

APPENDIX 1

Delegated Decision Front Sheet

Officer Non-Key Decision in Consultation with Cabinet Member(s)

<p>OFFICER AND SERVICE AREA</p> <p>Kieran Meighan Land and Property, Finance and Business Services</p>	<p>DECISION NO:</p> <p>F/L&P/210/16 O-484</p>	<p>DATE DECISION TAKEN</p> <p>29 March 2017 (Regulation 11 Notice)</p>
<p>EXECUTIVE OR NON EXECUTIVE DECISION i.e. Cabinet or Council</p> <p>EXECUTIVE - CABINET</p>	<p>DELEGATION POWER AND PAGE OF CONSTITUTION</p> <p>Function 53, Page 143 (Urgency) To determine any matter which would ordinarily be delegated to the Cabinet but which the Chief Officer considers to be of such urgency that it is not practicable to refer the matter to the Cabinet for determination.</p> <p>Function 47 Page 137- To enter into leases, licences to occupy or purchases of land and buildings for Council purposes.</p>	<p>CHECKS & BALANCES:</p> <p>Special urgency exercised in consultation with the Leader and/or Deputy Leader and subject to the prior agreement of the Chair of the Executive Scrutiny Committee that the taking of the decision cannot reasonably be deferred, because such deferral would seriously prejudice the Council's or the public's interests.</p> <p>Subject to, and in compliance with the provisions of the Capital Programme and Asset Management Manual, including consultation with appropriate Cabinet Member(s), the Director of Finance and Business Services and the Director of HR, Legal and Communications</p>
<p>IS IT A KEY DECISION?</p> <p>YES</p>	<p>IS DECISION IN THE FORWARD PLAN?</p> <p>NO</p>	
<p>IF NOT IN FORWARD PLAN, IS GENERAL EXCEPTION PROCEDURE TO BE APPLIED?</p> <p>NO</p>	<p>IF GENERAL EXCEPTION PROCEDURE NOT TO BE APPLIED, HAS MEMBER CONSENT BEEN OBTAINED IN ACCORDANCE WITH SPECIAL URGENCY PROCEDURE?</p> <p>YES</p>	
<p>DETAILS OF DECISION:</p> <ol style="list-style-type: none"> 1. Allocation of resource from within the Medium Term Financial Plan for the Purchase of employment land at Belasis Business Park. 2. Purchase employment land at Belasis Business Park, Billingham. 		
<p>REASONS FOR DECISION:</p> <p><u>Land at Belasis Business Park – Proposal to Acquire from the Homes & Communities Agency</u></p> <ol style="list-style-type: none"> 1. Stockton has prime status as an employment location in the Tees Valley and contains the most industrial floorspace of all five Boroughs – 32% of all industrial employment space in the area. As a rule, industrial units are much larger on average than in other parts of the Tees Valley – 44% larger than the Tees Valley average. This is a function of the Borough's relative economic strengths in the 		

Process, Chemicals and Energy, Advanced Manufacturing, and Logistics sectors which tend to be large space users. A relatively small number of very large industrial premises therefore make up a significant proportion of the 1.2 million square metres of space in Stockton, and therefore the average size (1,066m²) is disproportionately large. As demand has picked up in recent years, the latest data shows that the market for smaller (less than 500m²) and larger properties (2,000+m²) is particularly well balanced. The stock of mid-range units (500m² – 2,000m²) is currently sufficient to meet demand (14% vacancy, 2016), but demand for this type of property is growing faster than any other. Over a third of take-up in 2016 was of mid-size property, even though it makes up around 25% of total stock

