

REPORT TO CABINET

4 NOVEMBER 2026

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION/KEY DECISION

**Portfolio Title - Deputy Leader and Cabinet Member for Resources and Regeneration -
Councillor Paul Rowling**

Billingham Town Centre

Summary

Billingham Town Centre (BTC) was historically a thriving retail leisure and community destination at the heart of the Billingham community. It has some unparalleled assets including Billingham Forum, John Whitehead Park and the successful Billingham Library. People have lived close to these town centre assets since the town centre was built in its current form in the 1960s and the town has a proud industrial heritage from its construction as part of the ICI legacy that shaped Teesside in the second half of the 20th Century.

As with many towns that grew up in the 1960s, the urban core has not dated well. Many iconic structures have already been demolished, and some parts of the town centre are in such poor condition that they are no longer serviceable. The passage of time has been accompanied by a complete reshaping of the retail sector with first the move to out-of-town retail, and now with the dominance of online retail. The town centre that was once a busy retail core for an extensive population, now serves a more local market for groceries and local retail.

The decline of BTC has been ongoing for decades. The retail core is too large for a town of its size, and the buildings themselves are in poor condition with a significant proportion of empty shops and offices and, in parts, dereliction. Recent criminal anti-social behaviour has targeted empty buildings with a suspected arson attack burning the former library building to the ground. Investment to stop the decline of the assets has not been forthcoming from a series of private sector owners.

Recognising the need to intervene and address this decline, in 2025 the Council (SBC) successfully secured £20m of Local Regeneration Funding (LRF) for Billingham and this report sets out proposals to take control of Billingham Town Centre, to arrest decline and deliver a sustainable future for BTC. This report sets out the option to acquire BTC from Sheet Anchor Evolve (SAE) and to proceed to develop a scheme to rationalise and shore up retail provision and develop other uses for the town centre.

This is unavoidably a complex report, reflecting extensive commercial, financial and legal due diligence. The decision to acquire BTC needs to establish a clear rationale for ownership, explore the implications of ownership and the implications of failing to secure the asset,

establish the legality and value for money considerations of purchasing the asset and establish how the acquisition will be funded.

Reasons for Recommendation(s)/Decision(s)

To arrest the decline of BTC, deliver improved social, economic and environmental outcomes for the people of Billingham and develop a sustainable future for Billingham Town Centre.

Recommendations

1. That Cabinet, having considered the regeneration objectives, alternative options, valuation evidence, independent professional advice, financial implications and risks set out in this report and its exempt appendices, approves the acquisition of Billingham Town Centre from Sheet Anchor Evolve for a purchase price of £13 million, together with associated Stamp Duty Land Tax and professional fees within the approved acquisition budget, for the purposes of facilitating the regeneration of Billingham Town Centre.
2. To delegate to the Director of Regeneration and Inclusive Growth, in consultation with the Chief Financial Officer, authority to apply the £20m Local Regeneration Fund allocation towards the acquisition of Billingham Town Centre and the delivery of Phase 1 works in accordance with Exempt Annex A, subject to compliance with the applicable funding conditions and approved programme budget.
3. To develop a Full Business Case to draw down circa £10m of allocated TVCA funding to achieve the sustainable regeneration of Billingham Town Centre. The resulting Full Business Case and any proposal to commit the associated funding shall be reported back to Cabinet for consideration.
4. That Cabinet delegates authority to the Director of Regeneration and Inclusive Growth, in consultation with the Chief Financial Officer and Director of Corporate Services (Monitoring Officer), to complete the acquisition of Billingham Town Centre on the terms approved by Cabinet, including entering into all necessary agreements and contracts, and to establish effective arrangements for the ongoing management of the asset.
5. In exercising this delegation, officers will have regard to any material changes in the financial, legal or commercial circumstances arising before completion. Any material change which calls into question the basis upon which Cabinet has approved the acquisition will be referred back to Cabinet for further consideration and determination.
6. To delegate authority to the Director of Regeneration and Inclusive Growth, in consultation with the Chief Financial Officer, to procure and enter into contracts necessary to deliver Phase 1 works, including demolition of Queensway South, the former library and clinic site, urgent condition works and associated operational arrangements, subject to approved budget provision and compliance with the Council's Financial Procedure Rules, Contract Procedure Rules and applicable procurement legislation.

7. To delegate to the Director of Regeneration and Inclusive Growth in consultation with legal services officers the authority to enter into all necessary contracts to enable the decant of remaining tenants from West Precinct subject to compliance with the Council's Constitution, Financial Procedure Rules, Contract Procedure Rules, approved budget provision and applicable procurement legislation.
8. To delegate authority to the Director of Regeneration and Inclusive Growth to undertake preparatory work, surveys, design development, procurement activity and business case preparation relating to the proposed demolition of West Precinct and Kingsway Car Park. Any decision to enter into a contract resulting in a material financial commitment for the delivery of those demolition works shall be subject to a further Cabinet report following confirmation of external funding and approval of the associated business case
9. To delegate authority to the Director of Regeneration and Inclusive Growth, in consultation with the Chief Financial Officer and relevant legal officers, to enter into, vary, renew, surrender or terminate leases and licences necessary for the effective management and regeneration of Billingham Town Centre, subject to compliance with the Council's Constitution, Financial Procedure Rules and approved budget provision.
10. To initiate a programme of community engagement to refresh the vision for the regeneration of Billingham Town Centre
11. To establish a Billingham Regeneration Board to act in an advisory capacity and support engagement of local stakeholders and the community to ensure that local voices help shape the development of regeneration plans.
12. To appoint Mark White CBE DL, as the Independent Chair of the Billingham Regeneration Board.
13. To bring forward to Cabinet, following public engagement and development of the masterplan, a proposed regeneration scheme for Billingham Town Centre together with any necessary delivery, funding and governance proposals.
14. To note the advice of the Chief Financial Officer concerning affordability, prudence and sustainability and the advice of the Monitoring Officer concerning the legal and governance implications of the proposed acquisition.
15. To note that any future proposal involving material prudential borrowing or a material change to the approved funding strategy shall be subject to further consideration through the Council's established governance arrangements.

Detail

Background

1. Over the last 5 years, Cabinet have received a series of reports relating to SBC's ambition to acquire and regenerate Billingham town centre. The most recent report to Cabinet, in July 2026, updated Cabinet on the failure to secure acceptable terms for a partial acquisition from the owner of Billingham Town Centre, Sheet Anchor Evolve (SAE), and

the withdrawal by SAE from negotiations, and their intention to market the centre for sale on the open market.

2. In response to the stated position of SAE, professional, independent advice was secured to assess the broader financial, legal, valuation, condition implications of acquiring the whole of the SAE town centre assets.
3. In July 2026 Cabinet gave authority to the Director of Regeneration and Inclusive Growth, acting jointly with the Chief Finance Officer (s151) and the Director of Corporate Services (Monitoring Officer), and in consultation with the Cabinet Member for Resources and Regeneration and the Leader of the Council, to submit a conditional offer and agree non-binding Heads of Terms for the acquisition of Billingham town centre, recognising that any conditional offer or Heads of Terms agreed as result of this authorisation, would be subject to a further decision of Cabinet and would not commit SBC to proceed with any acquisition. This has been pursued and this report sets out a proposal for full acquisition for the consideration of Cabinet.

