

## CABINET ITEM COVERING SHEET PROFORMA

**AGENDA ITEM**

**REPORT TO CABINET**

**12 FEBRUARY 2015**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

### **CABINET DECISION**

**Corporate Management and Finance – Lead Cabinet Member – Councillor Harrington**

#### **ASSET REVIEW, SCHOOL CAPITAL AND SITE DISPOSAL UPDATE**

1. Summary

This report provides an update on the Asset Review and builds on earlier reports to Members

The Report summarises progress in implementing recommendations in respect of the Review of Libraries, provides an update on progress around Asset Transfer arrangements and provides recommendations around Site Disposal Strategy.

2. Recommendations

1. Note the progress on the implementation of the Libraries Strategy and the subsequent disposal of Roseworth, Westbury Street, Roseberry and Bedale libraries.
2. Approve Asset Transfer of New Life Family Centre to New Life Church and Eldon Street to Five Lamps Organisation.
3. Note the revised timetable for the proposed Asset Transfer of Ragworth Neighbourhood Centre and Norton Grange.
4. Agree in principle to negotiating the disposal of an element of the land of the Education Centre site to the Baptist Church with the remainder being advertised on the open market. Also agree to the re-investment of a small element of the Capital Receipt into the community facilities.
5. Approve £2,000,000 from school capital resources for Rievaulx site to support the expansion of Ash Trees School.
6. Approve the disposal of former office accommodation on Hartington Road with £155k to be ear-marked for works required to 70 Norton Road.

3. Reasons for the Recommendations/Decisions

To implement proposals for Library Strategy and Community Assets and agree land disposal plans

#### 4. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, 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 and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code)

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

#### Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code)

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**ASSET REVIEW, SCHOOL CAPITAL AND SITE DISPOSAL UPDATE**

**SUMMARY**

This report provides an update on the EIT Asset Review and the Schools Capital investment Strategy, building on earlier reports to Members

The Report summarises progress in implementing recommendations in respect of the Review of Libraries, provides an update on progress around Asset Transfer arrangements and provides an update recommendations around Site Disposal Strategy.

**RECOMMENDATIONS**

1. Note the progress on the implementation of the Libraries Strategy and the subsequent disposal of Roseworth, Westbury Street, Roseberry and Bedale libraries.
2. Approve Asset Transfer of New Life Family Centre to New Life Church and Eldon Street to Five Lamps Organisation.
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**DETAIL**

**Background**

1. Members will be aware of previous reports outlining the approach to the Council's assets and investments in schools capital, with the latest being presented to Cabinet in June 2014.
2. This is the latest in a series of reports on the EIT Asset Review which has a saving target of £1,000,000 in the MTFP. This is now estimated to deliver £1,400,000 once savings from the Education Centre and Ragworth Neighbourhood Centre are realised.

3. The report provides an update on Community Asset Transfer and an update on progress of both the Community Building Trust and individual asset transfer requests are included as well as an update on sites included within the Disposal Strategy including an update on Education Centre, Playing Pitch Strategy and Grangefield Site.

## **CO-LOCATION OF LIBRARIES**

4. Following the successful integration of library services into Redhill Children's Centre, Roseworth Library has been marketed and an offer for retail has been accepted and is progressing through the legal process.
5. As previously reported co-location of services from Westbury Street library to Riverbank Children's Centre has been completed with discussions on-going to dispose of the former Library to a GP Practice.
6. In readiness for the opening of the new £2.7m integrated library and contact centre in January, both Roseberry and Bedale libraries have been vacated. Roseberry library will be marketed for disposal jointly with NHS properties services very soon. Bedale library is on the market for disposal or Asset Transfer as per previous Cabinet recommendations. The mobile library service has been successfully relocated to the Thorndale Centre with bibliographical services to creating a library storage hub.
7. Investment of over £300,000 in Norton Library has addressed a number of significant condition issues as well as allowing for some refurbishment works internally and externally. The building re-opened to the public in November.
8. Following approval at Cabinet in October a further £150,000 is being invested in Yarm library which will see a total of £210,000 to address access and appearance from the High Street as well as improving the internal decoration, update furniture and fixtures and updating of IT facilities to include self-service technology in line with other Town Centre library hubs.

## **COMMUNITY ASSETS**

### **Community Asset Transfers**

9. As previously approved by Cabinet, the Council has an agreed approach to Community Asset Transfer, encapsulated in the agreed strategy document "Let's Share". Through this model there are now positive examples of the strategy being delivered which will facilitate retention of community building for community use whilst reducing the requirement for a Council subsidy on the building most notably being Onsite Community Building Trust.
10. Since the last report a number of expressions of interest in asset transfer have been received and are progressing in line with the Council's criteria for demonstrating they are satisfactory for transfer. Two are now at a stage where the Business Case submitted is considered robust and therefore are recommended for asset transfer as outlined below
11. New Life Church has submitted a business case for asset transfer of New Life Family Centre at Billingham. Having been leaseholders of the building since 1999 the Centre provides a range of children's activities including childcare, parent toddlers groups as well as adult education and community physiotherapy. The building is also home to Sure Start Centre currently run by 4Children on behalf of the Council. The building is also now used for church activities following transfer from the church building on Low Grange Avenue.
12. Asset transfer will ensure further investment in the building by the New Life Church. Plans include expansion of the childcare facilities and, in the longer term, an extension to include conferencing facilities. The business case is financially robust and has positive support from

the community, members and stakeholders therefore it is recommended that asset transfer be approved, with details of lease arrangements delegated to Director of Law and Democracy in conjunction with Cabinet Member for Corporate Management and Finance.

