based on their indicative proposals for a viable and sustainable scheme that incorporates Thornaby Town Council and Thornaby Heritage Group through an appropriate mechanism,
- 3 authorise the Corporate Director of Resources in consultation with the Corporate Director of Development and Neighbourhood Services, the Director of Law and Democracy and Cabinet Member for Regeneration and Transport to agree Heads of Terms for the sale to the developer
- 4 Authorise the Head of Legal Services to complete a sale on the terms agreed in accordance with recommendation 3 above and the Council's Scheme of Delegation.

3. Reasons for the Recommendations/Decision(s)

1. To find an acceptable and viable use for the building which is sustainable and likely to stimulate further investment in the locality
2. To ensure that the spatial requirements of Thornaby Town Council and the Thornaby Heritage Group can be provided within the redeveloped building through an appropriate mechanism,.

4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct

(paragraph 8) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

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SUMMARY

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RECOMMENDATIONS

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DETAIL

Background

- 1 Built in 1890-92 Thornaby Town Hall is a brick and stone building on a prominent corner with a clock tower facing west towards Victoria Bridge across the River Tees. Thornaby Town Hall is a Grade II listed building, this also covers numbers 3-5 Mandale Road. Together, the buildings form a pleasing assembly, with the whole building forming a gateway into Thornaby. It was extensively utilised as the municipal base for the town of Thornaby, however, due to various changes imposed on local government over recent decades the building's use has changed on a number of occasions. The current use of the building is confined to a small number of ground floor offices for the work of Thornaby Town Council.
- 2 A decline in use has led to the gradual deterioration of the condition of both the internal and external fabric of the building. To compound this, water ingress through the damaged and failing roof has accelerated this deterioration, affecting the internal condition and its features. At present, the Council is undertaking repair works to parts of the roof to the value of £330,000, funded from SBC capital, to eliminate the ingress of water and stabilise the condition of the building. This work is scheduled for completion by the end of March 2008.

- 3 Over recent years, a number of schemes have been considered for addressing the re-use of Thornaby Town Hall. The development of these options has involved considerable officer time and effort in establishing viable solutions that addressed not only the building and users needs but also met the criteria of potential funders. The most recent full building group scheme was the proposed refurbishment of the Annex buildings (Nos 3, 5, 7 and 9 Mandale Road) and restoration of the Town Hall. This scheme, designed and co-ordinated by Stockton Borough Council, involved re-using the annexes as well as repairs to the roof. The scheme did not proceed, however, as reductions in regional funding packages meant funding could not be secured to a level that would enable full option delivery possible. The Council's approved Capital allocation for the roof works has been honoured to fund the repair works that are currently underway.
- 4 The basis of this scheme was then looked at in a phased approach.
- (i) Phase 1: Through the Five Lamps Organisation, lease of numbers 3, 5, 7 and 9 as business incubator accommodation. With a large amount of identified funding secured, the balance was subject to relevant funders' approval processes. However, in the interim, the community representatives for the people of Thornaby expressed their concerns that the project would not fully reflect the needs of the community. Following discussions between the Five Lamps Organisation, Thornaby Town Council, ward councillors and Stockton Council, unsecured funding applications were subsequently withdrawn and an agreed marketing process for the building initiated.
 - (ii) Phase 2: For the original town hall building, a group constituted as a building preservation trust to take advantage of the emerging Community Assets Fund and other charity funders to deliver community access, museum facilities and training/conference rooms. This bid for the CAF was unsuccessful as it sought more than the £1M bid limit. In addition, feedback identified a lack of detail on items such as costings, project delivery aspects and day to day operational and management plans.