Rationale for Acquisition

4. For more than a decade, BTC has experienced a sustained decline in its retail offer, quality of place and built environment. While many town centres have been affected by changing consumer habits and reduced retail demand, these challenges have been particularly acute in Billingham. A prolonged period of underinvestment by successive private sector owners in buildings, retail units, infrastructure, public realm and public amenities has led to a deteriorating physical environment, rising vacancy rates and growing frustration among residents as they have witnessed the continued decline of their town centre. In recent weeks this has been startlingly exacerbated by criminal damage to the empty former library building, which has now been burnt to the ground.
5. This represents a sustained market failure to maintain a much loved and much needed town centre as a vibrant heart of the community and a place which provides both services, facilities and pride for the local community. This is in stark contrast to the public sector assets in the area which continue to thrive, in particular Billingham Forum, Library, Learning and Skills Centre and John Whitehead Park.
6. To reinvigorate and rejuvenate the centre, intervention needs to be all encompassing, not piecemeal. Public sector intervention is therefore needed to:
 - Improve the town's appearance and attractiveness.
 - Reconnect local people to their town centre and instil pride in their locality.
 - Increase footfall and support local businesses through a more viable town centre environment
 - Create safe and amenable places for the whole community to spend time
 - Create the conditions to enable regeneration of the centre and attract private-sector investment

7. Intervention in Billingham is necessary to address this market failure and a masterplan for the town centre has been developed which sets out long term opportunities for redevelopment, particularly the West Precinct, Queensway South and the former library site, which are underused, partly vacant and in poor condition or derelict. Ownership gives SBC the ability to clear sites, relocate businesses, demolish obsolete buildings and bring forward comprehensive redevelopment with placemaking principles at its heart.
8. There is an opportunity to engage with local communities and businesses, to ensure that any future redevelopment scheme reflects local need and has local buy in. It is proposed that an extensive public engagement exercise is launched to capture ideas and establish future uses.
9. The longer-term economic prospects and wider socio-economic condition of the Billingham area can be significantly improved through investment in Billingham town centre. Circa 60% of Local Super Output Areas (LSOA's) in Billingham fall within the top 20% most deprived nationally, with circa one third of LSOA's sitting within the top 10% nationally for health deprivation, with a higher than national average proportion of residents being classed as being in poor or very poor health.
10. Considering the prevailing demographic, deprivation and wider socio-economic trends, there is a pressing need to improve outcomes for residents across Billingham as a whole, and particularly in Billingham Town Centre. Major investment and regeneration can act as a catalyst for unlocking improvement in such outcomes as internal and external perceptions of place improve, business sentiment grows, land value and broader economic benefits increase, employment opportunities are boosted and quality of life is enhanced

Economic Impact Assessment

11. As part of the original Levelling Up Fund business case, an Economic Impact Assessment was undertaken by Jacobs Ltd in 2021. This considered the potential economic benefits of the proposed regeneration intervention against a baseline scenario in which the town centre continued to operate without the proposed investment. The assessment identified a Net Additional Present Value of Benefits of approximately £65.4 million, expressed in 2022/23 prices, and an initial Benefit Cost Ratio exceeding 2.0.
12. The assessment provided important evidence supporting the original regeneration proposals and the case for public intervention in Billingham Town Centre. However, the proposed delivery approach has subsequently evolved, particularly in relation to the acquisition of the entire centre, the phasing of demolition and the timing of future redevelopment. Consequently, the original assessment cannot be regarded as a definitive assessment of the benefits or value for money of the revised proposals.
13. The original Economic Impact Assessment is included at Annex 2 to provide context for the regeneration objectives. The proposed acquisition is considered in this report against the current commercial, financial and regeneration circumstances. As the detailed masterplan and future development proposals are progressed, the economic appraisal will be refreshed to reflect the revised scope, costs, delivery arrangements and anticipated benefits.

14. Investment across the centre and redevelopment of key sites will contribute to a wider range of socio-economic benefits, providing a setting for future investment, increased civic pride and a robust income base upon which to build future investment in the centre. The success of place focussed investment as a means of achieving these aims is evidenced locally by the successful delivery of Stockton Waterfront and the positive impact that has had on changing perceptions, footfall and confidence in the Borough. Improvements have already been delivered in Stockton, Norton, Thornaby and Ingleby Barwick with plans being finalised for works in Yarm. Billingham is now the focus of the town centre regeneration programme.
15. The prevailing socio-economic conditions are a significant motivating factor for seeking to acquire the town centre. Direct ownership would enable control of future redevelopment and help deliver improved prospects and outcomes in Billingham.
16. The proposal to regenerate Billingham aligns with the Stockton-on-Tees Plan and Powering Our Future programme by placing residents at the heart of the work we do, by bringing people together to build stronger, more resilient communities and to create thriving places and facilitate inclusive economic growth.

Gaining Control of Billingham Town Centre

17. The decline of BTC has been recognised by SBC for several years and reflected in the recognition, by Cabinet in February 2021, that the acquisition of BTC represents the most effective means of ensuring the meaningful redevelopment of the centre. This resulted in applications for Levelling Up funding to secure public investment. The application process is set out below and has been long and circuitous.
18. Funding of £20m was eventually announced in November 2023 but it was not formally approved through a funding agreement until April 2025.

June 21	Round 1 Levelling Up Fund (LUF) bid submitted under the priority theme of regeneration and town centre investment.
Oct 21	Round 1 LUF bid unsuccessful.
Aug 22	Round 2 LUF bid submitted under the same priority theme of regeneration and town centre investment.
Nov 22	Round 2 LUF bid unsuccessful.
Nov 23	Government announced that SBC had been provisionally awarded £20m grant funding through Round 3 LUF.
April 24	Project Validation documents submitted to Government.
May 24	General Election called, and the subsequent change of Government resulted in a delay to funding agreement being issued.
Oct 24	LUF Round 3 funding confirmed within the Autumn budget in October 2024.
April 25	Signed Memorandum of Understanding received from Government as part of the Local Regeneration Fund (LRF)

19. The LUF bid assumed SBC would acquire the centre as the only realistic opportunity to achieve the following outcomes:

- To safeguard the traditional retail function of the town centre by consolidating and reconfiguring the retail offer into a more compact area across a sustainable amount of floorspace whilst retaining key anchor operators.
- To demolish, clear and replace inefficient and deteriorating buildings which no longer reflect the needs or make up of a modern town centre.
- To redevelop the West Precinct and Queensway site as a stimulus for future investment and growth.
- To undertake a programme of essential repair and remedial works to safeguard the internal and external fabric of remaining town centre buildings from further deterioration
- To provide high-quality infrastructure, public realm and green spaces that improve accessibility within the town centre as well as connectivity to surrounding open space.
- Give the private sector confidence to invest in town centre assets.

Valuations

20. Since June 2024, negotiations have taken place between SBC and SAE for the partial purchase of the town centre. Both parties were unable to reach an agreement to secure this outcome culminating in an announcement from SAE in November 2025 that they intended to withdraw from negotiations and appoint an agent to market the centre for sale. Discussion between the parties have since turned to an acquisition of the whole town centre asset, to secure the long-term regeneration objectives for the centre.