13. A request has been submitted from Five Lamps for the transfer of the building at Eldon Street. This building has been used as their Headquarters since the mid 80's and is in need of significant investment to bring the building up to modern standards and meet current legislation. The proposal would also be to invest in the building to improve energy efficiency and provide a contemporary workplace. Given the nature of the strategic partnership with the Council and the services delivered on behalf of the community, the transfer of the asset would be supported on the basis of a long-term lease.

### **Community Building Trust**

14. As previously reported a Community Building Trust has been established with the transfer of 4 community buildings to Onsite taking place on the 1 April 2014. Since then they have been successfully managing the buildings as well as securing a number of new business opportunities within the Centres in turn encouraging further community support.
15. As reported to Cabinet in June the intention is now to transfer two further building to Onsite, Ragworth Neighbourhood Centre and Norton Grange, following receipt and verification of a successful submission of a business case. This was planned for early 2015. In hindsight this timescale is extremely challenging given the work required in establishing the initial four facilities therefore it has been agreed with Onsite that this will now look to take place late 2015 or early 2016. The buildings will continue to be managed by the Council in the interim period.

### **Community Buildings**

#### **Langdale Road Billingham**

16. Cabinet were also updated in June 2014 on several community buildings within Billingham. One vacant property on Langdale Road was subsequently advertised for Disposal or Asset Transfer with initially two community organisations expressing an interest in Transfer. Progression to a full business case has resulted in one organisation withdrawing and further discussions have led to a proposed 14 year lease being agreed with the Scouts organisation as a more suitable option to full asset transfer. This will allow substantial investment and retention of the building in the community and it is anticipated this will be completed by spring 2015.

### **SITE DISPOSAL UPDATE**

#### **Education Centre site**

17. As previously reported relocation of staff and training facilities are progressing to Stockton Sixth Form College and Our Lady and St Bede School. It is anticipated new facilities will be ready in early spring. The Education Centre will close at the end of May and will be advertised for disposal prior to this date.
18. The Council have been approached by a church based organisation who currently provide a wide range of community activities across various venues and are looking to develop premises in the area. There is an acknowledgement from the group that the size of the land would be of significant value to the Council and they would be prepared to acquire part of the site at market value.
19. The organisation is committed to providing community facilities, however in order to ensure this continues, it is suggested that an element of the Capital Receipt is re-invested into the facility to reflect:

- Cabinet’s commitment to re-invest an element of the Capital Receipt into community facilities;
- Ensure community use is retained.

20. It is therefore recommended that Cabinet agree in principle to negotiating the disposal of an element of the land to the organisation, with the remainder of the site advertised on the open market.

### **Playing Pitch Strategy**

21. Cabinet in May 2013 approved a Playing Pitch Strategy that would see the creation of a hub of football pitches with changing facilities created on part of the former Norton School Site. In turn a proportion of the site would be released for development together with the release of sites at Darlington Back Land and Yarm Road with the capital receipts being used to fund the investment in the facilities.

22. Following a recent ruling by the Football Association, artificial turf pitches can now be used for all competitive football, as opposed to the previous stance of promoting their use for junior football only. In line with this approach, the Council via sports consultants, are reviewing and updating our previous Playing Pitch Strategy to include the impact of this decision on how we promote the use of artificial pitches across the Borough in the future.

23. In addition, given the level of open space and co-location with schools and colleges together with the number of grass playing pitches, the site around Grangefield School and Our lady and St Bede are also being reviewed to explore opportunities for enhanced school and community use of sports facilities.

24. This work is due to be complete in spring therefore it has been agreed to put the current works at the Norton Site on hold until the full picture is known. At this point a further update and recommendation on the future of the three sites will be brought back to Cabinet.

### **Vocational Provision**

25. Members will recall that aspirations for the former Campus site at Billingham was to develop a site with shared governance and usage which met the needs of young people who are under-engaged, demotivated and/or unlikely to flourish in a traditional academic environment.

26. Significant investment is currently taking place on the former Billingham Campus site with the latest being the completion by the end of March of a New Specialist 16- 19 year old block which will be managed and run by Stockton Riverside College.

27. We are also working with the College to develop options around enhanced vocational provision and in particular enterprise activity. As part of the work the Sports Block will be considered and reviewed.

### **SCHOOLS INVESTMENT UPDATE**

28. Members will be aware that a Scrutiny Review of school admissions and school organisation priorities across the Borough is taking place. This review may conclude that a number of schools may require expansion to cover increasing pupil numbers. Basic Need funding received from Central Government is currently held within the Council’s Medium Term financial Plan and any plans to use this for any expansions will be brought back to Cabinet at a later date.