Marketing of building

- 5 Discussions with Thornaby Town Council and ward councillors regarding a way forward for the building resulted in the production of a marketing document in early September 2007. This resulted in SBC inviting expressions of interest from any parties interested in exploring ideas for the future re-use of the building, including the continued presence of Thornaby Town Council and provision for local heritage.
- 6 A total of five expressions were received at the end of September 2007. Two of these did not reflect the requirements of the brief. The remaining three were invited to expand on the proposals and submit further details. These included:
- The proposed function/s of the building group;
 - Target user groups;
 - The expected benefits to users and the area;
 - Funding – what was secured and where would funds be sourced from;
 - Tenure proposals
 - Implications regarding the building's listed status
- 7 Three detailed submissions were subsequently received prior to the Christmas 2007 deadline. All three proposed a mix of uses for the building, varyingly proportioned between business and community uses. The building would re-engage with the community through the provision of access to shared facilities and local heritage. In addition, Thornaby Town

Hall would continue to be used as a base for Thornaby Town Council to continue their work on behalf of the residents of Thornaby.

8 The submissions proposed the following:

- (i) **Submission A:**
Through the purchase of the freehold of the building, a mix of community, business & enterprise uses are proposed with allocated display and storage areas for heritage related exhibits, plus office space for Thornaby Town Council is proposed. Possible linkages to education establishments could be made through partnerships and mentoring. The project would be delivered through the formation of a Public / Private Partnership with the Council sourcing appropriate funding to progress the development and implementation of the project that would also include the restoration and renovation of the internal and external fabric of the building.
- (ii) **Submission B:**
Through the purchase of the freehold of the building, a mix of community, business & enterprise uses are proposed with generous allocated display and storage areas for heritage related exhibits, plus meeting and conference facilities. Office space for Thornaby Town Council will also be provided. The scheme would restore and refurbish the council chamber and historical aspects of the town hall building, whilst fully refurbishing the terracing elements for office / business incubator usage. The project will look at developing an existing relationship with DigitalCity through the mentoring of digital media, technology and creative business opportunities, thereby expanding their Tees Valley remit. The project would be financed through the developers own resources.
- (iii) **Submission C:**
As well as physical display items, the proposal includes the development and creation of a "virtual" museum to offer a range of digital tours via flat screen TV's, overhead projectors, touch screen display units, Personal Digital Assistant (PDA) units. These units would receive information as the holder walked round the facility. Provision for community activities such as meetings, events, performances etc would be made through access to the refurbished and restored council chamber and Town Hall rooms. The terrace element of the building group would contain a café / restaurant, gift shop / visitors centre as well as offices / units for creative media and digital business use. The building would be retained by the Council or come under the governance of a Charitable Trust. It is likely that a management company would be engaged to deliver the project.

9 Following assessment and analysis of each of the submissions, a number of questions and clarifications were raised. Each party were offered, and took, the opportunity to answer these questions and present their ideas before a project panel made up of officers from Regeneration, Planning and Land and Property.

10 Each submission was separately assessed and scored regarding criteria relating to:

- Delivery of proposals
- Operation of the facility
- Scheme funding
- Wider Aspect

A copy of the assessment matrix is located at **Appendix 1**.

- 11 Whilst all submissions present both general and bespoke benefits, it is recommended to Cabinet that the developer for Submission B is approved as the preferred developer for the following reasons:
- (i) It provides for community, heritage and Town Council needs:
Consultation by the developer with Thornaby Town Council and the Heritage Group identified bespoke and general spatial requirements. These requirements have been provided for indicatively in the submission and are allocated within the main Town Hall building. The Town Council will be able to continue their work for the people of Thornaby in a much improved environment.
 - (ii) It provides first-time business opportunities:
Incubator facilities will allow entrepreneurs to experience and develop business opportunities and ideas with the minimal amount of contractual obligations through easy in easy out leases. Indeed the project will look at building on the relationship enjoyed with DigitalCity at on of the developers' recent projects, through the mentoring of digital media, technology and creative business in Thornaby Town Hall.
 - (iii) It can be delivered within an immediate timescale:
It is expected to take 3 months to prepare detailed design proposals for consideration. A further period will be required to negotiate Heads of Terms and seek approval, obtain statutory consents etc. Following exchange of contracts for the sale of the building, work on site could take as little as 9 months to complete to a standard to enable building users to take up residence.
 - (iv) It offers least risk to the Council should the proposed scheme falter:
The developer has indicated that they have the facility to fund the project directly from reserves and agreed borrowing facilities through their bank. On completion of sale of the property, the scheme would not be reliant on further capital or revenue investment from the Council. There would also be no need to access monies from external funding bodies, which recent experience has shown to be difficult to assemble in the amounts required.
 - (v) It provides greater delivery guarantees:
The developer is willing to agree timescales for completion of the process as part of the sale agreement as well as conditions relating to usage by Thornaby Town Council and The Heritage Group.
 - (vi) It offers good value for money:
Funding and timescales considered the completed project will give a range of uses at a very reasonable cost.
 - (vii) It is the most viable option:
The focus of service and activity provision gives scope for economic and practical viability for delivering objectives in establishing a viable and sustainable long term use for the building.
 - (viii) It has great potential for assisting in the wider regeneration of the Mandale Triangle area:
Once restored and occupied, the building will become a local focal point for regeneration and community pride. It will form a flagship mixed use scheme to form the basis for master planning the Mandale Triangle and surrounding area of Thornaby.