21. In Jan 2026 SAE shared a Red Book valuation undertaken by Allsop's which identified a Market Value of £13m, reflecting a Net Initial Yield of 11.56%. This was shared with SBC.

22. The valuation is based on a post-redevelopment special assumption that the relocation of tenants and demolition of the West Precinct, Queensway South, Kingsway Car Park and former library sites have been completed through investment of SBC's £20 million LRF grant. The valuation also assumes significant capital receipts are received from the disposal of cleared development sites. The Allsop valuation was commissioned by SAE and is included within this report to explain the basis upon which SAE adopted its negotiating position. Cabinet is not being asked to rely upon it as evidence supporting the proposed acquisition price. The valuation evidence obtained by SBC from Knight Frank and the commercial advice obtained from CBRE were commissioned for different purposes and on materially different assumptions and therefore provide a more relevant basis for the Council's assessment of the proposed transaction. Accordingly, the valuation evidence should be considered collectively and with careful regard to the assumptions underpinning each assessment rather than treating the figures as directly comparable estimates of the same valuation question.

23. SBC appointed property experts, Knight Frank in January 2026 to provide a valuation alongside an updated building condition survey. The instructions to Knight Frank asked that the valuation report have particular regard to the findings of the condition survey. The valuation report also included an additional 'special assumption' valuation, one of which factored in an assumed set approach to repairs and considered a scenario where SBC's regeneration proposals are carried out. Knight Frank therefore provided a valuation on 3 bases:
24. Market Value as existing. Having due regard to rental income, outgoings, tenant lease profile (break clauses and expiry dates) and notably current condition. -£11.64 million (negative)
25. Market Value on special assumption that all existing tenants are relocated from West Precinct to alternative units within town centre, West Precinct and Queensway South blocks are demolished. Land values applied to cleared site. -£5.86 million (negative)
26. Market Value on special assumption that all existing tenants are relocated from West Precinct to alternative units within town centre, West Precinct and Queensway South blocks are demolished. Land values applied to cleared site. A set budget of LRF allocated to address identified condition issues to future proof the centre, with a view to retain existing and attract new tenants on market terms. £4.48 million
27. Upon receipt of the valuations, informal discussions were held with SAE about options on how to proceed on an opportunity to undertake redevelopment of the centre. At that stage it was made clear that SAE would not give any serious consideration to selling the asset at the levels set out in the Knight Frank valuation, citing the commercial investment market's view of centres of this age alongside what is an attractive net operating income. SAE maintained their view that the commercial investment market would assess and value the asset based on current income and future development potential alone and would not be discounted by the long-term repairs' liability.
28. To understand this approach better and to help gauge a view on how the commercial investment market would value the asset based on the net operating income, global property consultancy, CBRE were engaged in May 2026 as specialists in acquiring shopping centre on a national scale, to provide a view on the market pricing of the asset.
29. A number of scenarios were modelled based upon information gathered through direct dialogue with anchor tenants, market intelligence on lease renewal likelihood, commercial decisions elsewhere and trends observed across a multitude of assets via retail specialists, Barker Proudlove. Following this, CBRE has advised that if BTC were to be offered for sale on the open market based on the current tenancy schedule and Net Operating Income (NOI) figures, in their opinion, pricing would land in the region of £10,753,369 reflecting an 11% Net Initial Yield. This equates to £30.19 per square foot capital value. CBRE provided a range of recent shopping centre transactions with capital value per sq. ft rates ranging between £25 - £50 per sq. ft. However, given that it is assumed a significant proportion of BTC will be demolished, the approach to capital value comparables should be viewed with caution.

30. CBRE's assessment was undertaken to provide an opinion on the pricing that may reasonably be achieved within the commercial investment market having regard to the centre's existing income profile, prevailing market evidence and observed shopping-centre transactions. It was not intended to determine the only price that may be justified by a particular purchaser, nor to assess the wider commercial consequences associated with ownership in the specific circumstances facing SBC. Cabinet should therefore regard the assessment as an important component of the available evidence rather than the sole determinant of the price that may reasonably be paid in all circumstances. Members should note that CBRE's assessment represents an opinion of likely market pricing under specified assumptions and is not intended to establish a maximum price capable of commercial justification in all circumstances.
31. CBRE's assessment identified a healthy Net Operating Income, but the market pricing attributed to that income remained below SAE's stated asking price. SAE maintained its position that it was unwilling to dispose of the asset for less than £13 million and reiterated its intention either to market the asset or transfer it within its wider corporate structure. The implications of those alternatives are considered later in this report.

Acquisition Negotiation Summary

32. In January 2026, SAE shared marketing information and their valuation with SBC prior to formally marketing the centre, which stated an asking price of £13 million.
33. Following detailed reporting and subsequent discussions, CBRE recommended opening negotiations below the £10.7million market pricing recommendation. On 20th August, CBRE verbally indicated to SAE's agent that a conditional offer in the region of £10million was being prepared for consideration.
34. This provoked an extremely negative response from SAE, followed by the re-assertion that they would market the asset if SBC did not reach the £13 million value before September. CBRE advised that a full marketing period of approximately 6-8 weeks commencing 7th September was likely to be run by SAE's agent, seeking private treaty buyers at the £13million asking price.
35. The potential delay to reaching an agreement with SAE due to the suggested marketing period would impact SBC's ability to secure the control needed to deliver town centre interventions before 31 March 2028, which is the deadline for spending of LRF monies.
36. Discussions continued between CBRE and SAE's agent with a view to testing the owner's position. Those discussions confirmed that SAE was not prepared to dispose of the asset for less than £13 million. The issue for the Council is therefore not simply whether a lower price might be preferred, but whether acquisition at that level is justified having regard to the commercial, legal, financial and strategic considerations set out within this report and the accompanying exempt advice.
37. Members should recognise that the Council is not assessing the acquisition solely as an investment property purchase. The decision must also be considered in the context of the Council's regeneration objectives, the realistic alternatives available, the consequences of

failing to secure control of the asset and the extent to which ownership is necessary to facilitate the delivery of the wider regeneration programme.

38. CBRE was instructed by SBC on 1st September to submit a formal proposal to SAE for acquisition of the asset. Heads of Terms setting out the principal terms and conditions for the transfer of the freehold interest in BTC from SAE to SBC have been further negotiated and subsequently agreed by both parties, subject to Cabinet approval.