29. A report to Cabinet in December on the Review did identify the requirement for Ash Trees Primary School to increase its pupil places from 124 to 150 from September 2015 to accommodate the increased demand of children with Special Education Needs (SEN) and

disabilities. The Council is currently working with Ascent Trust (the sponsor) to provide temporary classrooms on the current site as from September; however there is a requirement for a permanent base which cannot be accommodated on the current Bowes Road site.

30. Feasibility work undertaken has identified the development of the former Rievaulx site as a suitable annex to the school and will also allow potential opportunity to provide improved accommodation space for Ash Trees. Costs are currently being assessed but are expected to be in the region of £2,000,000. This will be funded from the current allocation of Basic Need and will be addressed as part of the Medium Term Financial Plan update to Cabinet and Council in February/March as part of the budget setting process.

## **OFFICE ACCOMMODATION**

31. Significant progress continues to be made in reviewing the office accommodation portfolio and office space is kept under regular review linking into the outcomes of various service reviews taking place across the Authority.
32. Following the conclusion of the Mental Health Day Services Review, a property 70, Norton Road was vacated in 2014 and was to be marketed for disposal.
33. Children's Services currently occupy accommodation on Hartington Road, which following a number of issues concerning safeguarding of clients and reduced parking facilities, are now looking to relocate to more suitable accommodation. Feasibility work has been undertaken to use 70 Norton Road and concluded that this would make a much more suitable location for the team. The building would need some internal refurbishment work estimated to be approximately £155,000 to bring it up to the appropriate standard.
34. Re-location would leave the property on Hartington Road available for disposal and it is therefore proposed that the building be sold and the proceeds ear-marked to fund the investment required in the new accommodation.

## **COMMERCIAL PROPERTIES**

### Baseline information

35. A review has been undertaken of the commercial property portfolio. Baseline information has been gathered on the properties within the portfolio including data on current rents, annual outgoings and estimated freehold value.
36. The Council maintain a portfolio of commercial properties. A brief explanation of the property types falling within this portfolio is set out below:
- a) Ground Rents – The Council holds the freehold on a number of industrial sites and grants ground leases on those sites.
  - b) Garages – 48 garages and 26 garage sites are held within the investment property portfolio.
  - c) Estate Shops – A number of estate shops were transferred as part of the housing stock transfer arrangement, but 21 were retained by the Council.
  - d) Small Industrial Units – 41 individual units are held in five locations, Glasgow St, Thornaby, Mary St, Riley St, Light Pipe Hall Rd and Phoenix Sidings, Stockton. These are let to small businesses, with 6 being internal lettings.
37. Summary information is set out in the table below:

Property Type	Number of Properties	Current Annual Rent – Excluding Vacancies and internal lettings (£)	Annual Outgoings (Non-Staffing/Non Recoverable) (£)	Estimated Capital Value (£)
Ground Rents	16	120,915	0	2,010,000
Garages	74	23,896	8,000	240,000
Estate Shops	21	70,950	12,500	890,000
Small Industrial Units	41 Units in 5 Blocks	113,600	17,500	1,234,000
<b>Total</b>		<b>329,391</b>	<b>38,000</b>	<b>4,374,000</b>

### Assessment of Options

38. An assessment has been undertaken to determine whether or not there is a financial/commercial case to dispose of the commercial property portfolio. Disposal of all of the assets would generate a capital receipt of approximately £4.4m but would create a revenue pressure of around £326,000 per year including the cost of providing alternative accommodation for the industrial units currently on internal lets (current rental value of £35,000 per annum). On the basis of estimated property valuations, and in the context of the current property market, it is not considered to represent good value to dispose of the commercial property portfolio at the present time. Investment of estimated sale proceeds would generate around £42,000 per annum, significantly less than the current rental income. The other option to the Council would be to utilise the capital receipt to avoid future prudential borrowing, should it be required. The cost to the Council of prudential borrowing of £4.4m would be approximately £262,000, a lower figure to the current income levels.
39. The rental income stream is relatively stable as the majority of the properties are let to tenants on a long-term basis. Occupancy levels are currently very good any vacant properties are being actively marketed to let. The requirement for active management of the properties is limited due to the long term nature of the majority of the lease arrangements.
40. It is recognised that circumstances can change with regard to such an assessment and therefore the position will be kept under review.

### **FINANCIAL IMPLICATIONS**

41. None directly related to this report. Issues mentioned in the report contribute to the overall target saving of £1.4m which exceeds the original target of £1m

### **LEGAL IMPLICATIONS**

42. Legal support will be required for the implementation of the Community Building Trust and for asset transfer process

### **RISK ASSESSMENT**

43. This is categorised as medium risk and will be covered by existing management control mechanisms

### **SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS**

44. Contributing to the Council's support mechanisms to community sector organisations



## **EQUALITIES IMPACT ASSESSMENT**

45. This report has not been subject to an Equality Impact Assessment

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

46. The options outlined in the report will be subject to full consultation with Ward Members and Community Groups

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