- 12 The developer has a proven track record in the regeneration of individual buildings to provide viable sustainable futures. Brief details and photos of those most relevant to this project are attached at **Appendix 2** of this report.
- 13 As mentioned previously, the requirements of The Heritage Group and Thornaby Town Council have been acknowledged by the developer. These indicative areas are shown on floor layouts for the Thornaby Town Hall building located at **Appendix 3**. These may, however, be subject to change as the detailed proposals are drawn up.

Next stages

- 14 Subject to Cabinet approval of Submission B, the preferred developer will be asked to submit further details of the scheme for consideration by the Authority. These actions will include:
 - (i) Worked up full scheme details.
Scheme details should identify and clarify those areas of the building that will be set aside for community, Town Council and heritage use as well as business office usage. They will also incorporate works schedules identifying the full range of proposed heritage and conservation works in order to ensure the needs and requirements of the building's listing status is adhered to. The heritage related works will be as a result of consultation and agreement with English Heritage and SBC's Historic Buildings Officer
 - (ii) A detailed robust business plan.
To ensure comfort in the financial viability of the proposal a full and robust business plan will be provided. This will identify and confirm the sources of initial funding for the construction element of the project, detailing associated cash flow forecasts. Further detail will also be provided with regards to the operating costs and the associated revenue needs, its initial provision source and subsequent future financing. The business plan will also include a marketing strategy to demonstrate the initial target occupant market and mechanisms, should they be needed, to address deviations from the initial action plan.
 - (iii) The developer to consult further with Thornaby Town Council and The Heritage Steering Group.
Initial commitment to accommodating the needs of The Heritage Group and Thornaby Town Council has been expressed by the developer. Further consultation to now take place with both parties to establish precise requirements with regards to dedicated space, shared space, technology and terms of occupation.
 - (iv) Legal documentation to be prepared and agreed;
Discussions and agreement between the developer and the Council in the formulation of the sale agreement for the building. This would include the agreement and development of an appropriate mechanism for the delivery of the project as outlined above, including space for The Heritage Group and Thornaby Town Council use through an appropriate mechanism,.
- 15 It is intended to report back to Cabinet on the detailed proposals and associated documentation identified above prior to the sale of the building on an information basis only.

FINANCIAL IMPLICATIONS

- 16 Capital
- (i) SBC approved capital of £330,000 for the roof repair works will allow the developer to quickly progress the next stage of the regeneration of Thornaby Town Hall, thereby stemming the deterioration of the building through maximising the Council's investment in the building. Works undertaken by the developer will not require any additional capital input from the Council.
 - (ii) The present indications are that the sale of the building would generate a capital receipt for the Authority of £101,027 for general capital use.
- 17 Revenue
- (i) Currently, Thornaby Town Council pays £450 per year for use of office space on the ground floor of the building and £75 per quarter for the use of an additional ground floor room for meetings. The implication of the sale of the building would be that the Council would no longer accrue this income.
 - (ii) The Council also incurs annual costs in maintaining the building in the region of £10,000. Similarly, these costs would no longer be met by the Council.