Subsidy Control & the Legality of Acquisition

39. Specialist legal advice has been obtained from DWF Law LLP in relation to the proposed acquisition, including the Council's statutory powers and the application of the Subsidy Control Act 2022.
40. The Council has power under section 120(1)(b) of the Local Government Act 1972 to acquire land by agreement for the benefit, improvement or development of its area. The proposed acquisition is intended to facilitate the regeneration of Billingham Town Centre and is considered to fall within that statutory purpose.
41. A separate consideration arises under subsidy control legislation. Where a public authority purchases an asset from a private undertaking, it must consider whether the transaction confers an economic advantage that would not be available under normal market conditions. The Commercial Market Operator Principle (CMOP) provides a framework for assessing whether the transaction is consistent with conduct that could reasonably be expected of a rational commercial market operator acting in comparable circumstances.
42. The application of the CMOP requires consideration of the commercial merits of the transaction, including the price, anticipated income, costs, risks and potential financial returns. The Council's wider regeneration and social objectives are important to its decision to intervene but do not, of themselves, establish that the proposed purchase price satisfies the CMOP.
43. CBRE has provided independent commercial advice on the investment characteristics of Billingham Town Centre, including its rental income, tenancy profile, comparable shopping centre transactions and market pricing. Its assessment of market pricing is approximately £10.75 million, compared with the proposed acquisition price of £13 million. The difference of approximately £2.25 million requires specific consideration and justification.
44. The Council has considered whether there are circumstances in which a rational commercial purchaser may reasonably pay a price above an assessment of general market pricing. In undertaking that assessment regard has been had to anticipated income and yield, comparable transaction evidence, the Council's existing interests and liabilities within the town centre, the costs and risks associated with alternative acquisition routes, the implications of delay and the commercial consequences associated with securing or failing to secure ownership. In doing so the Council has distinguished between value attributable to the existing asset and benefits that may arise only through future regeneration activity funded by the Council. The proposed acquisition price has therefore been assessed in the context of the transaction as a whole rather than solely by reference to a single market pricing indicator.

45. The commercial assessment and legal advice are considered alongside the Council's wider value for money and Best Value obligations. In considering whether the proposed acquisition is capable of being supported by a rational commercial justification, Cabinet should have regard to the commercial evidence as a whole, including the income profile of the asset, market pricing evidence, purchaser-specific factors, comparable transaction evidence, alternative acquisition options and wider commercial risks. Specialist legal advice has considered the application of the Commercial Market Operator Principle to the proposed transaction and the conclusions of that assessment are contained within Exempt Annex D and form part of the material available to Cabinet.

Alternative Options

46. Alternative ways of achieving the social economic and environmental benefits of regenerating BTC have been considered.

Do Nothing

47. Based upon experience in Billingham and across other failing town centres nationally the opportunity to secure transformational change in Billingham Town Centre is highly unlikely to materialise without public sector involvement.
48. There is no clear alternative achievable route to delivering regeneration. Since 2008 the centre has been in the ownership of 4 private sector owners, none of whom have invested in the asset and the current owners have clearly indicated that they do not plan to undertake major repair and improvement works and have stated their intention to transfer the asset to their parent company at a value of £13 million, if they do not sell it at this value.
49. Should the asset be transferred within a company structure or sold to an alternative buyer for £13m, the likely outcome is a continued lack of investment and continued decline. In this scenario there is a real risk that the £20 million grant funding would go unspent and may have to be returned to MHCLG, given the funding deadline of March 2028.
50. SBC has existing long leasehold interests in Kingsway House and Queensway House and associated liabilities including service charge, business rates and repairing responsibilities. SAE has served an interim dilapidations claim on SBC amounting to approximately £1 million. The existence of those liabilities forms part of the wider commercial context considered by the Council when assessing ownership options. The extent to which acquisition and subsequent redevelopment may reduce or eliminate future exposure and, where relevant, the resolution of associated legal and contractual obligations will depend upon the detailed terms of acquisition and implementation of the regeneration proposals and should not be regarded as an automatic or unconditional financial saving.
51. The continuing decline of BTC is already having an adverse impact upon traders, occupiers and the wider town centre environment. The recent fire at the former library site, which is currently understood to be the subject of a suspected arson investigation, had a significant impact on the wider town centre and particularly upon neighbouring uses, including the adjacent Health Centre. The Council owns and operates a number of assets

within and around the town centre, including Billingham Forum, whose attractiveness and long-term success are influenced by the quality and condition of the surrounding environment. Without intervention, there is a risk that continued deterioration of the town centre could have wider consequences for occupier confidence, investment, footfall and the economic vitality of the area.

52. Failure to gain control of BTC would increase the risk of further physical deterioration, continuing decline in the condition and attractiveness of the town centre and adverse consequences for local businesses, community confidence and the longer-term economic prospects of the area.

Spend LRF funding elsewhere

53. Following changes made to the LRF funding regime, it is now possible to redirect funding to meet local priorities. The £20m funding could therefore be used to fund capital schemes outside the town centre. Though the injection of £20m would undoubtedly create community value it would not address the decline of the existing town centre and would not achieve the objectives originally identified when the funding was first sought.

Compulsory Purchase Order (CPO)

54. To use a CPO to acquire the site, SBC must demonstrate clear, deliverable plans that have a compelling public benefit and have exhausted negotiations to acquire by agreement.
55. The affected owners would be entitled to compensation determined in accordance with the applicable statutory compensation framework, together with any additional statutory entitlements. The Council would also incur legal, professional and administrative costs in promoting and implementing a Compulsory Purchase Order. The process would introduce significant uncertainty in relation to timing, the prospects of securing confirmation and the eventual compensation payable. Although it is possible that the overall cost could exceed the proposed negotiated acquisition price, that outcome cannot be assumed. The principal disadvantage of pursuing compulsory purchase in the present circumstances is the uncertainty and potential delay in securing control of the centre, particularly given the March 2028 deadline for expenditure of Local Regeneration Fund monies.
56. Furthermore, there is a risk that a CPO would be unsuccessful but could still incur significant costs.
57. In these circumstances, negotiated acquisition offers a greater degree of certainty as to timing and outcome than reliance on a compulsory purchase process and reduces the risk of significant delay to delivery of the regeneration programme within the March 2028 funding deadline.

Funding the Acquisition and Works

58. The estimated overall cost of acquiring Billingham Town Centre and undertaking a programme of securing vacant possession for demolition, demolition, repair and regeneration works is approximately £30 million. This estimate remains subject to further

detailed surveys, design development, procurement and the refinement of individual project costs.

59. The Council has secured £20 million of Local Regeneration Fund (LRF) grant funding, which is included within the approved Capital Programme. Earlier proposals assumed that the balance of the programme would be supported by up to £10 million of prudential borrowing that would have to be self-funding and have no call on the Medium Term Financial Plan (MTFP). Considering the Council's challenging MTFP and the potential long-term revenue consequences of borrowing, the proposed funding strategy has been revised to prioritise available external capital grant funding.
60. In September 2026, Tees Valley Combined Authority Cabinet approved an allocation for town centre regeneration across Stockton-on-Tees. Subsequently, TVCA provided a letter dated 19 October 2026 confirming a legally binding commitment to reserve up to £10 million for eligible Billingham Town Centre regeneration works, subject to the terms and conditions set out in that letter. The commitment provides an important degree of assurance in relation to the availability of funding for the proposed second phase of regeneration and expressly acknowledges that the Council may rely upon it when considering whether to acquire Billingham Town Centre.
61. Drawdown of the TVCA funding remains subject to the preparation and approval of eligible detailed business cases, satisfactory completion of TVCA's assurance requirements and the necessary funding agreements and payment arrangements. The commitment is therefore not equivalent to a signed grant funding agreement. The Council will continue to develop the required business case and explore other funding opportunities, including funding for future residential-led development. Any subsequent proposal requiring prudential borrowing would be subject to a separate assessment of affordability, prudence and sustainability and the appropriate approval arrangements.