2. The overall availability of industrial employment premises does not tell the whole story of the capacity to support business growth in key sectors. Businesses also require modern, fit-for-purpose accommodation with the ability to install and utilise up-to-date equipment and technology. Despite the apparent balance of supply and demand, without continued investment in commercial industrial property this situation could change quite rapidly, as a result of continued loss of stock to other uses and the increasing dilapidation and obsolescence of current properties. This could potentially lead to businesses looking beyond Stockton for new premises, with anecdotal evidence reported in the recent *Employment Land Review* supporting this trend.
3. The provision of new industrial property by the market in the Borough will rely on willing developer-investors, and therefore upon sufficient rental values and yields to provide guaranteed and/or commercially acceptable return on investment. In recent decades, achievable end values for industrial property in the Tees Valley and wider North East region have been too marginal and therefore too risky to support speculative development. This has been re-affirmed by discussions with local agents. Rents are suppressed and the development of industrial property in the region has been widely acknowledged as a marginal investment market, particularly in recent years. Only four large industrial speculative developments have been delivered across the North East in recent years – each of which has only been commercially achievable with the assistance of EU grant funding or low-interest 'soft' loans from a Local Enterprise Partnership. Any speculative development is likely to require gap funding, but also that most gap funding places restrictions on end use which can further hamper overall commercial viability. There have been no speculative development of industrial premises across the Tees Valley since 2009.
4. As a result, the majority of the limited industrial development activity takes place on a pre-let basis, whereby the investor has a guaranteed rental revenue against which to raise finance before the building is constructed. This market dynamic places considerable restrictions on the ability of the Borough to provide modern, fit-for-purpose premises in suitable locations to attract inward investment or to support the growth and diversification of activities of indigenous businesses. The Council wishes to take a proactive approach to addressing the relationship between industrial property and economic growth and has recently commissioned a two-stage study to understand this relationship and potential forms of intervention. This could include direct intervention on a particular site or sites with greatest growth and catalytic potential. Similarly, local authorities can use their own land and property assets to help facilitate development to address identified market failures. A review of the Council's land holdings, however, has identified no currently appropriate sites or premises.
5. Belasis Business Park has Enterprise Zone status with a focus on advanced manufacturing and engineering, chemicals and energy – and considerable available employment development land currently owned by the Homes & Communities Agency (HCA). It provides office accommodation targeted at the chemicals sector. The most significant occupier is the Process Technologies Division of Johnson Matthey, and supply chain firms are also represented. ABB Consulting and Worley Parsons, two multi-national engineering consultancies, are occupants, as is Phusion IM, a local engineering software business. Belasis is identified by business as the preferred location for any new R&D incubator and grow on space in the Borough.

6. The Council, alongside the Tees Valley Combined Authority (TVCA), has been in discussions with HCA regarding their current land holdings across the Tees Valley and TVCA have recently, via a letter to the Department for Communities & Local Government (DCLG), requested control of all such land in the area – a request that was subsequently refused. Following this, the Council became aware that the HCA was planning to dispose of the remaining undeveloped land at Belasis Business Park via public auction. As this is a strategically important site in the borough (as described above), presents an opportunity for the Council to potentially intervene in the market and that the value proposed by the HCA represented value for money it was agreed that the Council should contact the HCA in an attempt to take control of the asset. The HCA have since agreed to withdraw the land from auction, to enable the Council to purchase it, on the basis of an independent valuation, subject strictly to the sale completing within the current financial year (by 31 March 2017), hence the need for an urgent decision.
7. The Medium Term Financial Plan Update and Strategy (MTFP) that was presented to Cabinet on 16th February 2017 and to full Council on 22nd February 2017, provided for borrowing to support infrastructure investment, paragraph 61 and 62 of the report outlined support for employment opportunities. The MTFP includes the principle of prudential borrowing to support the delivery of the Growth Plan and support the Council's ambitions for developing the Borough with costs of borrowing £10m being included in the plan. This was subject to any drawdown of the resource being subject to further cabinet approval. Given the deadline imposed by the HCA of 31st March to complete the transaction, it has not been possible to refer the decision back to Cabinet. The matter is therefore considered urgent and given the circumstances, cannot reasonably be deferred. The land is a key site in the borough and failure to secure it would seriously prejudice the Council's or the public's interests.
8. The Special Urgency procedure under Regulation 11 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 has been invoked and prior approval of the - Chair of the Executive Scrutiny Committee has been obtained.
9. The price agreed is £442,750, with each party to meet their own professional costs. In addition Stamp Duty Land Tax (SDLT) of £11,637.00 (plus land registry fees to register the land) will be payable on completion.
10. Ward councillors for Billingham East, Councillor Evaline Cunningham and Councillor Mick Stoker, have been consulted and made no objections.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

None considered.

ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER CONSULTED

None.

ANY DISPENSATION GRANTED BY THE COUNCIL'S HEAD OF PAID SERVICE IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST (EXECUTIVE DECISIONS ONLY) OR ANY DISPENSATION GRANTED BY THE COUNCIL'S MONITORING OFFICER IN RESPECT OF NON EXECUTIVE DECISIONS

N/A

CABINET MEMBER(S) CONSULTED:

Councillor Bob Cook - Cabinet Member for Corporate Management & Finance – approval on file

SCRUTINY MEMBER(S) CONSULTED:

Councillor David Harrington - Chair of the Executive Scrutiny Committee – Regulation 11, Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012