LEGAL IMPLICATIONS

- 18 As with any sale of Council owned land the Council must obtain best consideration for the property. After evaluating the three expressions of interest it is the officers opinion that this will be achieved by pursuing the scheme as identified in Submission B.
- 19 The sale of the freehold of the building will result in the loss of control over the building; however conditions of sale and restrictive covenants can be imposed to address many of those concerns. Heads of Terms for the sale have yet to be agreed and the Council will not be obliged to sell the property unless acceptable terms can be agreed.
- 20 Whilst the exact mechanism for protecting the rights of Thornaby Town Council and the Heritage Group are not yet determined all possible courses of action will be considered and the Director of Law & Democracy will advise on the most appropriate form for this to take. The sale of the building can be made conditional upon this occupation.

RISK ASSESSMENT

- 21 Not completing the transaction - Low
The developer has demonstrated a desire and commitment to progressing discussions and negotiations to a mutually agreeable conclusion. They have a wide knowledge of the market in which they operate and see a refurbished Thornaby Town Hall not only as a key element to their portfolio but also as a significant opportunity to instigate the wider regeneration of the Mandale Triangle.
- 22 Financial
Insufficient funding – Low to medium
The developer: The developer has confirmed immediate access to funds to deliver the project. In the event that the physical implementation of the works creates unexpected budget pressures on the allocated funding, the developer has borrowing mechanisms agreed with his banking facility to access additional capital resources. However the current

conditions of the property market and the availability of credit, which are beyond the control of any developer, could have an impact.

Stockton Borough Council: On completion of sale of the property, the scheme would not be reliant on further capital or revenue investment from the Council.

- 23 Project delivery
Non completion of the works - Low
As well as the available finance, the developer have a proven track record in the regeneration of individual buildings to provide viable sustainable futures.
- 24 No interest from users - Low
The developer has the ability of attracting business to take up lettings in the newly refurbished spaces. Dedicated space for Thornaby Town Council and The Heritage Group has already been agreed, guaranteeing a presence in the building. Extending the DigitalCity relationship / mentoring arrangements at on of the developers' recent projects and focused marketing strategies will be used to encourage further user take up of the opportunities that will be available.

COMMUNITY STRATEGY IMPLICATIONS

- 25 An underused building will be returned to use through commercial and community activity that will benefit the environment and the local community.
- 26 The proposal represents an opportunity to develop a regeneration strategy through the use of Thornaby Town Hall as a catalyst for the regeneration of the Mandale Triangle and Bon Lea area of Thornaby.

CONSULTATION INCLUDING WARD/COUNCILLORS

- 27 As part of the development of the annexes refurbishment proposal identified earlier in this report, consultation with the people of Thornaby by Vision Sense was carried out in 2005 in the production of an Audience Development Plan. This identified that community use and activity related to the Town Hall was important. It also recognised the opportunity for business incubator units.
- 28 Throughout the development of the various proposals, Ward Councillors and Thornaby Town Councillors have expressed their concerns of the possible loss of a public asset from the Council and the resultant loss of potential community space. To mitigate these concerns, all developers involved with the recent proposals have engaged the Town Council and The Heritage Group to discuss issues and requirements relating to the building's future use and occupancy in the preparation of their submissions.
- 29 The preferred developer will be required to consult further in respect of these requirements as detailed specifications for the building are worked up. These requirements are to be legally protected through an appropriate mechanism.
- 30 Ward councillors, Thornaby Town Councillors and the lead Member for Regeneration and Transport have been consulted on this report. Whilst Thornaby councillors recognise that elements of the recommended submission are consistent with previous schemes, they do not support the loss of the Town Hall element of the building group from public / community ownership.

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Background Papers

Thornaby Town Hall Conservation Management Plan from earlier scheme proposal
Bid submissions

Ward(s) and Ward Councillors:

Mandale & Victoria – Councillors Steven Walmsley, Tina Large and Allison Trainer

Property

As detailed in the report