Phased Delivery Approach

62. It is proposed that the scheme is approached in phases.

Phase 1 - Acquire the freehold of Billingham town centre, prepare for decant, demolish Queensway building and former Library and Health Centre site, to create an initial development platform within the retail core, commence urgent repairs whilst undertaking public engagement and developing an agreed masterplan.

Phase 2 – Undertake further required demolition, and expand the development platform, subject to securing further funding.

Phase 3 – Deliver remaining elements of the masterplan, subject to securing further funding.

63. It is proposed that the first phase of works will use the £20m LRF to conclude the acquisition of BTC, establish new operating arrangements, address urgent repair and maintenance issues, demolish the derelict Queensway South building and clear the former library site to create early development plots which may facilitate the seamless relocation

of tenants across the centre. In tandem, work will commence on arrangements to secure vacant possession of West Precinct and undertake pre-demolition surveys, to gain robust cost estimates and to inform a tender process for further demolition. This will also entail a period of negotiation with affected tenants in line with the terms of their specific lease arrangements and conditions.

64. Urgent repair and maintenance work will commence to improve the condition of the remaining retail core to retain existing tenants attract new tenants, improve footfall and reduce the vulnerability of the centre to criminal damage. A breakdown of budget assumptions is set out in exempt Annex A. In tandem, public engagement will commence to develop a vision and a masterplan for a comprehensive regeneration scheme.

65. Though the first phase will not deliver all of the benefits of the comprehensive regeneration, it will deliver:

- the creation of initial development platforms with development uplift
- the improvement in condition and increased vitality of the existing retail core
- Increased footfall to BTC
- Improved setting and trading position for neighbouring assets e.g. The Forum, adjacent supermarkets
- Potentially reduce or remove the Council's exposure to the existing dilapidations claim and associated leasehold liabilities
- Increase likelihood of securing further public funding and private sector investment
- Remove vacant buildings and reduce the environmental impact of dereliction
- Secure the current income from the occupied retail core to invest in BTC.

66. It is anticipated that the second phase will be funded from TVCA Town Centre Regeneration funding. TVCA's approval process requires development of a business case setting out how remaining demolition and clearance works will be achieved across West Precinct and the Kingsway Car Park along with the associated benefits of facilitating the removal of long-term vacant and poor-quality assets whilst consolidating and reconfiguring the retail offer into a more compact area with a sustainable amount of floorspace.

67. Phase 3 - The cleared town centre sites will then provide an opportunity for future phases of development and investment in uses that will support the vitality of the town centre and create a better quality of place and diversification of uses. The future uses of the cleared sites will be informed by public and stakeholder engagement and will respond to market and investment interest. This will be shaped by a revised masterplan and accompanied by development and delivery approaches and a funding plan all of which will be brought back to Cabinet in 2027/8.

Revenue Implications

68. CBRE assessed the current income and produced a model forecasting future income. A number of scenarios were modelled, based upon market intelligence from retail

specialists, Barker Proudlove, who advise on circa 90 centres nationally and are therefore very well placed to provide up to date, market intelligence. Barker Proudlove gave a view on likely steps taken on renewals of leases and future lettings, based on trends and real-world investment decisions observed in other centres nationally, as well as historic renewals in Billingham and in some cases discussions with national retailers. This represents the most complete view we can establish of the future trading position of Billingham Town Centre.

69. The current rental income is spread over approximately 60 leases. Risk to the income is therefore spread over large number of tenants and leases. However, 10 leases do make up approximately half of the total rental income and there are approximately 27 lease events to be resolved before January 2028.
70. Full detail on the income analysis and scenario modelling received from CBRE is contained within exempt Appendix B. The forecast income shows a starting Net Operating Income (NOI) during the first year of ownership of £1.26m, prior to the impact of any stress-testing assumptions.
71. CBRE's modelling considers a range of scenarios based on void rates, lease renewals, vacancy assumptions and the potential impact of regeneration plans. It also includes certain, medium and low-risk profiles, demonstrating that market conditions and asset performance can have a negative impact on income levels and that income may be lower in the modelled downside scenarios.
72. The figures presented by CBRE are based on scenario modelling and should not be regarded as guaranteed income. The primary purpose for income generated will be to support ongoing asset management, condition works and operational costs associated with the scheme.
73. The primary purpose of the proposed capital investment in Billingham Town Centre is regeneration and place-making rather than income generation. However, the forecast income is expected to assist in meeting costs associated with the investment and minimise any potential impact on the Council's Medium Term Financial Plan.

Independent Financial and Commercial Review

74. The Council commissioned the CIPFA to provide independent challenge and assurance in relation to the proposed acquisition of Billingham Town Centre. The review considered the proposed acquisition price, valuation evidence, affordability, funding arrangements, condition liabilities, rental income assumptions, value for money considerations and wider financial and regeneration risks. The purpose of the review was to provide independent challenge to the assumptions underlying the proposed acquisition and to identify areas requiring further scrutiny prior to any binding commitment being entered into
75. CIPFA identified significant risks associated with the acquisition and advised extreme caution before the Council enters into a binding commitment. In particular, the review highlighted the difference between the proposed acquisition price of £13 million and the available valuation and market pricing evidence, concerns regarding value for money, building condition liabilities, uncertainty surrounding future rental income and the need for

greater clarity regarding the longer-term ownership and regeneration strategy for the centre.

76. CIPFA also raised concerns regarding the maturity of certain cost estimates, the potential for optimism bias within future regeneration assumptions, the extent to which the original regeneration business case remains applicable to the revised acquisition-led delivery approach and the need to demonstrate that acquisition represents an appropriate use of public resources. The Council recognises that these concerns are material and has considered them carefully in developing the proposals presented to Cabinet.
77. Since completion of the CIPFA review, the Council has revised its proposed funding approach and secured a legally binding commitment from TVCA in relation to future regeneration funding. These developments did not form part of the assumptions considered by CIPFA. In the Council's assessment they materially reduce the borrowing-related risks identified within CIPFA's illustrative financing scenarios, although they do not remove the wider commercial, ownership and delivery risks associated with the proposal. Cabinet is therefore asked to consider both the concerns identified by CIPFA and the additional information now available when determining whether the acquisition should proceed.
78. The review also considered the investment characteristics of the shopping centre and identified concerns regarding the condition of parts of the asset, vacancy levels, the concentration of rental income amongst a relatively small number of occupiers and the number of lease events anticipated during the initial period of ownership. These issues create uncertainty regarding future income and asset performance and form part of the commercial risk associated with ownership. The Council proposes to manage those risks through specialist commercial asset management, active tenant engagement, planned maintenance activity and ongoing financial monitoring.
79. The Council has considered the findings of CIPFA alongside the commercial advice obtained from CBRE, the valuation and condition evidence provided by Knight Frank, the specialist legal advice obtained from DWF and the revised funding arrangements. The purpose of commissioning CIPFA was to ensure that the risks associated with the proposed acquisition were independently identified and tested rather than to provide an endorsement of the transaction.
80. Cabinet is therefore being asked to consider the acquisition with full knowledge of the concerns identified through the CIPFA review, the Council's response to those concerns and the residual risks which remain. The purpose of the decision is not to determine whether risk exists, but whether the identified risks are proportionate when weighed against the potential benefits of securing control of Billingham Town Centre and the consequences of failing to do so. Cabinet should also recognise that some of the concerns identified by CIPFA are capable of mitigation whilst others represent residual risks inherent in ownership of the asset and the delivery of the wider regeneration programme.
81. Cabinet should note that the TVCA funding commitment was secured after completion of the CIPFA review and therefore did not form part of the assumptions considered by CIPFA. Equally, not all of the concerns identified by CIPFA are considered to have been resolved

and a number remain relevant to Cabinet's consideration of the proposal, particularly in relation to value for money, condition liabilities, income sustainability and the long-term implications of ownership.

Condition of the Town Centre

82. A key consideration in assessing the proposed acquisition is the overall condition of the asset and the likely repair, maintenance and compliance liabilities associated with ownership.
83. SBC commissioned Knight Frank to undertake a programme of condition surveys across the centre. Those surveys identified a range of repair and maintenance issues affecting the retained asset, including roof coverings, windows, guttering, concrete repairs, surfacing, handrails, walkways and related fabric repairs. Whilst some items require attention in the short term to address statutory compliance or more acute disrepair, other items relate to longer-term maintenance and lifecycle replacement.
84. Knight Frank identified repair and maintenance liabilities relating to the retained asset estimated at approximately £6.5 million, including fees and contingency. This estimate relates only to buildings currently proposed for retention and excludes buildings presently identified for demolition, including West Precinct, Queensway South, Kingsway Car Park and the former library site.
85. Members should note that a number of condition estimates have been produced during the development of the proposals. These estimates were prepared for different purposes and on differing assumptions regarding demolition proposals, retained buildings, ownership periods and maintenance obligations and should not therefore be regarded as directly comparable estimates of the same liability.
86. An initial allocation of £2 million is proposed within Phase 1 to address prioritised urgent repair and maintenance works. This allocation is not presented as sufficient to discharge all existing and future maintenance obligations. The balance of identified liabilities will be prioritised and considered through the Planned Preventative Maintenance strategy alongside future capital funding opportunities, operational income, service charge recovery and the proposed demolition programme.
87. Further investigations will be required following acquisition, including additional work relating to mechanical and electrical systems, fire compartmentation, structural condition and wider compliance matters. Those investigations may identify additional expenditure requirements or result in changes to current estimates. The Council will assume responsibility for the asset's statutory compliance and landlord obligations upon acquisition and any material change to the assumptions underpinning the acquisition will be managed through the Council's established governance and financial monitoring arrangements.

Summary of the case for Acquisition

88. The proposed acquisition would secure control of Billingham Town Centre and provide the Council with the ability to bring forward a programme of regeneration which has not been delivered through successive periods of private ownership. At the same time, acquisition would result in the Council assuming responsibility for a significant commercial asset

together with the risks associated with its management, operation and future redevelopment.

89. The evidence presented within this report and the accompanying annexes identifies both the potential benefits and the potential risks of acquisition. Independent valuation, commercial, legal and financial advice highlights issues including the relationship between the proposed acquisition price and market pricing evidence, the condition of parts of the centre, the sustainability of future rental income and the costs and uncertainties associated with future phases of regeneration. Those matters do not necessarily weigh against acquisition but are factors which Cabinet should take into account when considering whether the proposed transaction is justified.
90. Cabinet may also wish to have regard to the realistic alternatives available. Partial acquisition has not proved achievable through negotiation. Compulsory purchase powers remain available in principle but would involve uncertainty regarding timescales, costs and outcomes. Retaining the current position would avoid the immediate risks associated with acquisition but would leave the future of the town centre largely dependent upon third-party decisions and provide no assurance that deterioration of the asset will be addressed.
91. The revised funding strategy and the commitment secured from TVCA represent important developments since earlier assessments of the proposal. Whilst those developments do not remove all risk, they alter the context in which the proposal falls to be considered and reduce reliance upon the borrowing assumptions which informed earlier reviews.
92. The issue for Cabinet is therefore not simply whether Billingham Town Centre represents an attractive commercial property investment when viewed in isolation. Rather, Cabinet is asked to consider whether, having regard to the available alternatives, the professional advice received, the regeneration objectives sought to be achieved, the risks identified within this report and the consequences of failing to secure control of the asset, acquisition of the town centre represents an appropriate and proportionate course of action.
93. The evidence presented within this report is intended to assist Cabinet in determining whether acquisition represents an appropriate and proportionate means of securing the regeneration objectives for Billingham Town Centre. In particular, Cabinet is invited to consider:
- the extent to which acquisition is necessary to secure control of the assets required to deliver regeneration;
 - the implications of the purchase price and the professional advice relating to valuation, market pricing and subsidy control;
 - the costs, benefits and risks associated with alternative approaches, including reliance upon compulsory purchase powers;
 - the affordability and sustainability of the proposed funding strategy;
 - the regeneration benefits capable of being achieved through the phased delivery approach; and
 - the prospects of securing funding and investment required to support future phases of regeneration

Operating the Asset

94. SBC currently commission external asset management services for commercial assets, for example Wellington Square Shopping Centre. It is proposed that this model is continued, to ensure effective day to day centre management, tenant liaison, cleaning, security, rent collection, service charge to promote the effective operation of the centre. In addition, commercial support will be required to market vacant lots, negotiate rent reviews and lease extensions and advise on market opportunities. It is proposed to procure these services and fund them from centre income. There will also be additional council staffing resource requirements to manage and monitor the contract and centre, the cost of this will be met by the income stream.

Billingham Regeneration Board

95. To embed SBC's commitment to engage local stakeholders and the community in shaping future regeneration plans it is recommended that the Council establish a Billingham Regeneration Board, which will act as an advisory group to help ensure proposals for Billingham are developed in a way that meet local need and aspirations and are owned and understood by the local community. The board will also provide oversight, challenge, support and advocacy throughout the various phases of regeneration.
96. Membership of the Board will be comprised of all tiers of local government, MP, business representatives, the voluntary sector, education providers and other key town centre stakeholders. It is proposed that the Board is independently chaired by Mark White CBE DL, who serves as Chair of Thornaby Town Deal Board providing leadership to support the development and delivery of the Towns Fund programme. As a Billingham resident and with extensive and successful experience of many local, regional, and national organisations, his experience will be an asset to the project.

Next steps for redevelopment

97. As proposals for future uses on the redevelopment sites emerge, a key step will be to explore appropriate delivery options and partnership structures with the intention of ultimately securing a development partner to bring forward future phases of redevelopment that would be subject to further Cabinet consideration and Cabinet approval.
98. Where appropriate, Council assets within and adjacent to the town centre may be brought into consideration as a means of increasing development and investment potential, unlocking new development and safeguarding existing and traditional town centre uses. Discussion with other stakeholders in the vicinity of the town centre will also take place to explore opportunities to increase redevelopment potential in the area.
99. A further report will be brought to Cabinet in summer/autumn 2027 covering progress on public engagement, emerging development opportunities and progress on demolition programme and repair works.
100. Future phases of regeneration will be subject to securing funding.

Community Impact and Equality and Poverty Impact Assessment

101. An EPIA has been completed and is available as Annex 4. Cabinet should have regard to the Equality and Poverty Impact Assessment when considering this report.

Corporate Parenting Implications

102. There are no corporate parenting implications in this report.

Financial Implications

103. The £20 million Local Regeneration Fund allocation is included within the Council's approved Capital Programme. The funding must be expended in accordance with the applicable grant conditions and by 31 March 2028. The proposed acquisition and Phase 1 works are intended to be financed from this allocation, subject to compliance with the relevant funding requirements.
104. The Council has received a legally binding conditional commitment from TVCA to reserve up to £10 million for eligible regeneration works associated with Billingham Town Centre. The commitment is subject to the terms of TVCA's letter dated 19 October 2026, including the approval of appropriate business cases and compliance with the relevant funding and assurance requirements. The funding will be incorporated into the Council's Capital Programme in accordance with the Council's financial procedures as the necessary approvals and agreements are completed.
105. The approval within this report is for Phase 1 only, Phase 2 and future phases are subject to confirmation of funding application processes and funding agreements. Until funding is secured, there is a risk that funding may not be unlocked to deliver Phase 2 and other future phases of regeneration.
106. The revised delivery strategy does not propose to draw down the previously anticipated £10 million of prudential borrowing at this stage. This materially changes the financial assessment when compared with the earlier debt-financed model and reduces the anticipated exposure of the Medium Term Financial Plan to interest and Minimum Revenue Provision charges. Provision for prudential borrowing remains within the approved Capital Programme but is not proposed to be utilised at this stage. Any potential future drawdown of prudential borrowing will be subject to business case development and a future decision.
107. Notwithstanding the revised funding arrangements, acquisition of the centre will result in the Council assuming responsibility for its ongoing management, operation, maintenance and statutory compliance. The financial position will therefore remain sensitive to rental income, tenant retention, void costs, service charge recovery, repair liabilities and the timing of regeneration work.
108. CBRE has undertaken financial modelling of the anticipated income from the centre, informed by its assessment of the tenancy schedule and advice from specialist retail agents. The modelling identifies a range of potential outcomes over the initial period of ownership. These forecasts provide an important basis for assessing the potential

contribution of rental income towards operating costs and future investment but remain subject to commercial uncertainty. The concentration of income among key tenants and the number of forthcoming lease events represent material risks which must be actively managed.

109. CIPFA has independently reviewed the financial and commercial assumptions underpinning the acquisition and has identified significant risks, including the potential impact of debt financing, reduced rental income, building condition liabilities and capital cost increases. Its report dated 16 October 2026 advises caution and recommends that these matters are fully considered before the Council enters into a binding commitment. In the Council's assessment, the revised funding strategy addresses a substantial element of the borrowing-related risks identified by CIPFA, although other financial and commercial risks remain.
110. The proposed acquisition must be considered in the context of the Council's existing financial pressures and its obligations under the CIPFA Prudential Code and Best Value framework. The Chief Financial Officer's assessment of affordability, prudence and sustainability forms a key component of the advice supporting this report. In preparing that assessment, consideration has been given not only to acquisition costs but also to reasonably foreseeable adverse scenarios including reductions in rental income, increased repair liabilities, delays to regeneration activity and delays in securing future funding. Cabinet should have regard to that assessment when determining whether the proposal represents an acceptable level of financial risk and is financially sustainable. The Chief Financial Officer's assessment is that the revised funding strategy materially reduces the affordability risks associated with earlier borrowing-funded proposals, although significant commercial and delivery risks remain which Cabinet must consider in determining whether the proposal is affordable, prudent and sustainable.
111. The Chief Financial Officer's assessment should be read alongside the advice contained within the CIPFA review and the commercial and legal advice obtained by the Council. Whilst the revised funding strategy materially changes the affordability assessment, Cabinet should recognise that significant commercial, condition and delivery risks remain and that approval of the acquisition involves acceptance of those residual risks in pursuit of the regeneration objectives described in this report.

Legal Implications

112. The Council has power under section 120(1)(b) of the Local Government Act 1972 to acquire land by agreement for the benefit, improvement or development of its area. Section 120(2) further provides that land may be acquired notwithstanding that it is not immediately required for the relevant purpose. The proposed acquisition is intended to facilitate the regeneration of Billingham Town Centre and is considered to fall within these statutory powers.
113. The Council must also comply with its obligations under the Subsidy Control Act 2022. Specialist legal advice has been obtained from DWF Law LLP concerning the application

of the Commercial Market Operator Principle (CMOP) to the proposed transaction. The assessment requires consideration of whether the acquisition terms are consistent with conduct that could reasonably be expected of a rational commercial market operator in comparable circumstances. The Council's wider regeneration objectives cannot, of themselves, be relied upon to establish compliance with that principle.

114. The proposed purchase price exceeds CBRE's assessment of general market pricing, and the Council must therefore be able to demonstrate the commercial basis upon which the proposed transaction is justified. This includes consideration of the available valuation evidence, anticipated financial returns, commercial risks, comparable transactions and any evidenced purchaser-specific commercial factors. The detailed commercial assessment and specialist legal advice are addressed in the exempt supporting documentation. The Council must also ensure that the proposed use of grant funding is consistent with the applicable funding conditions and subsidy control requirements.

Risk Assessment

115. The report outlines the significant risks associated with acquisition and a failure to secure control of BTC. They are summarised below.

Asset Condition

116. Building survey has identified a wide range of condition issues across the town centre that require addressing in the short and medium term. An initial sum of £2 million from the total scheme budget has been allocated to address immediate high-priority condition issues, as identified by building survey. Repairs and renewals will be identified and prioritised in conjunction with appointed asset and property managers, having regard to budget availability and operational need. A detailed Planned Preventative Maintenance (PPM) programme will be devised and implemented following further required surveys, to ensure identified condition items are addressed in a cost-effective way. Opportunities for identifying additional funding for repairs through surplus income and rebalancing of service charge budget will also be explored.

Cost Estimates

117. The scheme has provisional cost allocations for the capital investment required in Phases 1 and 2. Due to the phasing of the scheme and the potential extension to delivery timeline to allow for business case development and assessment, additional costs may arise requiring additional capital investment.
118. The two phases include a contingency sum which is included in appendix A. All attempts will be taken throughout the project gateways to control costs. If costs do exceed planned funding, additional funding options will be considered and sought.

Income

119. Current Net Operational Income appears healthy however approximately 27 tenants have lease events that require action before January 2028. Asset Managers will be appointed to oversee lease renewals and new lettings. Agreeing new lease terms with those tenants with outstanding or upcoming lease events will be prioritised, with a view to securing the rental income for a further certain period. New tenants will be targeted for vacant units, following the asset management strategy, to reduce landlord's holding costs and improve the vitality and capital value of the centre.

Grant funding conditions including timeline

120. The deadline for spending LUF monies is 31st March 2028. If £20 million is not defrayed before that deadline, funds will no longer be available. SBC is proposing to acquire the asset from SAE at the quoted asking price on or around December 2026. It is proposed that the purchase price of £13 million (plus SDLT and professional fees) is paid from LUF budget and remaining funds are utilised to address condition issues and to facilitate demolition of Queensway South block. The Council has engaged with MHCLG in relation to the evolving proposals for Billingham Town Centre and the intended use of Local Regeneration Fund resources described within this report. The Council will ensure that all expenditure is consistent with the applicable funding conditions and any necessary approvals before expenditure is committed.

Failure to secure funding for Phase 2

121. TVCA Funding sources are already identified with a business case to be developed. Exploration of other funding sources including Brownfield Regeneration Funding. If none of these are successful, then a business case for prudential borrowing will be developed based upon a comprehensive regeneration scheme for Billingham town centre where development values can be captured to mitigate borrowing risk.

Compliance

122. Knight Frank building survey highlighted condition issues that need to be addressed to ensure the asset continues to meet health and safety and statutory compliant standards. The allocated budget allocation for condition repairs will be used to address the areas that have been identified by Knight Frank as most urgent. Expenditure will be required on repairs, renewals, upgrades and in particular addressing statutory concerns. Additional specific surveys will be commissioned and remedial works carried out according to statutory and operational need, linked to the overall asset management strategy and budget constraints.

Prudential Code and Financial Sustainability

123. The acquisition will result in the Council assuming responsibility for the ongoing operation and maintenance of a complex commercial asset. Although the revised funding strategy is intended to avoid immediate prudential borrowing, the Council

remains exposed to risks associated with reduced income, unforeseen expenditure and delays to future regeneration phases.

124. These risks will be managed through the phased delivery strategy, ongoing financial monitoring, specialist asset management and the development of detailed business cases for subsequent investment. Any future borrowing requirement will be subject to a separate assessment of affordability, prudence and sustainability.

Value for Money and Best Value

125. The proposed acquisition price of £13 million exceeds CBRE's assessment of market pricing and differs significantly from certain alternative valuations prepared on different assumptions. CIPFA has identified this as a material value for money and audit risk and has emphasised the need for a robust justification of the acquisition price and consideration of alternative approaches.
126. The Council has obtained independent commercial, valuation, financial and legal advice and has considered the wider regeneration objectives, available alternatives, anticipated costs and benefits and the risks associated with both acquisition and non-acquisition. In determining whether the proposal represents Best Value, Cabinet should have regard not only to the proposed acquisition price but also to the likely costs, risks, deliverability and outcomes associated with the realistic alternatives available to the Council, recognising that each option carries its own benefits and uncertainties. The proposed acquisition should not be viewed solely as an investment property transaction but as an intervention intended to secure strategic control of a key town centre asset and facilitate regeneration which has not been delivered through previous private ownership. The original Jacobs economic appraisal supports the strategic rationale for intervention but was not prepared as an appraisal of the acquisition-led and phased delivery approach now under consideration. The assessment of Best Value must therefore be undertaken by reference to the evidence currently before Cabinet, including the available alternatives, anticipated costs, identified risks and benefits reasonably attributable to the proposal.

Accounting, Valuation and External Audit

127. The acquisition will be subject to the Council's normal financial reporting, valuation and external audit arrangements. The asset will be recognised, valued and accounted for in accordance with applicable local authority accounting requirements, having regard to its condition, income, tenancies and other relevant characteristics.
128. There is a risk that the accounting value of the asset may be lower than the acquisition price, potentially resulting in an impairment. The Section 151 Officer will ensure that the accounting treatment, including any impairment, capitalisation of expenditure and associated financial consequences, is properly assessed and reflected in the Council's financial statements.

129. External audit scrutiny may consider the Council's arrangements for securing value for money, including the evidence and governance supporting the acquisition decision. Where auditors identify significant weaknesses in the Council's arrangements they may report those matters through the applicable statutory audit framework. The Council therefore recognises the importance of maintaining a clear record of the professional advice, evidence and reasoning supporting Cabinet's decision.

Subsidy Control

130. The proposed purchase price exceeds CBRE's assessment of general market pricing, giving rise to a subsidy control consideration if the transaction were to confer an economic advantage on the seller. Specialist legal advice has considered the application of the Commercial Market Operator Principle by reference to the available commercial evidence, including income projections, yield analysis, comparable transaction evidence and purchaser-specific commercial considerations. The conclusions of that advice are set out within Exempt Annex D. Cabinet must nevertheless satisfy itself that the acquisition is supported by a rational commercial justification and does not rely solely upon the wider public benefits associated with regeneration.

Doing nothing

131. The asset could be sold or transferred to an alternative owner with no assurance that future investment or regeneration would follow. In those circumstances the decline of the town centre may continue, the opportunity to utilise existing external funding could be lost and the Council's existing liabilities associated with leasehold interests within the town centre would remain.

Wards Affected and Consultation with Ward Councillors

132. Billingham Central is the directly affected Ward, and all Billingham Ward Councillors have been briefed on the proposed acquisition of BTC due to the broader impact on the community:

- Billingham Central - Cllr Ann McCoy and Cllr Barry Woodhouse.
- Billingham East - Cllr Michelle Bendelow, Cllr Mick Stoker
- Billingham North - Cllr Clare Besford, Cllr Marc Besford
- Billingham South - Cllr Katie Zagoria, Cllr Paul Weston
- Billingham West & Wolviston - Cllr David Reynard, Cllr Marcus Vickers

Background Papers

Reference should be made to the following Cabinet reports that are relevant to the project:

- Reshaping Our Town Centres (February 2021)
- Billingham Town Centre and Sports Hub Update (June 2024),
- Billingham Town Centre and Sports Hub Update (May 2025),

- Powering Our Future – Regeneration Mission Update (July 2025)
- Billingham Town Centre (July 2026)

Annexes

Annex 1	Map of Billingham Town Centre asset
Annex 2	Economic Impact Assessment
Annex 3	TVCA Funding Letter
Annex 4	Equality and Poverty Impact Assessment
Annex 5	Chief Financial Officer's Advisory Note
Exempt Annex A	Cost breakdown of phased scheme
Exempt Annex B	CBRE Commercial evaluation report
Exempt Annex C	CIPFA report
Exempt Annex D	CMOP Report

Glossary

BTC	Billingham Town Centre
CBRE	Commercial Advisors
CIPFA	Chartered Institute of Public Finance Accountants
CMOP	Commercial Market Operator Principle
CPO	Compulsory Purchase Order
EPIA	Equality and Poverty Impact Assessment
LSOAs	Local Super Output Areas
LRF	Local Regeneration Fund
LUF	Levelling Up Fund
M&E	Mechanical and Engineering Services
MHCLG	Ministry of Housing Communities and Local Government
MTFP	Medium Term Financial Plan
PPM	Planned Preventative Maintenance
SBC	Stockton on Tees Borough Council
SDLT	Stamp Duty Land Tax
SAE	Sheet Anchor Evolve (Centre Owners)
TVCA	Tees Valley Combined Authority

Name of Contact Officer: Tracey Carter

Post Title: Director of Regeneration and Inclusive Growth

Telephone number: 01642 528369

Email address: tracey.carter@stockton.gov.uk